

# AuDAX Resources Limited

## ABN 50 009 058 646

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### ASX Principles of Good Corporate Governance and Best Practice Recommendations

#### **Principle #9: Remunerate Fairly and Responsibly**

*Recommendation 9.1: Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies, and (ii) the link between remuneration paid to Directors and key executives and corporate performance.*

*Recommendation 9.2: The Board should establish a remuneration committee.*

*Recommendation 9.3: Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executives.*

*Recommendation 9.4: Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in Schemes approved by shareholders.*

*Recommendation 9.5: Provide the information indicated in ASX Guide to Reporting on Principle 9 in the annual report.*

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The Board of Directors maintains remuneration policies which are aimed at attracting and retaining a motivated workforce and management team. The intention is to match the outcomes from the remuneration system with the performance of the Company and ultimately the value received by our shareholders on a long-term basis.

As an overall policy, the Company will remunerate in such a way that it:

- motivates Directors and management to pursue the long-term growth and success of the Company ; and
- demonstrates a clear relationship between key executive performance and remuneration.

#### **Board Remuneration Committee**

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate for AuDAX. The Board has adopted the following policies of Directors' and Executives' remuneration:

#### **Non-Executive Directors' Remuneration**

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Effective 1 June 2004, any newly appointed Non-Executive Directors will serve in accordance with a standard service contract, drafted by the Company's lawyers, which sets out remuneration arrangements. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act as at the time of the Director's retirement or termination. Non-Executive Directors are entitled to receive options under the rules of the AuDAX Employee Option Scheme.

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## **Executive Remuneration**

Senior executives, including Executive Directors, are engaged under the terms of individual employment contracts. Such contracts are based upon standard terms drafted by the Company's lawyers. Executive Directors do not receive any directors' fees in addition to their remuneration arrangements. Executive Directors are entitled to receive options under the rules of the AuDAX Employee Option Scheme, and may be offered additional options as part of their remuneration, subject to Shareholder approval. The monetary package is divided between a base salary/consulting fee and, for non-directors, an incentive portion if considered appropriate. Base salary/consulting fees are set to reflect the market salary for a position and individual of comparable responsibility and experience. Base salary/consulting fees are regularly compared with the external market and during recruitment activities generally. It is the policy of the Company to maintain a competitive salary structure to ensure continued availability of experienced and effective management and staff.

## **Employee Option Scheme**

All employees except for Executive Directors are eligible to participate in the AuDAX Employee Option Scheme (the "Scheme"), which was approved by shareholders on 21 November 2001. Actual participation is dependent upon the discretion of the Board under the terms of the approved Scheme. The Board exercises its discretion to apply vesting and hurdle conditions which are intended to ensure that rewards are available only to employees who contribute to the Company over the medium to long term and that the benefits flowing from the Scheme are aligned to value achieved by shareholders.

## **Disclosure of Directors' and Executives' Remuneration**

In accordance with the Corporations Act and Accounting Standards requirements, full detailed disclosure of Directors' and executives' remuneration is made in AuDAX's annual report. Any other transaction with Directors are also fully disclosed in the related parties note in the annual report.

In accordance with ASX listing rule 3.1, continuous disclosure is made of any significant employment agreements or termination agreements or payments which may have a material effect on the price or value of AuDAX securities, or because of its nature, the Directors believe disclosure should be made.