

6 Corporate Governance Statement

The Group is engaged in the upstream oil and gas industry, with operations in the USA.

AusTex Oil Limited has adopted systems of control and accountability as the basis for the administration of corporate governance. In keeping with the spirit of the ASX Principles and Recommendations, the company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account the evolving status of the Company and Board structure.

Further information about the Company's corporate governance practices is set out on the Company's website at www.austexoil.com. Information published on the Company's website includes charters (for the Board and sub-committees), the company's code of conduct and other policies and procedures relating to the Board and its responsibilities.

The Company's corporate governance practices are structured with reference to the ASX Principles and Recommendations (second edition), as follows:

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| Principle 1 | Lay solid foundations for management and oversight |
| Principle 2 | Structure the Board to add value |
| Principle 3 | Promote ethical and responsible decision-making |
| Principle 4 | Safeguard integrity in financial reporting |
| Principle 5 | Make timely and balanced disclosure |
| Principle 6 | Respect the rights of shareholders |
| Principle 7 | Recognise and manage risk |
| Principle 8 | Remunerate fairly and responsibly |

Explanation for Departures from Best Practice Recommendations

Recommendation 2.4: The board should establish a Nomination Committee.

Notice of Departure:

A separate nomination committee has not been formed; it is considered that it would be premature to have a Nomination Committee at this stage. Any nominations or re-elections are discussed as part of the full board meetings.

Audit Committee

Messrs Trevor Sykes, Peter Power and Boris Ganke were members of the Audit Committee since it was established in December 2007. Ms Philip was elected to the Audit Committee on 26 February 2009. Mr Ganke resigned from the Board in March 2009. The Audit Committee is chaired by Mr Trevor Sykes. Mr Trevor Sykes, Dr Peter Power and Ms Philip are considered to be independent Directors.

During the reporting period the Audit Committee held three meetings. The external auditor was present at each meeting, by invitation, as were other relevant parties to assist the Audit Committee in fulfilling its role efficiently and effectively.

Remuneration Committee

Details of the Company's remuneration policy are contained in the "Remuneration Report" which forms part of the Directors' Report.

The Board has not formed a Remuneration Committee at this stage. Any relevant matters were discussed as required from time to time during the regular meetings of the Board.

Other

Risk Management

A statement relating to risk management is available on the company's website, www.austexoil.com under Corporate Governance. To ensure continuing compliance with Principle 7 of the ASX Corporate Governance Principles a review of the risk management system in place has commenced and is ongoing, as a result of the changing economic climate, the speculative nature of oil and gas exploration and development and the volatility in the commodities and currency markets.

The Managing Director has completed a declaration in relation to the financial statements and that in his opinion the company's risk management and control systems operated effectively during the fiscal year.

Skills, Experience, Expertise and Term of Office of each Director

A profile of each Director containing the skills, experience, expertise and term of office of each Director is set out in the Directors' Report.

Identification of Independent Directors

Dr Peter Power, Mr Trevor Sykes, and Ms Kay Philip are considered to be Independent, under the criteria for independence as set out in Box 2.1 of the commentary that supplements the Independence Criteria.

Statement concerning Availability of Independent Professional Advice

Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval from the Chairman is required, which cannot be unreasonably withheld.

Confirmation whether Performance Evaluation of the Board and its Members have Taken Place and How Conducted

An evaluation of the Board and its members was not carried out during the year. The Board will assess the performance of individual Directors, including the Managing Director, in due course and establish formal measures for performance.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

Non-Executive Directors are not entitled to any termination or retirement benefits.