

Corporate governance statement

This document discloses the extent to which Micro-X Limited ACN 153 273 735 (**Company**) has followed the recommendations set by the ASX Corporate Governance Council in the third edition of its Corporate Governance Principles and Recommendations (**ASX Recommendations**) during the relevant part of the reporting period.

This document is current as at 31 August 2016 and has been approved by the board of the Company.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
<p>Recommendation 1.1</p> <p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	Yes to all	<p>The Company has adopted a Board Charter.</p> <p>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Board, its Chairman and Company Secretary, details of the Board's relationship with management and the matters delegated to management.</p> <p>A copy of the Company's Board Charter is available on the Company's website (http://micro-x.com/).</p>
<p>Recommendation 1.2</p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.</p>	Yes to all	<p>(a) The Company has detailed guidelines for the appointment and selection of the Board which require the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director.</p> <p>(b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.</p>
<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>	Yes	Each director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.
<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>	Yes	The Board Charter provides that the Company Secretary is accountable directly to the Board, through the chair.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<p>Recommendation 1.5 A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board:</p> <ul style="list-style-type: none"> (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; <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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. 	<p>(a) No</p> <p>(b) N/A</p> <p>(c) N/A</p>	<p>The Company has not followed ASX Recommendation 1.5 and has not adopted a formal diversity policy.</p> <p>The Board supports the ASX Recommendations with respect to gender diversity and diversity more broadly, but considers that, given the size of the Company, the profile of the current Board and the limited number of employees, it is inappropriate at this present time to adopt a formal diversity policy.</p> <p>In the future, as the Company increases in activity and size, it will assess all staff and Board appointments on merit with consideration of diversity as an important element in the decision making.</p> <p>The Board is committed to establishing measurable objectives for achieving gender diversity (as well as broader forms of diversity to include matters of age, race, disability, religious or cultural background and sexual orientation) when the Company has grown to a point where it is appropriate to do so.</p>
<p>Recommendation 1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>(a) Yes</p> <p>(b) Yes</p>	<p>(a) The Remuneration and Nomination Committee is responsible for evaluating the performance of the Board and individual Directors will be evaluated on an annual basis. It may do so with the aid of an independent adviser.</p> <p>(b) No performance evaluation was undertaken during the relevant part of the reporting period – the Company is newly-listed on the ASX, having been admitted to the ASX in December 2015 and the Board determined that a performance evaluation was not required for this reduced period. A performance evaluation will be carried out in the coming months.</p>

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<p>Recommendation 1.7</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>(a) Yes</p> <p>(b) Will comply</p>	<p>(a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives.</p> <p>(b) No performance evaluation was undertaken during the relevant part of the reporting period – the Company was listed on the ASX during the reporting period and the Board determined that a performance evaluation was not required for this period.</p>
<p>Principle 2: Structure the board to add value</p>		
<p>Recommendation 2.1</p> <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(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</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, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Yes to all</p>	<p>(a) The Company has established a Nomination and Remuneration Committee, which has responsibility for nomination matters.</p> <p>(b) A copy of the Committee’s Charter is available on the Company’s website (http://micro-x.com/).</p> <p>(c) The Members of the Committee are:</p> <p>a. David Symons (Chair), Independent Director;</p> <p>b. Alexander Gosling, Independent Director;</p> <p>c. Patrick O’Brien, Independent Director.</p> <p>(d) The number of times the committee met throughout the period and the individual attendances of the members at those meetings is disclosed in the Director’s Report contained in the Company’s Annual Report for the reporting period.</p>

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<p>Recommendation 2.2</p> <p>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.</p>	<p>Yes</p>	<p>The Board skill matrix is as follows.</p> <p>Skills such as leadership and previous experience as a chief executive, chair or board member of a large organisation have traditionally been prerequisites to appointment as a director. In addition to the desirable qualities of a director set out in the Board Charter the Board recognises that other skills gained from experience in the following areas are key skills and experience that the Board as a whole should comprise:</p> <ul style="list-style-type: none"> (a) Experience in and knowledge of Carbon nanotube technologies and their current and potential industry application; (b) business acquisition and integration skills; (c) financial literacy and legal and regulatory knowledge; (d) policy and regulatory development and reform; (e) health, safety and environment and social responsibility; and (f) organisational development and human resources.
<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <ul style="list-style-type: none"> (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. 	<p>Yes to all</p>	<ul style="list-style-type: none"> (a) As at the date of this report, the Board comprises five Directors, three of whom, Patrick O'Brien, Alexander Gosling and David Symons, are considered by the Board to be independent directors. (b) N/A. (c) The Directors' lengths of service are: <ul style="list-style-type: none"> • Peter Rowland – 5 years • Richard Hannebery – 2 years • Patrick O'Brien – 1 year • Alex Gosling – 1 year • David Symons – 1 year

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<p>Recommendation 2.4 A majority of the board of a listed entity should be independent directors.</p>	Yes	<p>The Board Charter requires that, ideally, the majority of the Board be independent.</p> <p>Three of the five Directors are independent, therefore a majority of the Board of the Company are independent. The Board considers that each of Patrick O'Brien, David Symons and Alexander Gosling is an Independent Director for the purpose of the ASX Recommendations as each is free from any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement.</p>
<p>Recommendation 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.</p>	Yes	<p>The Chairman, Patrick O'Brien is an independent Director.</p> <p>The Company does not have a specified Chief Executive Officer, but its Managing Director, Peter Rowland, is not the Chair of the Board.</p>
<p>Recommendation 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.</p>	Yes	The Company has in place an appropriate induction program.
<p>Principle 3: Act ethically and responsibly</p>		
<p>Recommendation 3.1 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>	Complies	<p>(a) The Company has a Code of Conduct for directors, senior executives and employees.</p> <p>(b) The Code of Conduct is available on the Company's website (http://micro-x.com).</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 4: Safeguard integrity in financial reporting		
<p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and experience of the members of the committee; and</p> <p>(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</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 financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	Yes	<p>(a) The Company has established an Audit and Risk Committee.</p> <p>(b) A copy of the Committee’s Charter is available on the Company’s website (http://micro-x.com/).</p> <p>(c) The Members of the Committee are:</p> <p>a. David Symons (Chair), Independent Director;</p> <p>b. Alexander Gosling, Independent Director;</p> <p>c. Patrick O’Brien, Independent Director.</p> <p>(d) The qualifications and experience of the Members of the Committee are disclosed in the Director’s Report contained in the Company’s Annual Report for the reporting period.</p> <p>(e) The number of times the committee met throughout the period and the individual attendances of the members at those meetings is disclosed in the Director’s Report contained in the Company’s Annual Report for the reporting period.</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 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	The Board complies with the Recommendations.
<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	The Board complies with the Recommendations.

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Principle 5: Make timely and balanced disclosure		
<p>Recommendation 5.1</p> <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>	Yes	<p>(a) The Company has a written policy for complying with its continuous disclosure obligations under the Listing Rules.</p> <p>(b) This Continuous disclosure policy is available on the Company's website (http://micro-x.com/).</p>
Principle 6: Respect the rights of security holders		
<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>Information about the Company is available on the Company's website at http://micro-x.com/.</p> <p>Information about the Company's governance is available on the Company's website at http://micro-x.com/</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 Shareholder Communications Policy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders.</p> <p>A copy of the policy is available on the Company's website (http://micro-x.com/).</p>
<p>Recommendation 6.3</p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	Yes	<p>The Shareholder Communication Policy, which contains the relevant policies and procedures, is available on the Company's website (http://micro-x.com/).</p>
<p>Recommendation 6.4</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 Shareholder Communication Policy provides for this facility.</p>

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Principle 7: Recognise and manage risk		
<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>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>Yes</p>	<p>(a) The Company has established an Audit and Risk Committee, which is responsible for overseeing risk.</p> <p>(b) A copy of the Committee's Charter is available on the Company's website (http://micro-x.com/).</p> <p>(c) The Members of the Committee are:</p> <p>a. Patrick O'Brien (Chair), Independent Director;</p> <p>b. Alexander Gosling, Independent Director;</p> <p>c. David Symons, Independent Director.</p> <p>(d) The number of times the committee met throughout the period and the individual attendances of the members at those meetings is disclosed in the Director's Report contained in the Company's Annual Report for the reporting period.</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 with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	<p>(a) Will comply</p> <p>(b) Will comply</p>	<p>(a) As the entity effectively commenced operations as a listed entity part way through the reporting period, a review of the risk management framework had not taken place as at the reporting date, however a review will be undertaken in the forthcoming year. The Audit and Risk Committee will undertake this review.</p> <p>(b) Required disclosure will be provided.</p>

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<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 and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Yes</p>	<p>Due to the current size of the Company, and taking into account cost/benefit considerations, the Board does not currently consider it necessary to have an internal audit function.</p> <p>The Audit and Risk Committee Charter requires the Committee to oversee the evaluation and continual improvement of the effectiveness of the Company’s risk management and internal control processes. The Committee will achieve this objective by closely monitoring these areas and will require management to review and report on risk and internal control areas. The Committee will consider the use of external resources to assist as required.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Yes</p>	<p>The Company currently does not have any material exposure to economic, environmental and social sustainability risk. As and when the Company has any material exposure to economic, environmental and social sustainability risk, it will disclose any such exposure and how it manages or intends to manage those risks.</p>
<p>Principle 8: Remunerate fairly and responsibly</p>		
<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(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</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>	<p>Yes</p>	<p>(a) The Company has established a Nomination and Remuneration Committee, which has responsibility for remuneration matters.</p> <p>(b) A copy of the Committee’s Charter is available on the Company’s website (http://micro-x.com).</p> <p>(c) The Members of the Committee are:</p> <p>a. David Symons (Chair), Independent Director;</p> <p>b. Alexander Gosling, Independent Director;</p> <p>c. Patrick O’Brien, Independent Director.</p> <p>(d) The number of times the committee met throughout the period and the individual attendances of the members at those meetings is disclosed in the Director’s Report contained in the Company’s Annual Report for the reporting period.</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<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>	Yes	<p>The Company's policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives are disclosed in the Remuneration Report contained in its Annual Report as lodged with the ASX and issued to shareholders.</p> <p>A copy of the Committee's Remuneration Policy is available on the Company's website (http://micro-x.com/)</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>	Yes	<p>(a) The Company has a Share Trading Policy which includes a policy prohibiting participants of an equity-based remuneration scheme from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.</p> <p>(b) A copy of the Company's Share Trading Policy is available on the Company's website (http://micro-x.com/).</p>