



Deacons

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Corporate governance statement

Company

Axiom Mining Limited
ARBN 119 698 770

Contact

Tim Woodforde

Partner

Deacons

Telephone: +61 (0)9330-8303

Email: tim.woodforde@deacons.com.au

Website: www.deacons.com.au

Our ref: 2577542

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ARBN 119 698 770
(Company)

Corporate governance statement

Introduction

The practice of good corporate governance is vital in enhancing investor confidence in corporate accountability by demonstrating a commitment to transparency. The Company is committed to the principles of corporate governance.

The Australian Stock Exchange Corporate Governance Council (**Council**) was formed in August 2002 to develop an industry-wide framework for corporate governance for listed companies. The resulting Council's Principles of Good Corporate Governance and Best Practice Recommendations (**Recommendations**) form the benchmark for corporate governance.

The Recommendations are intended to be implemented by all listed companies. However, allowance has been made for the significant differences in size and structure of a target company, and a company may choose not to implement certain recommendations, provided that the company explains why it has not done so and what alternate approaches have been adopted. This is known as the 'if not, why not' approach.

The Recommendations require companies to communicate their corporate governance practices through both the annual report and the company web page. This summary of our Corporate Governance practices forms part of this communication.

The relevant Recommendation reference has been included below each point of this summary.

Board

1. Introduction

- 1.1 The role of the board (**Board**) is to oversee the management of the Company as well as provide strategic guidance. We have adopted a Board charter (**Charter**) which formally sets out the functions and responsibilities of the Board, and enables the Board to perform its role

more effectively. This creates a system of checks and balances to provide a balance of authority.

2. Directors

2.1 John G Bovard (Non Executive Chairman) BE (Civil), FAusIMM

Mr Bovard is a civil engineer with 35 years' experience in mining and project development. His career has included roles as CEO of public companies and both executive and non-executive directorships. Most recently, Mr Bovard was the CEO of Asia Pacific Resources Ltd, a Canadian listed mining company, developing a world-class potash resource in Thailand. Mr Bovard has been a director of the ASX publicly listed Danae Resources NL since 7 December 2000 having held the position of executive chairman up until 18 February 2002. Mr Bovard was previously the project manager for the successfully completed A\$800 million Queensland Fertilizer Project for WMC Ltd. He brings to the Board of Axiom Mining, among his other areas of expertise, extensive experience with project financing and feasibility assessments on behalf of mining companies and banks.

Mr Bovard was appointed to the Board on 14 June 2006.

2.2 Jake W Gray (Executive Director and Chief Executive Officer) MAusIMM

Mr Gray has wide experience in business and 20 years' involvement with the mineral resource industry, initially in Papua New Guinea, formerly as co-founding director of PNG Mining & Explorations N.L. and subsequently as managing director of Carpenter Pacific Resources N.L. Ltd until his retirement in early 1990. As a founding director and the CEO of Axiom Mining since 1992, Mr Gray has overseen its development from a small private company to a substantial unlisted public company. He is responsible for the overall development in Vietnam and is a substantial shareholder. Mr Gray's 20 years' of practical mining experience enables him, with the support of Mr McCarthy, to ensure the wide geological expertise of the Axiom Mining explorationists is commercially focused.

2.3 John (Jack) V McCarthy (Executive Director Geology) BSc (Maj. Geology), MAusIMM

Mr McCarthy graduated from St Francis Xavier University, Nova Scotia, Canada in 1974, majoring in geology. Immediately prior to moving to Hanoi with Axiom Mining in 1996 he was a director of Talon Environment Inc. and also general manager of Jasmotech Metal Technologies Inc. based in Montreal, Canada, applying and marketing Canadian developed soil remediation and cyanide and gold recovery technologies in North America. Earlier, Mr McCarthy had a long association with A.C.A. Howe International, in exploration and mining consulting through to general

manager and director of A.C.A. Howe Australia Pty Ltd and alternate director of Jason Mining Limited. His work with A.C.A Howe Australia Pty Ltd involved property assessments and preparation of independent geological and valuation reports for the Australian and other international stock exchanges, financial institutions and brokerage houses. Mr McCarthy has been resident in Hanoi since June 1996 performing managerial, finance generation, property evaluation and geological supervisory roles on behalf of the Company. Mr McCarthy was appointed to the Board on [#insert#].

2.4 Kelvin Lee (Non Executive Director)
BBus, CPA

Mr Lee is Managing Director and Head of Investment Banking at VinaCapital Group, the major shareholder of Axiom at the date of this Prospectus. He has worked with VinaCapital since March 2005. Prior to joining VinaCapital, Mr Lee had some 14 years' investment banking experience working in South East Asia at various times for PricewaterhouseCoopers in Ho Chi Minh City, and Lippo Securities and AIG Private Equity in Jakarta. Mr Lee gained his initial experience working for the Chartered Accountants Arthur Andersen and Coopers & Lybrand in Melbourne. He brings to the Board of Axiom Mining diverse international investment banking experience coupled with knowledge of the operation of the Australian domestic markets.

Mr Lee was appointed to the Board on 14 June 2006.

2.5 Michael N Arnett (Non Executive Director)
B Comm, LLB

Mr Arnett is a Partner, member of the board of directors and national head of the Natural Resources Business Unit of the law firm Deacons. Mr Arnett is also one of the firm's representatives on the International Management Board responsible for the management of Deacons' international operations which extend throughout Asia. His practice is corporate and commercial in which resource industry work has been prominent for the last 16 years. Mr Arnett acts for a number of junior and major exploration and mining companies with operations in Australia, Asia and Africa.

Mr Arnett is the director of a number of public and private companies, including Archipelago Resources Plc, Aztec Resources Limited, Kids Campus Ltd, Orlando Resources NL and Queensland Energy Resources Ltd. Deacons have acted as solicitors to the Company in relation to the Offer and provided other legal services from time to time.

Mr Arnett was appointed to the Board on 7 July 2006.

2.6 Ian Winlaw (Non Executive Director)

Mr Winlaw is an accountant with his own practice in Sydney. In addition to this practice he has been a professional company director since 1973.

Important roles include joining the board of Cloncurry Mining Limited prior to its float in 1992 and seeing that company develop from the exploration stage to commissioning one of the first SX/EW copper plants in Australia. He is a member of the board of the ASX listed Integrated Research Limited and is chairman of Australian Alpaca Fleece Limited.

Mr Winlaw was appointed to the Board on 4 July 2006.

2.7 Term of office

Due to the number of new appointments to the board the subject of directors term of office has been deferred.

3. Responsibilities

3.1 The responsibilities of the Board, as set out in the Charter, include:

- (1) oversight of the Company, including its control and accountability systems;
- (2) appointing and removing the CEO (or equivalent) including approving remuneration of the CEO and remuneration policy and succession plans for the CEO;
- (3) ratifying the appointment and, where appropriate, the removal of the CFO (or equivalent) and the Company secretary (**Secretary**);
- (4) input into the final approval of management's development of corporate strategy and performance objectives;
- (5) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (6) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- (7) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures; and
- (8) approving and monitoring financial and other reporting.

3.2 The responsibilities delegated by the Board to the Company's management include:

- (1) managing day-to-day operations in accordance with the standards for social and ethical practices which have been set by the Board;

- (2) developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives

4. Structure

- 4.1 The Board is structured such that four out of six of the directors, being the majority, are independent directors. By “independent” it is meant that each director is independent of management and free of any business or other relationship that could materially interfere with the exercise of independent judgment.
- 4.2 The chairperson (**Chairperson**) is an independent, non-executive director.

5. Independent directors

- 5.1 A director is deemed to be independent if they are a non-executive director and:
 - (1) not a substantial shareholder;
 - (2) not employed in an executive capacity in the company in the last 3 years;
 - (3) not a material consultant to the Company in the last 3 years;
 - (4) not a material supplier or customer of the Company;
 - (5) no material contractual relationship with the Company;
 - (6) has not served on the Board for a period which could materially interfere with their ability to act in the best interests of the Company; and
 - (7) is free from any interest which could materially interfere with their ability to act in the best interests of the Company.
 - (8) We assess the materiality thresholds referred to above on a case-by-case basis.

6. Establishment of committees

6.1 The Board has established the following committees:

- (1) Nomination and Remuneration Committee – to deal with the appointment and removal of directors; and to ensure that the Company remunerates fairly and responsibly
- (2) Audit and Risk Committee – to protect the integrity of financial reports

7. Composition of committees

7.1 Names of members of committees

	Nomination and Remuneration Committee	Audit and Risk Committee
John Bovard	√	√
Ian Winlaw	√	√
Kelvin Lee	√	
Michael Arnett		√

7.2 Attendance at meetings

	Nomination and Remuneration Committee	Audit and Risk Committee
<i>[Insert names]</i>	<i>[insert √ if applicable]</i>	<i>[insert √ if applicable]</i>

8. Appointment and removal of directors

8.1 Nomination and Remuneration Committee

The Nomination and Remuneration Committee regulates the tenure, size and composition of the Board. The role of the Remuneration Committee is also to review the remuneration policies and practices of the Company to ensure that the Company remunerates fairly and responsibly. Such policies are designed to attract and retain talented and motivated directors. Below is a summary of the Nomination and Remuneration Committee's role and responsibilities, structure and membership requirements.

(1) Members

The Nomination and Remuneration Committee has minimum 3 members, with 2 being independent directors. The chairperson is the Chairperson of the Board, an independent director. Members of the Nomination and Remuneration Committee are appointed and removed by the Board. Members of the Nomination and Remuneration Committee must have an appropriate level of understanding of:

- (a) the principles of corporate governance;
- (b) the Company's businesses and organisation structure;
- (c) the functions of the Board and the various roles and responsibilities of directors and other key executive positions;
- (d) Company management, at a senior management level;
- (e) the disclosure requirements under the Corporations Act 2001 (**Act**); and
- (f) the complexities involving negotiating and determining executing remuneration packages.

(2) **Responsibilities**

Responsibilities of the Nomination and Remuneration Committee include:

- (a) recommendations for the appointment and removal of directors;
- (b) assessing director competencies;
- (c) evaluating the Board's performance;
- (d) review of Board succession plans;
- (e) providing advice and recommendations relating to:
 - (i) the executive remuneration policy;
 - (ii) the non-executive remuneration policy;
 - (iii) remuneration packages for executive directors and senior management;
 - (iv) merit recognition arrangements; and
 - (v) termination arrangements.

(3) **Meetings**

The Nomination and Remuneration Committee will meet as frequently as required and at least twice a year. Any member of the Nomination and Remuneration Committee may call a meeting. A quorum at such meetings consists of at least 2 members, 1 of which must be independent.

8.2 **Appointing new directors to the Board**

Nominations for new directors are made by the Nomination and Remuneration Committee and considered by the Board as a whole. Assessment criteria include background, experience, professional skills, personal qualities, whether their skills and experience will augment the existing Board and their availability to commit themselves to the Board's activities.

All newly appointed directors must stand for election by shareholders at the next annual general meeting.

9. Independent advice

- 9.1 In order to facilitate independent judgment in decision making each director has the right to seek independent professional advice at the Company's expense.

Financial reporting

10. CEO and CFO assurances

- 10.1 As part of our structure of financial review and authorisation both the CEO and CFO are required to provide written assurances to the Board that the financial reports present a true and fair view of the Company's financial position in all material respects. This is designed to raise the level of management accountability for financial reporting.

11. Internal auditing

- 11.1 An independent Audit and Risk Committee has been established by the Board to protect the integrity of financial reports. The importance of an Audit and Risk Committee is universally recognised in the practice of good corporate governance and plays a key role in focussing the Board on matters relevant to the integrity of financial reporting.
- 11.2 In order to give the Audit and Risk Committee the ability to exercise independent judgment, the Audit and Risk Committee is structured so that it consists of:
- (1) only non-executive directors;
 - (2) a majority of independent directors;
 - (3) an independent chairperson, who is not the Chairperson of the Board; and
 - (4) at least 3 members.
- 11.3 **Composition of the Audit and Risk Committee**
- (1) The Audit and Risk Committee will initially be comprised of:
 - (a) Ian Winlaw (Chair);
 - (b) John Bovard; and

- (c) Michael Arnett
- (2) The Committee will meet as frequently as required but must, at a minimum, meet twice per year.

11.4 **Charter of the Audit and Risk Committee**

The charter of the Audit and Risk Committee sets out its role and responsibilities, structure and membership requirements.

(1) **Responsibilities**

The responsibilities of the Audit and Risk Committee includes:

- (a) reviewing the integrity and the effectiveness of the internal audit;
- (b) overseeing the independence of the external auditors; and
- (c) the management of operational risk.

(2) **Meetings**

The Audit and Risk Committee will meet as frequently as required and at least twice a year. Any member of the Audit and Risk Committee may call a meeting. A quorum at such meetings consists of at least 2 members, 1 of which must be independent.

(3) **Expertise**

Every member of the Audit and Risk Committee is able to read and understand financial statements and at least 1 member is a qualified accountant or other financial professional with experience in financial and accounting matters.

(4) **Reporting**

The Audit and Risk Committee reports to the Board at the first Board meeting subsequent to each Audit and Risk Committee meeting. Each report contains all matters relevant to the Audit and Risk Committee's role and responsibilities.

12. **External auditing**

- 12.1 The Audit and Risk Committee is responsible for making recommendations to the Board concerning the appointment of external auditors and the terms of their engagement. The Audit and Risk Committee reviews the performance of the external auditors and annually reviews the Company's and subsidiary's policy on maintaining the

independence of the external auditor. The independent external auditor reports directly to the Audit and Risk Committee and the Board.

Risk management

13. CEO and CFO assurances

13.1 In order to create an environment for identifying and capitalising on opportunities, the Board has established a sound system of risk oversight and management. To encourage management accountability in this area both the CEO and CFO are required to provide written assurances to the Board (together with their assurances under point 10.1) that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

14. Risk management policy

14.1 In order to recognise and manage risk we have established an internal compliance system under which risk is identified, assessed, monitored and managed. This structure is designed and implemented by the Audit and Risk Committee as one of their key responsibilities but the Board oversees the establishment and implementation of the risk management system.

(1) Risk profile

All material risks affecting the Company, including both financial and non-financial matters, are compiled into a risk profile. Such a profile is regularly reviewed and updated and forms the basis for the risk management system.

(2) Assessment of effectiveness

The effectiveness of the risk management system is reviewed by the Audit and Risk Committee at least once a year. The Audit and Risk Committee is responsible for ensuring that the appropriate senior managers have established and implemented a risk management system throughout the organisation.

Remuneration and performance

15. Summary of performance evaluation

15.1 The performance of the Board and key executives are reviewed regularly against both quantitative and qualitative measures to ensure that the

directors and key executives obtain adequate feedback on the discharge of their responsibilities.

- 15.2 The Nomination and Remuneration Committee is responsible for evaluating the Board's performance. In addition, the Board regularly reviews its overall performance, as well as the performance of other committees, individual directors and executive management.

16. Remuneration policy

- 16.1 The remuneration policy is designed to ensure that the level and composition of remuneration is both competitive and reasonable. Remuneration is intimately connected to performance and is intended to be appropriate for the results delivered. Our policies are designed to attract and maintain talented and motivated directors and employees as well as raising the level of performance of the company.
- 16.2 The Board has the discretion to reward eligible employees with the payment of bonuses, stock options and other incentive payments. These incentive payments are designed to link rewards to performance and are determined by both financial and non-financial imperatives.

17. Remuneration of non-executive directors

- 17.1 It is recommended that the remuneration packages of non-executive directors are generally fee based. Non-executive directors do not participate in the schemes designed for the remuneration of executives, nor do they receive bonus payments or any retirement benefits other than statutory superannuation.

18. Equity based remuneration

- 18.1 The Remuneration Committee is responsible for ensuring that any equity-based executive remuneration is made in accordance with the thresholds approved by shareholders.

Code of Conduct

19. Summary of Code of Conduct (Code)

- 19.1 The Company seeks to be recognised as an organisation committed to the highest ethical standards in business. The Code provides an outline of the standards of ethical behaviour expected of Company directors and key executives and provides for the accountability of unethical practices.

The conduct of the directors and key officers is governed by the following principles:

- (1) responsibilities to shareholders and the financial community
 - (a) the Company values communication with its shareholders, other stakeholders, and the public at large. Full, fair and timely disclosure of relevant information is made to shareholders and the ASX;
- (2) employment practices
 - (a) integrity and professionalism – to act honestly and with integrity in all dealings of the Company;
 - (b) active compliance with the law;
 - (c) conflicts of interest – to fully disclose any matters which may lead to conflicts of interest; and
 - (d) confidential information – complying with the restrictions on the use of non-public information except where disclosure is either authorised or mandated by law;
- (3) fair trading and dealing
 - (a) the Company will not engage in anticompetitive practices that unlawfully restrict the free market economy.

As part of the active promotion of ethical behaviour any behaviour that does not comply with this Code must be duly reported. Protection will be provided for those who report violations in good faith.

Policies

20. Summary of the provisions of the Trading Policy

- 20.1 We have prepared a policy on the trading of Company securities by potential 'insiders' (**Trading Policy**) which is formulated to establish compliance standards designed to promote ethical and responsible decision making. The Trading Policy is published on the Company's website, www.axiom-mining.com in the spirit of transparency and it complements the laws prohibiting insider trading. It also complies with the disclosure provisions of the Australian Stock Exchange Listing Rules.

The Trading Policy applies constraints on a class of designated officers which include both directors and senior executives of the Company. The policies that govern directors are more restrictive than those that govern the senior executives and are detailed in a separate policy manual.

(1) **Notification**

Designated officers are required to notify an appropriate senior member of the Company of their intention to trade Company securities. Subsequent confirmation of the trading that has occurred is also required.

(2) **Communication**

Designated officers are prohibited from communicating price sensitive information to a person who may deal in securities of the Company. External advisors must be bound by confidentiality agreements.

(3) **Blackouts**

Designated officers are not permitted to trade during blackouts as detailed in the policy.

21. Summary of shareholder communication policy

21.1 The Company's communications strategy (**Communications Strategy**) is designed to empower shareholders by giving them access to balanced and understandable information on the Company. The Company is required under the Act and the Listing Rules of the Australian Stock Exchange to keep the market fully informed of all information that could materially effect the value of its securities.

(1) **Regular shareholder communication**

The Company is committed to maintaining direct, open and timely communications with all shareholders. The use of electronic communication provides broader access to Company information by investors and stakeholders and a greater opportunity for more effective communication. It also provides improved access for shareholders who are unable to attend meetings.

At a minimum the shareholder will receive the following:

- (a) annual results;
- (b) the annual report; and
- (c) half-yearly results.

(2) **Meetings**

Part of the Communications Strategy involves making it easier for shareholders to participate in general meetings. All shareholders

will be invited to attend the AGM and the Chairperson's report will be forwarded to all shareholders.

The Company will also request that the external auditor attend the AGM and be available to answer shareholder questions about the audit as well as the preparation and content of the audit reports.

22. Summary of the continuous disclosure policy

22.1 The purpose of the continuous disclosure policy is to ensure that there are mechanisms in place to provide all investors with equal and timely access to material information concerning the Company. Such information must be presented in a clear and balanced way so as to not omit any material information.

These policies are designed to ensure that the Company meets its continuous disclosure obligations under the ASX Listing Rules.

(1) Type of information that needs to be disclosed

Listing Rule 3.1 states that any information that a reasonable person would consider to have a material effect on the value of the company securities must be disclosed. Examples of such information include a change in revenue, asset values or significant transactions.

(2) Disclosure Officer

The Board has appointed the Secretary to act as the disclosure officer (**Disclosure Officer**), to be responsible for communications with the ASX and to decide what information must be disclosed. The Disclosure Officer holds the primary responsibility for ensuring that the Company complies with its disclosure obligations.

In addition, directors, employees or consultants are all responsible for reporting price sensitive information that is not generally available to the Disclosure Officer.

(3) Accountability

Contravention of the continuous disclosure obligations can result in a series of penalties under the Act ranging from civil penalties to criminal liability.