

## Corporate Governance Statement for the Year Ended 30 June 2006

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2006.

However, the company's framework is largely consistent with the ASX's recommendations, exceeds them in some areas and, due to the size of the organisation, is not practical to meet some other requirements.

### Board Composition

The Desane Board of Directors is responsible for the overall Corporate Governance of the economic entity including its strategy, direction and oversight of the Company's operations on behalf of the shareholders. The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the director's report.

The names of the directors of the company are:

Mr John Sheehan (non executive Chairman)  
Mr Phil Montrone (Managing Director)  
Mr Antonio Gelonesi (non executive Director)

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- Less than 10% of company shares are held by the director or any entity or individual directly or indirectly associated with the director;
- No sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- None of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Mr Sheehan and Mr Gelonesi pass all the criteria to be considered independent directors.

Each director has the right to seek independent professional advice in carrying out his duties at Desane's expense. However, prior approval of the Chairman is required, which is not to be unreasonably withheld.

In view of the small size and stability of the board, it is not considered necessary to have a nomination committee.

### Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the board of directors. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices.

**Risk Management and Audit Committee**

A.B.N. 61 003 184 932

To assist the effective operation of the board, an audit committee was established eleven years ago. The audit committee meets at least twice during the year.

The members of the audit committee are:

Mr Antonio Gelonesi (Chairman)  
Mr John Sheehan

The external auditor is invited to all audit committee meetings.

The functions of the committee are:

- Monitoring compliance with the group's internal management accounting and financial controls and procedures.
- Oversight of compliance with statutory responsibilities.
- Reviewing financial statements and other information distributed externally.
- Reviewing external audit reports to ensure that deficiencies or breakdowns in controls or procedures have been identified and prompt remedial action is taken by management.
- Liaising with the external auditor and ensuring the annual audit and half yearly review are conducted effectively.

**Performance Evaluation**

Due to the size and composition of the board, a formalised annual evaluation of the board was not deemed necessary. The performance criteria and goals of the board are subject to continual review. The contributions of all directors are considered to be of a high level and adequate to discharge their duties in full.

**Remuneration Policy**

The remuneration policy, which sets the terms and conditions for the chief executive officer and other senior executives, was developed by the remuneration committee, and was approved by the board. All executives receive a base salary, superannuation, fringe benefits and retirement benefits. The remuneration committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The amount of remuneration for all directors and the highest paid executive, including all monetary and non-monetary components, are detailed in Note 6 to the financial report. All remuneration paid to executives is valued at the cost to the company and expensed.

The board expects that the remuneration structure implemented will result in the company being able to attract and retain the highest calibre executives to run the economic entity. This structure should reward them for performance which results in long term growth and shareholder value.

**Remuneration Committee**

A.B.N. 61 003 184 932

The names of the members of the remuneration committee are:

Mr Antonio Gelonesi (Chairman)  
Mr John Sheehan

Their attendance at meetings of the committee is detailed in the directors' report.

There are no schemes for retirement benefits to non-executive directors.