



ACN 146 035 690

CORPORATE GOVERNANCE STATEMENT 2016

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the operational and financial performance of the Company, including its corporate governance. The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

The Company acknowledges the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (the **Recommendations**). This Corporate Governance Statement provides details of the Company's compliance with those Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. A checklist summarising the Company's compliance with the Recommendations is also set out at the end of this statement.

Audalia's corporate governance policies are available on the Company's website: www.audalia.com.au/corporate/corporate-governance/.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board Charter

Role of the board and management

The Board is accountable to shareholders for the performance of the Company. The Board operates under the Board Charter that details its functions, responsibilities and powers and those delegated to management.

Board appointments

The Board has implemented a process of undertaking the appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director. The directors will provide a summary of all material information relevant to the decision to elect a director in the notice of meeting for each Annual General Meeting.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation 1.3. Executive directors are employed pursuant to employment agreements.

Diversity Policy

The Board has adopted a Diversity Policy which sets out the Company's aims and practices in relation to recognising and respecting diversity in employment. The Policy reinforces the Company's commitment to actively managing diversity as a means of enhancing the Company's performance by recognising and utilising the contributions of diverse skills and talent from its employees.

The Diversity Policy reflects the matters set out in the commentary and guidance for Recommendation 1.5.

Gender Diversity

The Board is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportions of women within the whole organisation as at 20 October 2016 are as follows:

	%
Women employees in the whole organisation	40%
Women in senior executive positions	25%
Women on the Board of Directors	0%

The Board acknowledges the limited number of female participation in senior executive positions and the absence of female participation on the Board of Directors. However, as noted above, the Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

The Company is at variance with Recommendation 1.5 in that it has not set or disclosed measurable objectives for achieving gender diversity in accordance with its Diversity Policy. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

The Code of Conduct and Diversity Policy are available on the Company's website.

Company secretary

The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The appointment of the Company Secretary is a matter for the Board. Information on the skills, experience and qualifications of the Company Secretary can be found in the Directors' Report.

Evaluation of the performance of the Board, its committees and individual directors

The performance of the Board, its committees and individual directors are evaluated in accordance with the Performance Evaluation Process. Performance evaluations of the Board, the Nomination and Remuneration Committee, the Audit and Risk Committee and individual directors has taken place during the year with the result that the Board, its committees and individual directors are operating efficiently and effectively in all material aspects. The review was undertaken in September 2015.

Evaluation of the performance of senior executives

The performance of senior executives is evaluated in accordance with the Performance Evaluation Process. A performance evaluation for senior executives has taken place during the year with the result that the executive is operating efficiently and effectively in all material aspects. The review was undertaken in September 2015.

The Board Charter and Performance Evaluation Process are available on the Company's website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board

As at 30 June 2016, the Board consisted of the Executive Chairman, CEO, Executive Director and one non-executive director. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report in the 2016 Annual Report. The number of board meetings and the attendance of the directors are set out in the Directors' Report.

The roles of Chairman and the CEO are not exercised by the same individual. The Board Charter summarises the roles and responsibilities of the Chairman, Dato Lim, and the CEO, Mr Butler. Subsequent to balance date, Dato Lim resigned from the Board.

Independence of non-executive directors

The Board has assessed the independence of the non-executive director using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.4 and 2.5.

The Board considered Mr Kwa (prior to his resignation) to be an independent director. Although Mr Kwa held 250,000 fully paid ordinary shares in the Company, the Board considers this immaterial and therefore Mr Kwa is regarded as independent as he is not a substantial shareholder as defined by the *Corporations Act*. All other directors are not considered independent.

The Company is at variance with Recommendations 2.4 and 2.5 in that the majority of directors are not independent and the Chairman is not independent. The Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendations 2.4 and 2.5, all directors bring an independent judgement to bear on Board decisions.

Nomination and Remuneration Committee

As at 30 June 2016, the Nomination and Remuneration Committee consisted of three members. There are presently two members of the Nomination and Remuneration Committee, which is chaired by Mr Butler.

The Nomination and Remuneration Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 2.1.

The Company is at variance with Recommendations 2.1 in that the majority of members of the Nomination and Remuneration Committee are not independent and the chairman is not independent. The Board has determined that the composition of the current Nomination and Remuneration Committee represents the best mix of directors that have an appropriate range of qualifications and expertise for this Committee. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendations 2.1, all directors bring an independent judgement to bear on Board decisions.

For information on the skills, experience and expertise of the Nomination and Remuneration Committee member, refer to the Directors' Report in the 2016 Annual Report.

Details of the members and their attendance at meetings of the Nomination and Remuneration Committee are included in the Directors' Report in the 2016 Annual Report.

Board skills matrix

The Company has developed a broad based Board skill matrix setting out the mix of skills that the Board currently has (or is looking to achieve) and this is periodically reviewed against the Company's Board representative's skills to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.

The Annual report has the disclosure of each Board member's qualifications and expertise.

The skills matrix and the average (using a scale of 1 (developing) to 3 (expert)) for the current board of directors:

Expertise	Average
Legal, governance and compliance	2
Strategy	2
Commercial acumen	2
Financial literacy	1
Risk management	2
Executive leadership	2
Government relations	2
Stakeholder relations	2
Remuneration and nomination	2
Industry experience	2

Board renewal and succession planning

The appointment of directors is governed by the Company's Constitution and the Appointment and Selection of New Directors policy. In accordance with the Constitution of the Company, no director except a Managing Director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

The Company has adopted a policy in relation to the retirement or tenure of directors and all directors will seek re-election as a director at each Annual General Meeting from the Company's 2016 meeting of members.

Induction and education

When appointed to the Board, a new director will receive an induction appropriate to their experience. Directors are provided with the appropriate professional development opportunities to develop and maintain their skills and knowledge from time to time, as considered appropriate to perform their role as a director effectively.

Access to information and advice

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after consultation with the Chairman.

The Company's Constitution, Nomination and Remuneration Committee Charter and the policy for Appointment and Selection of New Directors are available on the Company's website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Board has adopted a Code of Conduct which applies to all directors and officers of the Company. It sets out Audalia's commitment to successfully conducting the business in accordance with all applicable laws and regulations

while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1.

The Company's Code of Conduct is available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

As at 30 June 2016, the Audit and Risk Committee consisted of three members. There are presently two members of the Audit and Risk Committee, which is chaired by Mr Butler.

The Audit and Risk Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 4.1.

For information on the skills, experience and expertise of the Audit and Risk Committee members, refer to the Directors' Report in the 2016 Annual Report.

Details of the members and their attendance at meetings of the Audit and Risk Committee are included in the Directors' Report in the 2016 Annual Report.

The Company is at variance with Recommendation 4.1 in that two of the members of the Audit and Risk Committee are executive directors. The Board has determined that the composition of the current Audit and Risk Committee represents the best mix of directors that have an appropriate range of qualifications and expertise for this committee. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendations 4.1, all directors bring an independent judgement to bear on Board decisions.

Financial statement sign off and declarations

When considering the Audit and Risk Committee's review of financial reports, the Board receives a written declaration in accordance with section 295A of the Corporations Act, signed by an Executive Director and CEO, that the Company's financial reports give a true and fair view, in all material respects with, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

External auditor

Consistent with its Charter, the Audit and Risk Committee reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years.

The Company's independent external auditor is BDO Audit (WA) Pty Ltd. The appointment of BDO Audit (WA) Pty Ltd was ratified by members at the inaugural Annual General Meeting held on 25 November 2011.

The Audit and Risk Committee Charter is available on the Company's website.

The Company's engagement with the external auditor states that the Board has committed the Company's external auditor to attend its AGM and is available to answer questions from security holders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Continuous Disclosure Policy sets out the key obligations of the directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

The Continuous Disclosure Policy is available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Information about the Company and its governance is available under the heading Corporate and Corporate Governance which can be found on the Company's website.

Shareholders are encouraged to participate at all EGMs and AGMs of the Company. In any notice of meeting to be despatched to Shareholders, the Company Secretary shall remind all Shareholders that they are encouraged to participate at the meeting.

The Shareholder Communications Policy sets out the Company's aims and practices in respect of communicating with both current and prospective shareholders. The Policy reinforces the Company's commitment to promoting investor confidence by requiring:

- compliance with the continuous disclosure obligations;
- compliance with insider trading laws;
- compliance with financial reporting obligations;
- compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company;
- communication with shareholders in a clear, regular, timely and transparent manner; and
- response to shareholder queries in a prompt and courteous manner.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.2 and is designed to promote and facilitate effective two-way communication with investors.

The Shareholder Communication Policy states that the Company is committed to dealing fairly, transparently and openly with both current and prospective shareholders. As part of the Company's policy, it will respond promptly and courteously to shareholder queries and concerns.

The Shareholder Communications Policy is available on the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk Management Policy

Audalia recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. As a result, the Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control.

Risk oversight

Audalia's risk management framework is supported by the Board of Directors, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management is responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee also has delegated responsibilities in relation to risk management and the financial reporting process as set out in the Audit and Risk Committee Charter. Further detail regarding the Audit and Risk Committee can be found above at Principle 4: Safeguarding integrity in financial reporting.

Reporting and assurance

When considering the Audit and Risk Committee's review of financial reports, the Board receives a written declaration in accordance with section 295A of the *Corporations Act*, signed by an Executive Director and CEO, that the Company's financial reports give a true and fair view, in all material respects with, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the Executive Director and the Chairman of the Audit and Risk Committee also confirm to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

As noted in Principle 4, the Company is at variance with Recommendation 4.1 (and therefore 7.1) in that two of the members of the Audit and Risk Committee are executive directors. The Board considers that this composition is appropriate given the current size of the Company.

The number of times the committee met and the composition of the committee is disclosed in the Directors' Report in the 2016 Annual Report.

The Audit and Risk Committee together with the Board devotes time during its periodic Board meetings to fulfilling their obligations associated with overseeing risk and maintaining the entity's risk management framework and

associated internal compliance and control procedures. A formal review of the risk management framework takes place at the completion of the annual audit. The Audit and Risk Committee conducted a review of the Company's risk management framework in the 2016 financial year to satisfy itself that it continues to be sound.

The Board believes it is not of a size to justify having an internal audit function for efficiency purposes and this role is undertaken by the Audit and Risk Committee.

Economic, environmental and social sustainability risks

Note 2 to the financial statements in the 2016 Annual Report describes the economic risks to which the Company has an exposure and the Company's objectives, policies and processes for measuring and managing those risks. The Director's Report in the 2016 Annual Report includes the Board's statement on environmental regulations. The Board does not believe the Company has any material exposure to social sustainability risks at the present time.

The Risk Management Policy is available on the Company's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has delegated responsibilities in relation to the Company's remuneration policies as set out in the Nomination and Remuneration Committee Charter. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1. Further detail regarding the Nomination and Remuneration Committee can be found above at Principle 2: Structure the board to add value.

As noted in Principle 2, the Company is at variance with Recommendations 2.1 (and therefore 8.1) in that the majority of members are not independent and the chairman is not independent. The Board has determined that the composition of the current Nomination and Remuneration Committee represents the best mix of directors that have an appropriate range of qualifications and expertise for this committee. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendations 2.1, all directors bring an independent judgement to bear on Board decisions.

Details of the members and their attendance at meetings of the Nomination and Remuneration Committee are included in the Directors' Report in the 2016 Annual Report.

Non-executive directors' remuneration policy

The structure of non-executive directors' remuneration is clearly distinguished from that of executives. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2011 General Meeting, is not to exceed \$300,000 per annum. Non-executive directors do not receive performance related compensation. Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation. The details of the remuneration are contained in the Company's Remuneration Report in the 2016 Annual Report.

Executive directors' remuneration policy

As noted previously, the Executive Chairman, Executive Director and the CEO are employed pursuant to employment agreements. Summaries of these employment agreements are set out in the Remuneration Report in the 2016 Annual Report.

Further details regarding the remuneration arrangements of the Company are set out in the Remuneration Report including the CEO's remuneration and the share based payment arrangements.

The checklist below summarises the Company's compliance with the Recommendations.

	Requirement	Comply Yes/ No
Pr 1	Lay solid foundations for management and oversight	
Rec 1.1	A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the chair and management; and includes a description of those matters expressly reserved to the Board and those delegated to management.	Yes

	Requirement	Comply Yes/ No
Rec 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
Rec 1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Yes
Rec 1.4	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.	Yes
Rec 1.5	A listed entity should: (a) have a diversity policy which includes requirements for the Board: (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period: (i) the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: (a) 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 (b) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.	No
Rec 1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes
Rec 1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes

	Requirement	Comply Yes/ No
Pr 2	Structure the board to add value	
Rec 2.1	The Board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) 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 (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, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.	No
Rec 2.2	A listed entity should have and disclose a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	Yes
Rec 2.3	A listed entity should disclose: (a) the names of the Directors considered by the Board to be independent Directors; (b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), 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 that opinion; and (c) the length of service of each Director.	Yes
Rec 2.4	A majority of the Board of a listed entity should be independent Directors	No
Rec 2.5	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.	No
Rec 2.6	A listed entity should have a program for inducting new Directors and providing appropriate professional development opportunities for continuing Directors to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.	Yes
Pr 3	Promote ethical and responsible decision making	
Rec 3.1	A listed entity should: (a) have a code of conduct for its Directors, senior executives and employees; and (b) disclose that code or a summary of it.	Yes

	Requirement	Comply Yes/ No
Pr 4	Safeguard integrity in financial reporting	
Rec 4.1	The Board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and (ii) is chaired by an independent Director, who is not the chair of the Board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) 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 (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 financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	No
Rec 4.2	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 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.	Yes
Rec 4.3	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.	Yes
Pr 5	Make timely and balanced disclosure	
Rec 5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Yes
Pr 6	Respect the rights of shareholders	
Rec 6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes
Rec 6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes
Rec 6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes
Rec 6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes

	Requirement	Comply Yes/ No
Pr 7	Recognise and manage risk	
Rec 7.1	The Board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) 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 (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	No
Rec 7.2	The Board or a committee of the Board should: (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound; and (b) disclose in relation to each reporting period, whether such a review has taken place.	Yes
Rec 7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes
Rec 7.4	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.	Yes
Pr 8	Remunerate fairly and responsibly	
Rec 8.1	The Board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) 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 (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.	No

	Requirement	Comply Yes/ No
Rec 8.2	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.	Yes
Rec 8.3	A listed entity which has an equity-based remuneration scheme should: (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 (b) disclose that policy or a summary of it.	N/A

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Introduced 01/07/14 Amended 02/11/15

Name of entity

Audalia Resources Limited

ABN / ARBN

49 146 035 690

Financial year ended:

30 June 2016

Our corporate governance statement for the above period above can be found at:

- ☐ These pages of our annual report:
- ☒ This URL on our website: www.audalia.com.au/corporate/corporate-governance/

The Corporate Governance Statement is accurate and up to date as at 20 October 2016 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: **20 October 2016**

Name of Secretary authorising lodgement: **Karen Logan**

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): ☒ at www.audalia.com.au/corporate/corporate-governance/	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.4	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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
1.5	A listed entity should: (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; (b) disclose that policy or a summary of it; and (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: (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 (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.	... the fact that we have a diversity policy that complies with paragraph (a): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and a copy of our diversity policy or a summary of it: ☒ at www.audalia.com.au/corporate/corporate-governance/ ... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and the information referred to in paragraphs (c)(1) or (2): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable ... and the information referred to in paragraphs (c)(1) or (2): ☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement <u>OR</u> ☒ at www.audalia.com.au/corporate/corporate-governance/ ... and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement <u>OR</u> ☒ at www.audalia.com.au/corporate/corporate-governance/ ... and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (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 (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.	[If the entity complies with paragraph (a):] ... the fact that we have a nomination committee that complies with paragraphs (1) and (2): ☐ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i> ... and a copy of the charter of the committee: ☒ at www.audalia.com.au/corporate/corporate-governance/ ... and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement OR ☒ at The Directors' Report of the 2016 Annual Report. [If the entity complies with paragraph (b):] ... the fact that we do not have a nomination committee and the processes we employ 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: ☐ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☒ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.2	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.	... our board skills matrix: ☒ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (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 that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: ☒ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i> ... and, where applicable, the information referred to in paragraph (b): ☒ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i> ... and the length of service of each director: ☐ in our Corporate Governance Statement OR ☒ at The Directors' Report of the 2016 Annual Report.	☐ an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: ☐ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☒ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.5	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.	... the fact that we follow this recommendation: ☐ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☒ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: ☐ in our Corporate Governance Statement OR ☒ at www.audalia.com.au/corporate/corporate-governance/	☐ an explanation why that is so in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (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 (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.	[If the entity complies with paragraph (a):] ... the fact that we have an audit committee that complies with paragraphs (1) and (2): ☐ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i> ... and a copy of the charter of the committee: ☒ at this location: The Company's Audit and Risk Committee Charter is available on the Company's website at: www.audalia.com.au/corporate/corporate-governance/ ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement OR ☒ at this location: in the Directors' Report of the 2016 Annual Report. [If the entity complies with paragraph (b):] ... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: ☐ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☒ an explanation why that is so in our Corporate Governance Statement
4.2	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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
4.3	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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: ☐ in our Corporate Governance Statement OR ☒ at this location: The Company's Continuous Disclosure Policy is available on the Company's website at: www.audalia.com.au/corporate/corporate-governance/	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: ☒ at http://www.audalia.com.au/ Information regarding governance of the Company can be found at: www.audalia.com.au/corporate/corporate-governance/	☐ an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☒ at this location: The Company's Shareholder Communication Policy is available on the Company's website at: www.audalia.com.au/corporate/corporate-governance/	☐ an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: ☒ in our Corporate Governance Statement OR ☒ at this location: The Company's Shareholder Communication Policy is available on the Company's website at: www.audalia.com.au/corporate/corporate-governance/	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☒ at this location: The Company's Shareholder Communication Policy is available on the Company's website at www.audalia.com.au/corporate/corporate-governance/	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (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 (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.	[If the entity complies with paragraph (a):] ... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): ☐ in our Corporate Governance Statement OR ☐ at [insert location] ... and a copy of the charter of the committee: ☒ at this location: The Company's Audit and Risk Committee Charter is available on the Company's website at: www.audalia.com.au/corporate/corporate-governance/ ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement OR ☒ at this location: The Directors' Report of the 2016 Annual Report. [If the entity complies with paragraph (b):] ... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework: ☐ in our Corporate Governance Statement OR ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and that such a review has taken place in the reporting period covered by this Appendix 4G: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> [If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement
7.4	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.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: ☒ in our Corporate Governance Statement <u>OR</u> ☒ at this location: The Directors' Report and Note 2 to the financial statements (Financial Risk Management) and the Directors' report in the 2016 Annual Report.	☐ an explanation why that is so in our Corporate Governance Statement

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (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 (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.	[If the entity complies with paragraph (a):] ... the fact that we have a remuneration committee that complies with paragraphs (1) and (2): ☐ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i> ... and a copy of the charter of the committee: ☒ at this location: The Company's Nomination and Remuneration Committee Charter is available on the Company's website at: www.audalia.com.au/corporate/corporate-governance/ ... and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement OR ☒ at this location: at the Directors' Report of the 2016 Annual Report. [If the entity complies with paragraph (b):] ... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive: ☐ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☒ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.2	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.	... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: ☐ in our Corporate Governance Statement OR ☒ at this location: The Remuneration Report in the 2016 Annual Report.	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
8.3	A listed entity which has an equity-based remuneration scheme should: (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 (b) disclose that policy or a summary of it.	... our policy on this issue or a summary of it: ☐ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement OR ☒ we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<i>Alternative to Recommendation 1.1 for externally managed listed entities:</i> The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	... the information referred to in paragraphs (a) and (b): ☐ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement
-	<i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i> An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	... the terms governing our remuneration as manager of the entity: ☐ in our Corporate Governance Statement OR ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement