

## **CORPORATE GOVERNANCE STATEMENT**

### **Board of Directors and Corporate Governance**

The Board of QRSciences Holdings Limited is responsible for ensuring the existence of an effective corporate governance environment to safeguard the interests of the Company and its shareholders. This statement outlines the main corporate governance practices that were in place during the year ended 30 June 2005.

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2005.

### **Composition of the Board**

The Board of Directors consists of a chairman and two executive directors. The Company does not comply with ASX Corporate Governance Council best practice recommendation 2.1, 2.2, and 2.4 as the board does not have a majority of independent directors, the Chairman is not an independent director and the board has not established a nomination committee for board appointments. The Board does not consider that compliance with the recommendations is warranted given the size of the Company and its stage of development however this will be reviewed on an ongoing basis. The Board meets regularly and is responsible for providing strategic direction, identifying significant business risks, approving major investment proposals and acquisitions, establishing goals and monitoring the achievement of these goals.

<b>Name</b>	<b>Role</b>	<b>Non-executive</b>	<b>Independent</b>
Mr Kevin Russeth	Executive Chairman	No	No
Mr Gary Pennefather	Executive Director	No	No
Mr Simon Bedford	Executive Director	No	No
Dr Timothy Rayner	Executive Director	No	No
Mr Norman Shanks	Non-executive Director	Yes	Yes
Mr Joseph Paresi	Non-executive Director	Yes	Yes

### **Nomination Committee**

The Company has not assigned a Nomination Committee. The full Board is responsible for establishing criteria for Board membership, reviewing Board membership and nominating Directors for appointment to the Board. Candidates are initially appointed by the Board and must stand for election at the next general meeting of shareholders.

Directors are selected on the basis of qualification, skills and experience, and are subject to retirement by rotation in accordance with the Company's constitution.

### **Independent Professional Advice**

Directors have the right to seek independent professional advice at the company's expense in the furtherance of their duties as Directors. Approval must be obtained from the chairman prior to incurring any such expense on behalf of the company.

## **Identifying and Managing Business Risks**

The Board regularly monitors the operational and financial performance of the Company and economic entity, and also reviews and (where necessary) receives independent external advice on areas of operational and financial risks. Appropriate risk management strategies are developed to mitigate all identified risks of the business.

## **Trading Policy**

The Company's policy regarding directors and employees trading in its securities is set by the board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices.

## **Audit Committee**

The full Board is responsible for the nomination of the external auditors, and for reviewing the adequacy of existing external audit arrangements, including the scope and quality of the audit.

The Company does not have a formally constituted audit committee as the auditor has full access to the Board and reports to the CFO who informs the Board of Directors each six months on the auditor's findings, prior to the directors adopting the accounts.

## **Remuneration**

The full Board is responsible for reviewing and approving the remuneration packages, if any, and policies applicable to the directors and the executive chairman. This responsibility extends to share option schemes and incentive performance packages.

Executives and staff are also entitled to participate in the employee share and option arrangements.

The amount of remuneration for all Directors and the five highest-paid executives, including all monetary and non-monetary components, are detailed in the remuneration report. All remuneration paid to executives is valued at the cost to the company and expensed. Shares given to executives are valued as the difference between the market price on the date of issue and the amount paid by the executive. Options are valued using the Black-Scholes methodology.

The board has a remuneration structure that will result in the company attracting and retaining the best people to run the business. As part of this strategy it will also provide executives with the necessary incentives to work to grow long-term shareholder value. The policy complies with the four key principles of IFSA Guidance Note 02-16.

## **Ethical Standards**

All directors are expected to act with the utmost integrity and objectivity in the performance of their duties, striving at all times to enhance the reputation and performance of the Company.

## **THE ROLE OF SHAREHOLDERS**

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Law.
- Half-year financial statements prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 and subject to an audit review are lodged with the Australian Securities and Investments Commission and Australian Stock Exchange Limited.
- Proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as resolutions.

The shareholders are responsible for voting on the appointment of directors.