

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

BOARD OF DIRECTORS AND ITS COMMITTEES

The Board is responsible for the overall Corporate Governance of Progen Industries Limited, including the strategic direction, establishing goals for management and monitoring the achievement of these goals. To assist in the execution of its responsibilities an audit committee has been appointed as well as the establishment of an internal management framework to monitor operational efficiencies, internal controls and ethical standards.

COMPOSITION OF THE BOARD

Directors of the Company in office at the date of this statement:

Name	Age	Position
S. Chang	53	Executive Chairman
L. J. Lee	44	Managing Director
Prof. J. R. Zalcberg	50	Non-Executive Director
P. O. Burns	65	Non-Executive Director
Dr M. L. Eutick	53	Non-Executive Director
Dr S.S.C. Chang	43	Non-Executive Director

The composition of the Board is determined using the following principles:

- The Board should comprise at least three Directors. This number may be increased where it is felt that additional expertise is required in specific areas or when an outstanding candidate materialises.
- The Chairman of the Board should, where possible, be a Non-Executive Director.
- The Board should comprise at least two Non-Executive Directors.
- The Board should comprise Directors with a broad range of expertise both nationally and internationally. In particular, the Board should include a minimum of one Director with internationally recognised technical expertise in biotechnology.

REMUNERATION POLICY

The Board determines the remuneration package as well as the allocation of employee stock options for Directors (subject to shareholder vote), the Managing Director and other employees and also determines the policy relating to staff salary reviews and general salary package arrangements.

AUDIT COMMITTEE

The role of the Audit Committee is to review and monitor the Company's framework of internal control and adherence to appropriate ethical standards for the management of Progen Industries. The Audit Committee meets twice a year to review the Company's statutory reports, in consultation with the Company's external auditor and submits a report to the Board of Directors.

INTERNAL CONTROL FRAMEWORK

The Board has instigated an internal control framework that can be described as follows:

Financial reporting

- There is a comprehensive budgeting system with an annual budget approved by the Board of Directors
- Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly
- Half-yearly reports are prepared and sent to shareholders
- Procedures are also in place to ensure that price-sensitive information is reported to the ASX and NASDAQ in accordance with Continuous Disclosure Requirements

Quality and integrity of personnel

Formal employment/performance appraisals are conducted at least annually for all employees, in alignment with the company goals and objectives.

Investment appraisal

Progen Industries has clearly defined guidelines for each level of expenditure. These include annual budget, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses and other investments are being acquired and divested.

Risk management

The Company is presently consolidating its existing internal controls into an integrated risk management program. This program will address the problems of operating in an increasingly complex risk environment and establishing a formal framework to link risk to shareholder value.