

Corporate Governance Statement

The Board of Directors (“the Board”) of Ariadne Australia Limited (“Ariadne” or “the Company”) is responsible for the corporate governance practices of the Group, consisting of Ariadne, its controlled entities and associated entities (“the Group”). The Board guides and monitors the business and affairs of Ariadne on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board supports the principles developed by the Australian Securities Exchange (“ASX”) Corporate Governance Council (“the Council”) as a basis for enhancing the credibility and transparency of our capital markets. The structures, policies and procedures already in place at Ariadne have been developed and implemented by the Board and management over many years to ensure the Company has historically operated on those principles. Ariadne’s Corporate Governance Statement has been re-structured with reference to the Council’s Corporate Governance Principles and Recommendations (Second Edition) as discussed below.

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| Principle 1. | Lay solid foundations for management and oversight |
| Principle 2. | Structure the Board to add value |
| Principle 3. | Promote ethical and responsible decision making |
| Principle 4. | Safeguard integrity in financial reporting |
| Principle 5. | Make timely and balanced disclosure |
| Principle 6. | Respect the rights of shareholders |
| Principle 7. | Recognise and manage risk |
| Principle 8. | Remunerate fairly and responsibly |

The Board believes that a Company’s Corporate Governance policies should be tailored to account for the size and structure of the Company, risks associated with the Company’s operations and the Company’s inherent strengths and weaknesses. The ASX concurs with this view and allows companies to explain deviations from the Council’s recommendations, which have been recently revised. Areas where Ariadne has deviated from the Council’s recommendations are discussed below, but the Board believes the areas of non-conformance do not impact on the Group’s ability to operate with the highest standards of Corporate Governance. Any major change in the Company’s operation will result in a review of the Company’s Corporate Governance policies.

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1. Functions of Board and Management

The Board is responsible to shareholders for the Group's corporate governance practices, and for the direction and oversight of the Company's businesses on behalf of the shareholders. The Board's responsibilities include:

- reviewing and determining the Group's strategic direction and operational policies;
- establishing goals for management and monitoring the achievement of these goals;
- reviewing and approving the Group's Business Plan;
- appointing and remunerating the Chief Executive Officer and Executive Management team;
- approving all significant business transactions including acquisitions, divestments and property developments;
- monitoring business risk exposures and risk management systems;
- approving and monitoring financial and other external reporting;
- approving changes to the Group's capital structure;
- considering approaches made to the Company in respect of takeovers;
- reporting to shareholders; and
- promoting ethical conduct.

The Board delegates responsibility for the implementation of strategy and administration of day-to-day business to the Chief Executive Officer and other members of the Company's Executive Management team. The Executive Management team currently comprises the Chief Executive Officer and the Chief Financial Officer.

The Executive Management team is responsible for:

- ensuring business development and other activities are conducted in accordance with the Group's overall business strategy;
- managing the Group's investments, property developments and other businesses to maximise returns to shareholders;
- informing the Board on a regular basis of the status of all investments and the performance of all Company assets;
- managing relationships with investors, bankers and financial community;
- approving capital expenditure and business transactions;
- planning in accordance with the financial control guidelines which govern the allocation and management of financial resources throughout the Group;
- ensuring that appropriate financial and operational reporting is provided to the Board on a regular basis; and
- establishing and monitoring the Group's risk management framework to ensure that policies, guidelines and controls are effective in reducing the Group's operational and financial exposures to an acceptable level.

Details on the process for evaluating the performance of the Executive Management team have been included in the Remuneration Report, which forms part of the Directors' Report. An evaluation of performance of the Chief Executive Officer is undertaken each year by the Board. The Chief Financial Officer's performance is evaluated by the Chief Executive Officer annually, in consultation with the Board.

2. Structure of the Board

The Board comprises the Chairman and the other independent and non-independent Directors. All Directors of the Company are Non-Executive. The size and composition of the Board is formulated to provide an appropriate range of experience, skills, knowledge and perspective to enable it to appoint, guide and supervise a high standard of management for the Company's business. The names, skills, experience and expertise of each Director of the Company are set out in the Directors' Report and are included on the Group's website.

Directors of Ariadne Australia Limited are considered to be independent when they do not participate in day-to-day management activity and are free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their independent judgement. In the context of Director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. The Board generally considers an item to be material if it is greater than 5% of the appropriate base amount. Qualitative factors are also considered, including whether a

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relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it.

In accordance with this definition of independence, Mr D Baffsky, AO and Mr M Loomes are considered to be independent Directors. Mr K Seymour, AM and Mr J Murphy in their capacity as Directors, represent the interests of significant shareholders. However, the materiality of these shareholdings does not impact on the ability of these Directors to act on an objective and independent basis and consequently they are also considered to be independent Directors. The majority of the Ariadne Board is therefore comprised of independent Directors as is recommended by the Council. Dr G Weiss is not an independent Director by virtue of his significant shareholding in the Group as described in the Annual Report.

The Board has adopted the following measures to ensure that independent judgment is achieved and maintained in respect of its decision-making processes:

- Directors are entitled to seek independent professional advice at the Company's expense, subject to the approval of the Board;
- Directors having a conflict of interest in relation to a particular item of business must absolve themselves from discussion or any decision on the topic; and
- Non-independent Directors confer on a needs basis.

Each Director brings a range of complementary skills and experience to the Group as detailed in the Directors' Report and included on the Group's website.

Mr D Baffsky, AO is the current Chairman. In this respect Ariadne has complied with Council recommendation 2.2 requiring that the Chairman be an independent Director.

The Board has established a clear distinction between the roles of Chairman and Chief Executive Officer, to whom the Board has delegated responsibility for the execution of strategy and administration of day-to-day business.

Due to the size and structure of the Ariadne Board, a Nominations Committee has not been established as required under ASX recommendation 2.4. All Directors may make recommendations to the Board regarding the membership of the Board, including proposed new appointments. However, all Directors must agree unanimously on any new Director appointments. In addition, Ariadne's Constitution provides that at each annual general meeting, one third of Directors shall retire (and be eligible for re-election). In addition, any new Director appointed by the Board during the year is automatically offered for re-election at the next annual general meeting. The Board believes that these alternative procedures are appropriate to ensure the Board adequately discharges its responsibilities and duties.

In accordance with the Council's recommendation 2.5, the Company has formal induction procedures in place to allow new Directors to participate fully and actively in Board decision making at the earliest opportunity. Board members are also provided comprehensive information on a regular basis by the Executive Management team so that they can discharge their Director responsibilities effectively. The Company Secretary coordinates the timely completion and dispatch of such materials to the Board.

In consultation with all non-involved Directors, the Chairman is responsible for evaluating the performance of the individual members of the Board, its committees and the Company Secretary.

3. Ethical and responsible decision-making

The Board encourages the highest standards of ethical conduct by all Directors and employees of the Group. The Board has adopted a Code of Ethics that sets out the principles and standards with which all Group Officers and employees are expected to comply in the performance of their respective functions. A summary of the code is included below:

- comply with the law;
- act honestly and with integrity;
- reduce the opportunity for situations to arise which result in divided loyalties or conflicts of interest;
- use Ariadne's assets responsibly and in the best interests of Ariadne shareholders; and
- be responsible and accountable for their actions.

The Code of Ethics is integrated into companywide management practices. Directors, Executives and employees are all made aware of the Company's Code of Ethics upon commencement of employment and any updates as and when they occur.

Executive Management immediately investigates possible failures to comply with the principles of ethical and responsible conduct, employing the use of third party expertise where necessary. The appropriate level of disciplinary action is applied where departures from these principles are confirmed.

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Dealing in Company Shares

Officers, management and employees are actively encouraged to own shares in the Company. The Board's policy is that Ariadne employees are prohibited from using confidential company information to make a profit, or avoid a loss, by trading in the securities of Ariadne Australia Limited. Employees are also prohibited from providing confidential company information to a third party that would allow the third party to make a profit, or avoid a loss, by trading in the securities of the Company.

All trading in Ariadne Australia Limited shares must be approved by the Chief Executive Officer in advance of placing any buy or sell orders. In consultation with the Chairman, the Chief Executive Officer therefore approves all share trades of Directors, Executives and employees in the Company's securities.

The Board recognises that it is the individual responsibility of each Director and employee to ensure that they comply with the spirit and letter of the insider trading laws, and that notification to the Board of an intention to trade in no way implies Board approval of any transaction.

4. Integrity of Financial Reporting

Ariadne's Chief Executive Officer and Chief Financial Officer report in writing to the Audit and Risk Management Committee that the consolidated financial statements of Ariadne Australia Limited and its controlled entities for each half and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards.

The Ariadne Audit and Risk Management Committee ("the Committee") operated throughout the year with the primary objective to assist the Board of Directors in fulfilling the Board's responsibilities relating to the accounting, reporting and financial risk management practices of the Company.

In fulfilling this Audit and Risk Management Committee objective, the Committee meets at least two times each year. The main duties and responsibilities as documented in the Committee Charter include:

- review and consideration of statutory compliance matters;
- review of the annual and half-yearly financial reports;
- recommend to the Board nominations for appointment as external auditors;
- review the scope of the audit, the level of audit fees and the performance of the external auditors;
- liaison with external auditors, review of audit planning and consideration of audit results; and
- evaluation of the adequacy and effectiveness of the Company's administrative, operating and accounting policies and controls through active communication with operating management and the external auditors.

Ariadne has a Committee comprised of all Non-Executive and independent Directors. Mr J Murphy acts as an independent Chairman of the Committee. Mr J Murphy, Mr M Loomes and Mr D Baffsky, AO are members of the Committee. Their experience and skills outlined in the Directors' Report provide a high level of financial technical expertise to the Committee.

A copy of the Audit and Risk Management Committee charter is available on the Group's website.

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5. Continuous Disclosure to ASX

Procedures are in place to identify matters that are likely to have a material effect on the price of the Company's securities and to ensure those matters are notified to the ASX in accordance with the Group's Listing Rule disclosure requirements. The Chief Executive Officer and Chief Financial Officer are responsible for monitoring the Company's activities in light of its continuous disclosure policy and where necessary discussing disclosure obligations with the Board. The Company Secretary is responsible for all communications with the ASX.

The Group's policies in this regard are not formally documented as is recommended under the Council's recommendation 5.1. However the Board is comfortable that the Chief Executive Officer and Chief Financial Officer will ensure all disclosure requirements are discussed with the Board in a timely manner. This view is reflective of the size of the Group's operations. Unless specifically authorised by the Chairman, no announcements are made by the Company Secretary without the prior review and approval of the full Board.

All communications with external stakeholders in respect of sensitive company information is subject to relevant safeguarding and confidentiality procedures. These communications are undertaken in light of continuous disclosure requirements of the ASX and the broad principle of ensuring the market is fully informed of price sensitive information.

6. Communication with Shareholders

The Group encourages communication with shareholders and other stakeholders in an open, regular and timely manner. Mechanisms employed include:

- regular shareholder communications such as Half-Yearly Reports and the Annual Financial Report;
- financial results presentations at the Company's Annual General Meeting ("AGM");
- shareholder access to communications through the use of information technology such as the Ariadne website; and
- utilising Computershare, the Group's share registry service provider, to facilitate the electronic delivery of reports and other information to shareholders.

The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and understanding of the Group's historical results and future strategy and goals. A recording of proceedings at the AGM is also available to shareholders for a period of at least six months after the AGM. The Group's auditors are also required to attend the AGM and are available to shareholders should they have any questions.

7. Risk Management

The Board is responsible for oversight of the Group's risk management and internal control framework. The Audit and Risk Management Committee assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the Group and its risk management and control framework. A framework designed to ensure that the Group's risks are identified and that appropriate internal controls are in place and functioning effectively is in place.

Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Chief Executive Officer and Chief Financial Officer having ultimate responsibility to the Board and the Audit and Risk Management Committee for the Group's risk management and internal control activities.

Current arrangements put in place by the Board to monitor risk management include:

- regular monthly reporting to the Board in respect of operations and the financial position of the Group;
- reports by the Chairman of the Audit and Risk Management Committee and circulation to the Board of the minutes of each meeting held by this Committee;
- presentations made to the Board or Committees of the Board throughout the year by appropriate members of the Group's management team (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk; and
- any Director may request that operational and project audits be undertaken by management.

In conjunction with the Audit and Risk Management Committee, the Executive Management team has completed a risk management framework for the Group. This has resulted in the establishment of a formal, documented enterprise risk management framework. While the Directors believe the Council's recommendations 7.1 and 7.2 have already been met, the Board understands the importance of risk management to the Group and its shareholders and continues striving to enhance this component of the Group's corporate governance practices as appropriate to the Group's activities.

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Prior to signing the Group's annual financial statements, Ariadne's Chief Executive Officer and Chief Financial Officer report in writing to the Audit Committee that:

- the statement given in accordance with Council's best practice recommendation is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

8. Remuneration

The Company's policies relating to Directors' and Executives' remuneration are set out in the Group's Remuneration Report, which forms part of the Director's Report. The Ariadne Executive Share Option Plan and the Ariadne Employee Share Plan were both approved by shareholders at the 1998 Annual General Meeting.

Due to the size of the Group and current number of employees, the full Board acts as the Remuneration Committee. Given the small number of employees, the Company therefore believes it has complied with the intention of Council's recommendation 8.2.

It is the Company's objective to benefit from the retention of a high quality Board and Executive Management team by remunerating Directors and key Executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the nature and amount of Executive Directors' and Officers' emoluments are linked to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key Executives;
- Motivate Senior Executives to pursue the long term growth and success of the Company;
- Attraction of quality management to the Company; and
- Performance incentives which allow Executives to share the rewards of the success of the Group.

The Board exercises discretion in relation to the payment of bonuses and options, having regard to the overall performance of Ariadne and the performance of the employee during the period.

The Board consists entirely of Non-Executive Directors who are remunerated by way of Director's fees paid in cash and as such there is currently no requirement to distinguish between the structure of Non-Executive and Executive Directors' remuneration. The level of remuneration is approved by shareholders, as distinct from Senior Executives, whose remuneration is approved by the Board. Ariadne also has a Directors' retirement scheme, whereby the Company's Directors receive additional retirement benefits, which vests at the completion of five years service, and is payable upon retirement.

A performance review was undertaken for all Senior Executives in the reporting period in accordance with the Company's performance review criteria.

As far as the Group is aware, no Director or Executive uses hedging instruments to limit their exposure to risk on either shares or options in the Company. The Company's policy is that the use of such hedging instruments is prohibited.