

AdAlta Limited
ABN 92 120 332 925
(the ‘Company’)

Corporate Governance Statement

This Corporate Governance Statement as at 30 June 2016 sets out the Company’s compliance with the third edition of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (**Principles and Recommendations**). The Principles and Recommendations are not mandatory.

The Company currently has in place various corporate governance policies and charters, as described below and which are available in a dedicated corporate governance section of the Company’s website at www.adalta.com.au.

Principles and Recommendations	Comply (Yes/No)	Explanation
Principle 1 – Lay solid foundations for management and oversight A listed entity should establish and disclose the respective roles and responsibilities of its boards and management and how their performance is monitored and evaluate.		
Recommendation 1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	YES	The respective roles and responsibilities of the Board and management are defined under the Board Charter, a copy of which is available on the Company’s website at www.adalta.com.au . There is a clear delineation between those matters expressly reserved to the Board and those delegated to management. A copy of the Board Charter is available on the Company’s website at www.adalta.com.au
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	YES	The process for selection, appointment and re-appointment of directors is detailed in the Company’s Remuneration and Nomination Committee Charter. Under the Remuneration and Nomination Committee Charter, shareholders are required to be provided with all material information in the Committee’s possession relevant to a decision on whether or not to elect or re-elect a director. The Company will undertake appropriate checks (including criminal record and bankruptcy checks) before appointing a person, or putting forward to shareholders a candidate for election as a director. The Company has undertaken appropriate checks on all of its current Directors.

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<p>Recommendation 1.3</p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>YES</p>	<p>AdAlta has a written agreement in place with each Director and senior agreement setting out their terms of appointment.</p>
<p>Recommendation 1.4</p> <p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>YES</p>	<p>The Company Secretary is Ian Hobson, who is accountable to the Board through the Chairman, Paul MacLeman. The role of the Company Secretary is outlined in the Board Charter.</p>
<p>Recommendation 1.5</p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity’s progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity’s diversity policy and its progress towards achieving them, and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes); or</p> <p>(2) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.</p>	<p>YES</p>	<p>The Company values diversity and recognises the benefit it can bring in achieving its goals. To this end, the Company has established a Diversity Policy that reflects its commitments and objectives.</p> <p>A copy of the Diversity Policy is available on the Company’s website at www.adalta.com.au</p> <p>The Company’s Remuneration and Nomination Committee is responsible for setting measurable objectives for achieving gender diversity and monitoring their achievement.</p> <p>The Company is committed to ensuring that the appropriate mix of skills, experience, expertise and diversity are considered when employing staff at all levels of the organisation, and when making new senior executive and Board appointments, and is satisfied that the composition of employees, senior executives and members is appropriate for the Company considering its size and environment.</p> <p>The Company will disclose the proportion of men and women on the Board, in senior executive positions and across the whole organisation in its annual reports and will provide further details as to its compliance with these recommendations in its future annual reports.</p>

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<p>directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>		<p>The Remuneration and Nomination Committee consists of three Directors, John Chiplin, Paul MacLeman and Liddy McCall. The majority of the Committee are independent Directors for ASX purposes.</p> <p>The Committee is chaired by John Chiplin, who is an independent Director for ASX purposes.</p> <p>The Charter is available for review on the Company's website at www.adalta.com.au</p>
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	YES	<p>The Company has in place a Board Skills Matrix, setting out the mix of skills and diversity that the Board currently has and is looking to achieve in its membership.</p> <p>The Board's Skills Matrix is available on the Company's website at www.adalta.com.au.</p>
<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of</p>	YES	<p>The Board considers that a director is an independent director where that director is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally. When determining the independence of a director, the Company also takes into account the factors relevant to assessing the independence of a director listed in Recommendation 2.3 of the Principles and Recommendations.</p>

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<p>that opinion; and</p> <p>(c) the length of service of each director.</p>		<p>The Directors considered by the Board to be independent Directors for ASX purposes are Paul MacLeman and John Chiplin.</p> <p>Although both of these Directors have an interest in the Company, the Board does not consider this to be significant nor compromise the independence of the Director.</p> <p>The following Directors are considered by the Board to be not independent Directors for ASX purposes:</p> <ul style="list-style-type: none"> • Managing Director and CEO, Samantha Cobb, because of her executive role in the Company; • Non-Executive Directors, James Williams and Elizabeth McCall, because they are also directors of a substantial shareholder of the Company, Yuuwa Capital LP. <p>The length of service of each Director is as follows:</p> <p>Paul MacLeman: 16/04/2015 – present Samantha Cobb: 29/06/2007 – present James Williams: 16/12/2010 – present Elizabeth McCall: 16/12/2010 – present John Chiplin: 16/05/2014 – present</p>
<p>Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p>	NO	<p>The Board does not have a majority of independent Directors due to the Company's size and the early stage of its development. The Board believes that, the Board as a whole is not hindered in its ability to exercise independent view and judgement.</p>
<p>Recommendation 2.5</p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	YES	<p>The Non-Executive Chairman of the Board, Paul MacLeman, is an independent Director and is not, the CEO of the Company.</p>
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and</p>	YES	<p>The Company's Remuneration and Nomination Committee is responsible for establishing and facilitating an induction</p>

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<p>provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>		<p>program for new directors.</p> <p>When appointed to the Board, a new Director will receive an induction appropriate to their experience. The Company's Remuneration and Nomination Committee will also provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>
<p>Principle 3 – Act ethically and responsibly A listed entity should act ethically and responsibly.</p>		
<p>Recommendation 3.1</p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it</p>	<p>YES</p>	<p>The Company has developed a Code of Conduct that has been fully endorsed by the Board, and applies to all Directors, senior executives and employees. The Code of Conduct is reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism, and the practices necessary to maintain confidence in the Group's integrity, and to take into account legal obligations and reasonable expectations of the Company's stakeholders.</p>
<p>Principle 4 – Safeguard integrity in corporate reporting A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.</p>		
<p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the</p>	<p>NO</p>	<p>The Company has established an Audit and Risk Committee to oversee the management of financial and internal risks. The Audit and Risk Committee is governed by an Audit and Risk Committee Charter, copy of which is available on the Company's website at www.adalta.com.au.</p> <p>The Committee consists of three Directors, James Williams, Paul MacLeman and John Chiplin. The majority of the Committee are independent Directors for ASX purposes. and all the members of Committee are non-executive directors. The Chairman of the Committee is James Williams who is not an independent Director.</p>

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<p>committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>		
<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	YES	<p>Prior to approving the Company's financial statements, the Board receives from the CEO and CFO a declaration that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>
<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	YES	<p>The Company requests the external Auditor to attend the Annual General Meeting, and be available to answer shareholders' questions about the conduct of the audit, and the preparation and content of the Auditor's Report.</p>
<p>Principle 5 – Make timely and balanced disclosure A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.</p>		
<p>Recommendation 5.1</p>	YES	<p>The Board has established a policy governing continuous disclosure, which complies with its obligations under the</p>

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<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>		<p>ASX Listing Rules.</p> <p>This policy is available on the Company's website at www.adalta.com.au.</p> <p>The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX, as well as communicating with the ASX.</p>
<p>Principle 6 – Respect the rights of security holders A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.</p>		
<p>Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	YES	<p>The Company provides information about itself and its corporate governance details on its website at www.adalta.com.au, including all of its governance policies and other company information.</p>
<p>Recommendation 6.2</p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	YES	<p>The Company has adopted a Shareholders Communications Policy for shareholders wishing to communicate with the Board.</p> <p>This policy is available on the Company's website at www.adalta.com.au.</p>
<p>Recommendation 6.3</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	YES	<p>The Company gives security holders the option to receive communications from, and send communications to, the Company and its security registry electronically via its website, www.adalta.com.au.</p>
<p>Principle 7 – Recognise and manage risk A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</p>		
<p>Recommendation 7.1</p> <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent</p>	NO	<p>The Company has adopted a Risk Management Policy which is designed to assist the Company to oversee and approve risk management strategy and policies, internal compliance and internal control.</p> <p>A copy of the Company's Risk Management Policy is available on the Company's website at www.adalta.com.au</p> <p>The Board has delegated responsibility for the day to day management of the</p>

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<p>director, and disclose:</p> <ul style="list-style-type: none"> . (3) the charter of the committee; . (4) the members of the committee; and . (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>		<p>Company's risk profile to the Audit and Risk Committee.</p> <p>The Audit and Risk Committee is governed by an Audit and Risk Committee Charter, a copy of which is available on the Company's website at www.adalta.com.au.</p> <p>The Committee consists of three Directors, James Williams, Paul MacLeman and John Chiplin. The majority of the Committee are independent Directors for ASX purposes. The Chairman of the Committee, James Williams, is not an independent Director for ASX purposes.</p> <p>The Board is responsible for the overall assessment of the effectiveness of risk management and internal compliance and control.</p>
<p>Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	YES	<p>The Risk Management Policy provides for regular reporting to the Board on the Company's risk management framework.</p> <p>The Company's management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Audit and Risk Committee on the Company's key risks and the extent to which it believes these risks are being monitored at each Committee meeting.</p> <p>The Audit and Risk Committee reviews and monitors risk management, and internal compliance and control systems, at least annually.</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating</p>	YES	<p>The Company does not have an internal audit function.</p> <p>The process followed by the Board includes regular reviews of internal controls and accounting.</p>

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and continually improving the effectiveness of its risk management and internal control processes.		
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	YES	The Company does not have any material exposure to economic, environmental or social sustainability risks.
<p>Principle 8 – Remunerate fairly and responsibly A listed entity should pay director remuneration sufficiently to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.</p>		
<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	YES	<p>The Remuneration and Nomination Committee is governed by a Remuneration and Nomination Committee Charter, a copy of which is available on the Company’s website on www.adalta.com.au. The Charter describes the role of the Committee and the process for evaluating the performance of the Board, its Committees and individual Directors.</p> <p>The Remuneration and Nomination Committee consists of three Directors, John Chiplin, Paul MacLeman and Liddy McCall. The majority of the Committee are independent Directors for ASX purposes. The Committee is chaired by, John Chiplin, who is an independent Director for ASX purposes.</p>

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<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>YES</p>	<p>The Remuneration and Nomination Committee holds the responsibility of making recommendations to the Board in relation to the Company's policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.</p>
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>YES</p>	<p>The Company has a Securities Trading Policy, which provides that participants must not, without prior approval of the Chairman or the Board, engage in short selling or other hedging arrangements, deal in derivatives or enter into other arrangements which vary economic risk related to the Company's securities.</p> <p>A copy of the Securities Trading Policy is available on the Company's website at www.adalta.com.au</p>