

CORPORATE GOVERNANCE STATEMENT

The Board recognises the importance of establishing a comprehensive system of control and accountability as the basis for the administration of corporate governance.

To the extent applicable, the Group has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council ("Recommendations").

The Board has adopted the following suite of corporate governance policies and procedures which are contained within the Company's Corporate Governance Section on the Company's website at www.recce.com.au

- Board Charter
- Audit and Risk Management Committee Charter
- Nomination and Remuneration Committee Charter
- Code of Conduct
- Shareholder Communications Strategy
- Corporate Governance Policy – Securities Trading
- Diversity Policy
- Continuous Disclosure Policy
- Policy and Procedure for Selection and Appointment of Directors
- Remuneration Policy for Executives and Non-Executive Directors
- Risk Management Policy

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Group's needs.

The Group is pleased to report that its practices are largely consistent with the Recommendations of the ASX Corporate Governance Council and sets out below its compliance and departures from the Recommendations for the period ended 30 June 2016.

In the context of the Company's size and nature, the Board considers that the current corporate governance regime is a fit-for-purpose, efficient, practical and cost effective method of directing and managing the Group. As the Group's activities develop in size, nature and scope, the implementation of additional corporate governance polices and structures will be reviewed.





CORPORATE GOVERNANCE STATEMENT (continued)

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
Recommendation 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	The Company has adopted a Board Charter which complies with the guidelines prescribed by the ASX Corporate Governance Council. A copy of the Company's Board Charter is available on the Company's website.
Recommendation 1.2 A listed entity should: (a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and (b) Provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a Director.	YES	(a) The Nomination and Remuneration Committee is responsible for recommendations to the Board for the selection and appointment of members of the Board. The Company's Nomination and Remuneration Committee Charter requires the Nomination and Remuneration Committee to undertake appropriate checks before the Board appoints a person, or putting forward to security holders a candidate for election, as a Director. During the financial year the Company undertook appropriate checks prior to putting forward Dr Dominic Barnes and Ms Bernadette Murdoch as candidates for election as Directors of the Company. (b) All material information relevant to the decision on whether or not to elect Dr Dominic Barnes and Ms Bernadette Murdoch, including information relating to their qualifications, experience and proposed roles within the Board will be set out in the Notice of Meeting which will be sent to all shareholders ahead of the Annual General Meeting to be held on 22 November 2016.
Recommendation 1.3 A listed entity should have a written agreement with each Director and Senior Executive setting out the terms of their appointment.	YES	The Company has written agreements with all Directors and Senior Executives which sets out the terms of their appointment.
Recommendation 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	The Board Charter outlines the role, 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.



CORPORATE GOVERNANCE STATEMENT (continued)

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
<p>Recommendation 1.5 A listed entity should:</p> <p>(a) Have a diversity policy which includes requirements for the Board:</p> <p>(i) to set measurable objectives for achieving gender diversity; and</p> <p>(ii) to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) Disclose that policy or a summary of it; and</p> <p>(c) Disclose as at the end of each reporting period:</p> <p>(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</p> <p>(ii) either:</p> <p>(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</p> <p>(B) The entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.</p>	PARTIALLY	<p>(a) The Company has adopted a Diversity Policy which complies with the guidelines prescribed by the ASX Corporate Governance Council, including:</p> <p>(i) the Diversity Policy provides a framework for the Company to set and achieve measurable objectives that encompass gender equality.</p> <p>(ii) the Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The Company is responsible for implementing, monitoring and reporting on the measurable objectives.</p> <p>(b) The Diversity Policy is available on the Company's website.</p> <p>(c) Given the short time frame since the Company's admission to the official list of the ASX, the Company has yet to formally define the measurable objectives for achieving gender diversity as required under its Diversity Policy. With its new Board now in place, the Company intends to undertake a review of its Diversity Policy in the coming months and define the measurable objectives for achieving gender diversity, where appropriate. As at 30 June 2016, the respective proportions of men and women on the Board, in Senior Executive positions and across the whole organisation are set out below. The Company defines Senior Executives as those employees who report directly to the Executive Chairman or the Board.</p> <ul style="list-style-type: none"> ▪ 60% of the Company's Board were male and 40% were female; ▪ 100% of the Company's Senior Executives were male (excluding members of the Board) ▪ 25% of the Group's entire workforce (including Board members) were female and 75% were male.
<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>	YES	<p>(a) The Nomination and Remuneration Committee is responsible for evaluating the performance of the Board and individual Directors on an annual basis. The process for this is set out in the Company's Nomination and Remuneration Committee Charter which is available on the Company's website</p> <p>(b) Given the short timeframe since listing on the ASX, the Board did not undertake a performance evaluation of its Board or its individual Directors during the reporting period.</p>
<p>Recommendation 1.7 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>	YES	<p>(a) The Nomination and Remuneration Committee is responsible for evaluating the performance of Senior Executives on an annual basis in accordance with the Company's Nomination and Remuneration Committee Charter.</p> <p>(b) The Executive Chairman undertook performance evaluations following the anniversary of the commencement of each Executive's employment with the Company.</p>

CORPORATE GOVERNANCE STATEMENT (continued)

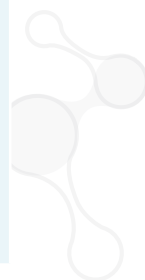


PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 2: Structure the Board to add value		
<p>Recommendation 2.1 The Board of a listed entity should:</p> <p>(a) Have a nomination committee which:</p> <ul style="list-style-type: none"> (i) has at least three members, a majority of whom 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 <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>	YES	<p>(a) The Board has a Nomination and Remuneration Committee which has three members, the majority of which are independent and the Chair of the committee is an Independent Director. The times and attendance at each committee meeting is disclosed in section 11 of the Directors' Report. A copy of the Nomination and Remuneration Committee Charter is available on the Company's website.</p> <p>(b) The Board will devote time at annual Board meetings to discuss Board succession issues. All members of the Board are to be involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.</p>
<p>Recommendation 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.</p>	YES	<p>The Board reviews its composition on an annual basis against a Board skills matrix. The Company's Board skills matrix is available on its website.</p>
<p>Recommendation 2.3 A listed entity should disclose:</p> <p>(a) The names of the Directors considered by the Board to be Independent Directors;</p> <p>(b) If a Director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendations (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</p> <p>(c) The length of service of each Director.</p>		<p>(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. The current Independent Directors are Dr Barnes and Ms Murdoch.</p> <p>(b) The Board has determined and been assured of the independence of each of the Company's Directors in line with the guidance set out by the ASX's Corporate Governance Council.</p> <p>(c) The length of service of each Director is as follows:</p> <ul style="list-style-type: none"> ▪ Dr Barnes was appointed on 14 May 2016 and has served as a Director for approximately 4 months; ▪ Ms Murdoch was appointed on 26 May 2016 and has served as a Director for approximately 4 months; ▪ Mr Graham and Ms Dilizia were appointed as Directors on 23 June 2015 and have served as Directors of the Company for approximately 15 months; and ▪ Dr Melrose was appointed a Director of the Company on 11 April 2007 and has served as a Director of the Company for approximately 9 years and 5 months.



CORPORATE GOVERNANCE STATEMENT (continued)

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 2: Structure the Board to add value		
<p>Recommendation 2.4 A majority of the Board of a listed entity should be Independent Directors.</p>	NO	<p>The Board Charter requires that where practical the majority of the Board will be independent. The Board currently comprises a total of 5 Directors, of whom 2 are considered to be independent. As such, Independent Directors are not currently an independent majority of the Board.</p> <p>The Board does not currently consider an independent majority of the Board to be appropriate given:</p> <p>(a) The magnitude of the Company's operations; and</p> <p>(b) The relevant skills and experience of Dr Melrose, Ms Dilizia and Mr Graham, together with the two Independent Directors, mean that the Board is appropriately skilled at this stage, to further the progress and development of the Company.</p> <p>The Company may seek to appoint additional Independent Directors in the future to address the lack of independence of its Directors.</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>	NO	<p>The Chairman, Dr Melrose is an Executive Director and is not considered by the Board to be independent. The Board does not have an independent Chair because as founder of Recce and lead-inventor of the RECCE initial and ongoing technology, the Company considers that Dr Melrose is the best equipped person to progress the Company's future direction.</p> <p>The Company may seek to appoint an independent Chair in the future.</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	<p>The Nomination and Remuneration Committee is responsible for reviewing and recommending to the Board induction and professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</p> <p>As a result, the Company has in place a program for the induction of new Directors which is tailored to each new Director depending on their personal requirements, background skills, qualifications and experience and includes the provision of a formal letter of appointment and an induction pack containing sufficient information to allow the new Director to gain an understanding of the business of the Company, and the roles, duties and responsibilities of Directors and the Executive Team.</p> <p>All Directors are encouraged to undergo continual professional development and, subject to prior approval by the Chairman, all Directors have access to numerous resources and professional development training to address any skills gaps.</p> <p>In addition, opportunities to develop the skills and experience of individual Board members will be considered as part of the Company's annual Board performance review process.</p>



CORPORATE GOVERNANCE STATEMENT (continued)

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 3: Act ethically and responsibly		
<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>	YES	<p>(a) The Company has a Code of Conduct – the Company's Obligations to Stakeholders that applies to its Directors, employees and contractors (all of whom are referred to as "employees" under the Code).</p> <p>(b) The Company's Code of Conduct – the Company's Obligations to Stakeholders is available on the Company's website.</p>
Principle 4: Safeguard integrity in financial reporting		
<p>Recommendation 4.1 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>(i) the charter of the committee;</p> <p>(ii) the relevant qualifications and experience of the members of the committee; and</p> <p>(iii) 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>	PARTIALLY	<p>(a) The Company has an Audit and Risk Management Committee which has three members, the majority of whom are independent and the Chair of the committee is independent.</p> <p>The Audit and Risk Management Committee Charter is available on the Company's website.</p> <p>(b) The Audit and Risk Management Committee devotes time on at least an annual basis to consider the robustness of the various internal control systems it has in place to safeguard the integrity of the Company's financial reporting.</p> <p>In addition, the Audit and Risk Management Committee has the opportunity to confer with the Company's external auditors on any matters identified during the course of the audit that have the potential to increase the Company's exposure to risks of material misstatements in its financial reports. To this end, the Company is pleased to confirm that no such matters were raised by the Company's auditors.</p> <p>The Audit and Risk Management Committee also assumes responsibility for recommendations to security holders on the appointment and removal of the external auditor. Audit partner rotations are enforced in accordance with the relevant guidelines.</p>
<p>Recommendation 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.</p>	YES	<p>Prior to the execution of the financial statements of the Company, the Company's Executive Chairman and CFO provided the Board with written assurances that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control which is operating effectively in all material aspects in relation to the Company's financial reporting risks.</p>
<p>Recommendation 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.</p>	YES	<p>The Company intends to hold its first Annual General Meeting within the coming months. The Board will act so that the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>

CORPORATE GOVERNANCE STATEMENT (continued)

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 5: Make timely and balanced disclosure		
Recommendation 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	(a) The Company has adopted a Continuous Disclosure Policy which details the processes and procedures which have been adopted by the Company so as to comply with its continuous disclosure obligations as required under the ASX Listing Rules and other relevant legislation. (b) The Continuous Disclosure Policy is available on the Company's website.
Principle 6: Respect the rights of security holders		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	Shareholders can access information about the Company and its governance (including its Constitution and adopted governance policies) from the Company's website on the "Corporate Governance" page.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with its investors. The Strategy outlines a range of ways in which information is communicated to shareholders. A copy of the Company's Shareholder Communications Strategy policy is available on the Company's website.
Recommendation 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	Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. In the first instance, Shareholders' queries are referred to the CFO & Company Secretary.



CORPORATE GOVERNANCE STATEMENT (continued)



PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 7: Recognise and manage risk		
<p>Recommendation 7.1 The Board of a listed entity should:</p> <p>(a) Have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> (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 <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>	YES	<p>(a) The Board has an Audit and Risk Management Committee which has three members, the majority of which are independent and the Chair of the committee is independent. The time and attendance of each committee is disclosed in Section II of the Directors' Report. The Audit and Risk Management Committee Charter is available on the Company's website.</p> <p>(b) The Board devotes time on at least an annual basis to fulfil the roles and responsibilities associated with overseeing risk and maintaining the Company's risk management framework.</p>
<p>Recommendation 7.2 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>	YES	<p>(a) The Audit and Risk Management Committee Charter sets out a requirement for the Audit and Risk Management Committee to review the Company's risk management framework on an annual basis. The Company monitors, evaluates and seeks to improve its risk management and internal control processes in line with the processes set out in its Risk Management Policy, a copy of which is available on the Company's website. In addition, the Company has a number of other policies that directly or indirectly serve to reduce and/or manage risk, including:</p> <ul style="list-style-type: none"> ▪ Continuous Disclosure Policy ▪ Code of Conduct ▪ Trading Policy <p>(b) The Company formulated its risk management framework in preparation for the Company's admission to the official list of the ASX. Whilst a formal review of its risk management framework has not been undertaken since listing, the Board regularly considers risk on a formal basis and is satisfied that the Company's risk management framework continues to be sound, and that the material business risks remain within the risk appetite set by the Board.</p>
<p>Recommendation 7.3 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>	YES	<p>(a) The Audit and Risk Management Committee Charter provides for the Audit and Risk Management Committee to monitor the need for an internal audit function. At this stage, due to the current size and nature of the existing Board and the magnitude of the Company's operations the Company does not have an internal audit function.</p> <p>(b) The Company has adopted a Risk Management Policy which the Company follows. The Audit and Risk Management Committee reviews on a regular basis the reports prepared by management in relation to the Company's risk profile.</p>



CORPORATE GOVERNANCE STATEMENT (continued)

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<p>Recommendation 7.4 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>	YES	Prior to the Company's admission to the official list of the ASX, the Board undertook a thorough review of the Company's exposures to economic, environmental and social sustainability risks and disclosed these risks in its Prospectus dated 21 September 2015. A copy of this Prospectus is available on the Company's website at: www.recce.com.au
Principle 8: Remunerate fairly and responsibly		
<p>Recommendation 8.1 The Board of a listed entity should:</p> <p>(a) Have a remuneration committee which:</p> <ul style="list-style-type: none"> (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 <p>(b) If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and Senior Executives and ensuring that such remuneration is appropriate and not excessive.</p>	YES	<p>(a) The Board has a Nomination and Remuneration Committee which has three members, the majority of whom are independent, and the Chair of the committee is an Independent Director. The times and attendance at each committee meeting is disclosed in Section II of the Directors' Report. The Nomination and Remuneration Committee Charter is available on the Company's website.</p> <p>(b) The Board ensures the roles and responsibilities associated with setting the level and composition of remuneration for Directors and Senior Executives and ensuring that such remuneration is appropriate and not excessive.</p>
<p>Recommendation 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 and ensure that the different roles and responsibilities of Non-Executive Directors compared to Executive Directors and other Senior Executives are reflected in the level and composition of their remuneration.</p>	YES	The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of Non-Executive and Executive Directors and other senior employees. This disclosure is set out in the Remuneration Report section of the Directors' Report.
<p>Recommendation 8.3 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's Nomination and Remuneration Committee is responsible for the review and recommendation to the Board of any equity-based remuneration schemes offered to Directors and employees of the Company. Further, in accordance with the Nomination and Remuneration Committee Charter, the Nomination and Remuneration Committee is also responsible for recommending, on a case by case basis, for scheme participants to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Scheme.</p> <p>(b) The Company's policy in this regard is set out in the Company's Nomination and Remuneration Committee Charter, a copy of which is available on the Company's website.</p>