

TANDOU LIMITED

(ABN 81 001 014 562)

CORPORATE GOVERNANCE STATEMENT

(Revised March 2009)

The Tandou Board is committed to best practice in corporate governance where these practices are appropriate and add value to the Company. In August 2007, the ASX Corporate Governance Council released the second edition of the ASX Corporate Governance Principles and Recommendations (ASXCGPR) which replaces the ASX Best Practice Recommendations issued in March 2003. The Board is of the opinion that, subject to certain departures which are not justified for adoption due to the nature and scale of Tandou's activities and size of the Board, our policies and practices are in compliance with the ASXCGPR.

This statement is provided to outline the Company's current corporate governance practices and the steps being taken at Tandou to implement the recommendations and guidelines as outlined by the ASX Corporate Governance Council.

1. Lay solid foundations for management and oversight

The Board's role is to govern the Company rather than to manage it. In governing the Company, the directors must act in the best interests of the Company as a whole. It is the role of senior executive to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

To fulfil this role, the Board is responsible for the overall corporate governance of the group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

Given the size of the Company and the Board the establishment of a formal performance evaluation strategy is considered inappropriate. Performance evaluation of the Chief Executive Officer/Managing Director and senior executives is a matter for consideration of by the entire Board.

However, the Board annually reviews its own performance and the Chairman has one on one discussions with each of the directors.

To assist the Board carry out its functions, it has developed a Charter setting out the functions and responsibilities of the Board in order to facilitate Board and management accountability for the Company's performance and strategic direction. The Board Charter is available from the Company website (www.tandou.com.au).

The Board has delegated responsibility for operation and administration of the Company to the Chief Executive Officer/Managing Director and executive management. Responsibilities are delineated by formal authority delegations.

2. Structure the Board to add value

Board Composition

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held

by each of the Directors. Directors are appointed based on the specific governance skills required by the Company and on the independence of their decision-making and judgment.

Director Independence

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr Warburton, Mr Woolley, Mr Hunt and Mr Farley are all Non-Executive Directors. In addition to being Non-Executive Directors, they also meet the following criteria for independence as adopted by the Company:

- In accordance with the ASX Corporate Governance Council, an independent Director is one who is “independent of management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment”.
- A Director is not considered to be “independent” if they are a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.

The Board reviews its assessment of independence as disclosures of new interests or conflicts are made. The Board is presently comprised of four independent directors and one non-independent director.

Disclosure of Interests and Conflicts

At each Board meeting Directors are required to disclose details of any conflicts of interest that have arisen since the previous board meeting. Also, a related interest’s questionnaire is sent to Directors on an annual basis where Directors are asked to provide details of any related party transactions with Tandou during the year.

Period of Office

A Non-Executive Director is elected for a period of up to three years or until the third Annual General Meeting after the directors’ election (whichever is longer). As the ASX Listing Rules require Tandou to hold an election of directors each year, Directors may be subject to re-election before the expiration of this term.

Any Director who is appointed to the Board as a casual vacancy during a year, holds office until the end of the next Annual General Meeting, but is eligible for election by shareholders at that meeting.

Independent Professional Advice

Directors may obtain independent professional legal advice at Tandou’s expense, subject to making a request to, and obtaining the prior authorisation of, the Chairman. Where the Chairman wishes to obtain independent professional advice, the Chairman is required to make a request to, and obtain the prior authorisation of, the Chairman of the Audit & Corporate Governance Committee.

Committees

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including a Nomination and Review Committee, a Remuneration Committee and an Audit and Corporate Governance Committee. These committees have written mandates and operations procedures, which are reviewed on a regular basis.

A description of the Audit & Corporate Governance Committee and the Remuneration Committee is included in sections 4.4 and 4.9 below.

The Nomination and Review Committee oversees the appointment, removal and induction process for directors and committee members and the selection, appointment and succession planning process of the Company’s Chief Executive Officer/Managing Director.

The Nomination and Review Committee is comprised of the Board Chairman, acting as Committee Chairman, and subject to independence and availability, the remaining Non-Executive Directors of the Board, along with the Chief Executive Officer/Managing Director, and other Senior Executives as required from time to time.

In 2008, formal Nomination and Review Committee meetings were not convened as relevant matters were discussed during the course of Board Meetings. The formal Charter for the Nomination and Review Committee is available from the Company website (www.tandou.com.au).

3. Promote ethical and responsible decision making

The Company recognises the need to ensure that the highest ethical standards are adopted at all times and as part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as a whole.

Tandou's Board Code of Conduct is available from the Company website (www.tandou.com.au).

Share Trading Guidelines

The Board has formally adopted a Share Trading Policy in relation to dealings in Tandou shares by Directors, senior executives and employees.

The Tandou Share Trading Policy is a recommended code of practice that is designed to:

- set out clear guidelines for Directors, senior executives and other designated officers as to the expectations that Tandou has in relation to dealings in Tandou shares; and
- minimise the potential for insider trading under the law by Directors, senior executives and other designated officers.

The Tandou Share Trading Policy is available from the Company website (www.tandou.com.au).

4. Safeguard integrity in financial reporting

Sign-off by Chief Executive Officer/Managing Director and Group Financial Controller

In August 2008 (for the statutory half year report) and in March 2009 (for the statutory full year report) the Chief Executive Officer/Managing Director and the Group Financial Controller provided the Board with statements about Tandou's financial reports and compliance with the Corporations Act and accounting standards. The statements reflected the declarations required to be made to Directors for the half year and full year.

Audit & Corporate Governance Committee

The Board's Audit & Corporate Governance Committee is an advisory body to the Board in relation to:

- Tandou's draft external financial reports, including the statutory half year and full year financial reports, and ASX half year and full year reports;
- in so far as they affect Tandou's financial reporting, risk management and internal control structures, and compliance with laws and regulations;
- external audit activities, the terms of engagement (including fees) for the external audit, the independence of Tandou's external auditor, and the appointment and removal of the external auditor;
- monitoring the need for an internal audit function at Tandou or for any specific internal audits;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;

- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001; and
- review and update the Company's corporate governance policy's in relation to the ASX Corporate Governance Council recommendations.

The Board has adopted a formal Charter for the Audit & Corporate Governance Committee which is available from the Company website (www.tandou.com.au) along with information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

During the year and given the size of the Board, the Audit and Corporate Governance Committee was comprised of Non-Executive Director, Mr Rob Woolley, as Committee Chairman, and the remaining Non-Executive Independent Directors of the Board. The Chief Executive Officer/Managing Director and Company Secretary are invited to attend meetings at the discretion of the committee.

The external auditor and Group Financial Controller are also invited to attend the Audit & Corporate Governance Committee periodic meetings at the discretion of the committee. The committee met three times during the year and committee members' attendance record is disclosed in the table of directors' meetings in section 3.

The external auditor met with the audit committee and the board of directors twice during the year without management being present.

5. Make timely and balanced disclosure

The Board is committed to the promotion of investor confidence by ensuring that trading in its securities takes place in an efficient, competitive and informed market and has developed a policy to ensure that information that is expected to have a material effect on the price or value of Tandou shares is immediately notified to the ASX for dissemination to the market.

The Board has adopted the Tandou Continuous Disclosure Policy, which sets out the key obligations of the Board and senior executives to ensure that Tandou complies with its disclosure obligations under the ASX Listing Rules and the Corporations Act.

From time to time, the Company conducts briefings with analysts, media representatives and major shareholders in order to promote a better understanding of the Company and its operations. In conducting such briefings, the Company takes care to ensure that price sensitive information included in the content of the briefings has already been made available to the market.

The Company Secretary manages the Company's compliance with its continuous disclosure obligations and is responsible for communications with the ASX.

The Tandou Continuous Disclosure Policy is available from the Company website (www.tandou.com.au).

6. Respect the rights of shareholders

The Board aims to ensure that shareholders are informed of all information necessary to assess the performance of the directors, senior executives and the Company.

Communications strategy

Tandou Board and management recognise the importance of continuous communications with shareholders and potential investors, and to encourage their effective participation at shareholder meetings.

The internet is an important communication tool for the dissemination of market information, with the following information available from the Company website (www.tandou.com.au) for access by all interested stakeholders:

- Tandou's annual reports and half year reports;
- ASX releases (including announcements on profit guidance);
- notices of meeting and explanatory material for shareholder meetings; and
- corporate information about Tandou, including investor and media briefings.

In addition, all announcements made to the ASX containing important shareholder information are mailed out to shareholders immediately following the announcement. This information is also made available by hard copy and/or email to all relevant media outlets and other stakeholders.

Annual General Meeting

The Annual General Meeting is a forum for shareholders to ask questions about, or make comments on, Tandou's performance and management.

The Board has requested that representatives of KPMG, Tandou's external auditor, attend the 2009 Annual General Meeting. It is also requested that KPMG be available to answer any questions that shareholders may have about the conduct of the external audit and the preparation and content of the audit report.

7. Recognise and manage risk

As a matter of practice, the Board retains the overall responsibility for risk oversight and management.

Risk management

Tandou has policies relating to interest rate management, foreign exchange risk management, credit risk management and commodity price hedging to minimise the risks that arise through its activities.

The Board also has approved practices that are designed to ensure that:

- capital expenditure and revenue commitments above approved levels are brought to the Board for decision; and
- financial exposures, including the use of derivatives, are minimised.

Tandou's Risk Management schedule is tabled for consideration by Directors at Board meetings and is also reviewed by senior management on a periodic basis to ensure it remains relevant.

Internal controls

Tandou has established controls at the Board, executive and business unit levels that are designed to safeguard Tandou's interests and ensure the integrity of reporting (including accounting, financial reporting, environment, health and safety, and other internal control policies and procedures). These controls are designed to ensure that Tandou complies with regulatory requirements and community standards.

The Chief Executive Officer/Managing Director and the Group Financial Controller have declared, in writing to the Board:

- that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively and the operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively.

All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the consolidated entity.

Tandou's Risk Management Policy is available from the Company website (www.tandou.com.au).

8. Remunerate fairly and responsibly

Details of the classification and amount of each element of the emoluments of the Directors of Tandou Limited for 2008 are set out in the Directors' Report and the Notes to the Financial Statements.

The Remuneration Committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors themselves of the Company and of other group executives for the consolidated entity. It is also responsible for superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

Given the size and nature of the Company, the Remuneration Committee is comprised of the Board Chairman, as Committee Chairman, and the remaining Non-Executive Independent Directors of the Board. The Company's Chief Executive Officer/Managing Director and other senior executives are invited to join the meeting as required from time to time at the discretion of the committee.

The Remuneration Committee meets twice a year or otherwise as required. In 2008, formal meetings of the Remuneration Committee were not convened as relevant matters were discussed during the course of Board Meetings.

Directors' Fees

Fees paid to Non-Executive Directors are currently subject to a maximum pool of \$250,000 per annum. The Board's remuneration pool was approved by shareholders of Tandou Limited at the Annual General Meeting held in April 2008 and has not been increased since that time.

The allocation of fees to Non-Executive Directors out of the total Board remuneration pool is a matter for the Board. The Board reviews fees on an annual basis and, as part of the review process, considers external data, the time commitment of Directors, the size and scale of Tandou's operations, market capitalisation and other factors.

Remuneration Policy

The remuneration policy for senior executives of Tandou is designed to ensure that remuneration is:

- commensurate with an executive's duties, responsibilities and accountabilities; and
- market competitive so that Tandou is able to attract, motivate and retain exceptional performers.

The Board has adopted a Remuneration Committee and its role is documented in an approved Charter.

The role of the Committee is to review and recommend to the Board:

- remuneration policies and packages and terms of employment contracts in relation to certain senior executives and Directors;
- proposals for share plans and incentive programs; and
- policies on retirement and termination payments for Directors.

The Tandou Remuneration Committee Charter is available from the Company website (www.tandou.com.au).