

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the overall corporate governance of Acrux Limited (“Company”). The Board monitors the operational and financial position and performance of the Company and oversees its business strategy, including approving strategic objectives, plans and budgets of the Company. The Board is committed to optimising performance and building sustainable value for shareholders. In conducting business with these objectives, the Board seeks to ensure that the Company is appropriately managed to protect and enhance shareholder interests and that the Company, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for the Company’s business and that are designed to promote responsible management and conduct of the Company.

The Australian Securities Exchange (“ASX”) Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations 3rd edition (“ASX Principles”) for entities listed on the ASX in order to promote investor confidence and to assist companies to meet stakeholder expectations. This Corporate Governance Statement outlines the key aspects of the Company’s governance framework and governance practices which are consistent with the ASX Principles unless stated otherwise.

The Company’s corporate governance principles, details of which can be found on the Company’s website (www.acrux.com.au), comprise:

- Statement of Corporate Governance Principles
- Code of Conduct
- Board Charter
- Audit and Risk Committee Charter
- Human Capital and Nomination Committee Charter
- Continuous Disclosure and Shareholder Reporting Policy
- Share Trading Policy
- Whistle-blower Policy
- Diversity Policy

This statement has been approved by the Board of Acrux Limited and is current at 22 August 2019.

1. The Board of Directors

1.1 Board Role and Charter

The Board Charter sets out details of the Board’s composition, its role and responsibilities, the expected relationship and interaction between the Board and management, details of the responsibilities and functions expressly reserved to the Board and those authorities which are delegated by the Board to management and Board Committees. A copy of the charter can be viewed on the Company’s website.

The Board is responsible for the management, oversight and performance of the Company, including but not limited to the following matters:

Strategic and Financial Objectives

- a) evaluating, approving and monitoring the strategic and financial plans and performance objectives for the Company;
- b) evaluating, approving and monitoring the annual budgets and business plans;
- c) evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions including the issue of any securities of the Company;
- d) evaluating and approving the annual and half year financial reports and associated announcements and disclosures;
- e) monitoring other material reporting and external communications by the Company including financial projections and or statements as to future financial performance; and
- f) appointing external auditors.

Board and Senior Management

- g) nomination and remuneration of Directors;
- h) appointment of the Chair;
- i) evaluation of Board and individual Director performance;
- j) appointing, removing and managing the performance of, and the succession planning for, the Chief Executive Officer;
- k) overseeing and ratifying the terms of appointment and, where appropriate, removal, of Senior Management (being those persons reporting directly to the Chief Executive Officer), including their remuneration;
- l) monitoring Senior Management performance and their implementation of strategy and ensuring appropriate resources are available;
- m) control of membership and Charters of Board Committees; and
- n) corporate governance matters relating to the Board and Senior Management and matters of principle regarding corporate governance.

Risk and Compliance Management

- o) monitoring the Company's performance in relation to best practice principles of corporate governance;
- p) approving and monitoring the Company's risk management strategy and internal controls and accountability systems and their effectiveness;
- q) approving and monitoring compliance with the Company's Code of Conduct and other policies; and
- r) monitoring and reviewing the Company's operations in relation to, and compliance with, legal and regulatory requirements.

Secretarial and Other

- s) convening of shareholder meetings;
- t) issuing shares, equity instruments or other securities;
- u) disclosure of Directors' interests;
- v) major litigation;
- w) continuous disclosure and shareholder communications;
- x) related party transactions;
- y) insider trading; and
- z) design of any short or long-term incentive plans to employees of the Company including, but not limited to employee share and option plans;

The Board has delegated the day to day management of the Company to the Chief Executive Officer who, in turn, may delegate to Senior Management. The delegations to the Executive Director include:

- a) developing business plans, budgets and company strategies for consideration by the Board and, to the extent approved by the Board, implementing those plans, budgets and strategies;
- b) operating the business of the Company within the parameters determined by the Board and keeping the Board promptly informed of all developments material to the Company and its business;
- c) where proposed transactions, commitments or arrangements to be undertaken by Senior Management exceed limits authorised by the Board, referring the matter to the Board for consideration and approval;
- d) identifying and managing operational risks and formulating strategies for managing those risks for consideration by the Board;
- e) managing the Company's financial and other reporting mechanisms and control and monitoring systems to ensure that they capture all relevant material information on a timely basis and are functioning effectively;
- f) ensuring that the Board is provided with sufficient information on a timely basis in relation to the Company's business and, in particular, in relation to the Company's performance, financial condition, operating results, risks and prospects to enable the Board to discharge its duties; and
- g) implementing the policies, processes and codes of conduct approved by the Board.

1.2 Board Composition

The Board seeks to achieve a mix of skills and diversity that enables it to most effectively carry out the functions and responsibilities set out in the Board Charter. This includes:

Skills or experience required by all Directors:

- a) Knowledge of corporate governance requirements and practices and risk management is important because we are a publicly listed company and must ensure our integrity, values and the way in which we assess and manage risk are set from the top.
- b) Significant leadership and strategy experience over extended periods is important because it helps identify these qualities in the management team and brings a practical understanding of organisations and how to drive change and growth.
- c) Fit and balance within board is important to ensure that the board can build effective team work.
- d) Demonstrates Company values is important because the values drive standards, behaviour and how we should interact. The Company values are "Round the clock", "Innovation", "Openness", "Standout."

Skills or experience required to be represented on the board in light of Acrux's current and expected future business needs:

- a) Financial management is important because it assists understanding and oversight of financial reporting and controls, because our corporate structures are complex.
- b) Investor/investment management and capital markets experience is important to ensure strong alignment with our investors and to review distribution of, or raising of capital.

- c) Technology or project selection experience is important because we are choosing to invest in new projects which require allocation of capital, assessment of risk and financial returns.
- d) Pharmaceutical industry experience is important in understanding and reviewing our strategy and investment decisions and managing our risks.
- e) Legal or contract or IP experience relevant to industry is important in understanding strategy related to intellectual property and reviewing and managing alliances governed through contractual relationships.
- f) Sectoral experience relevant to corporate strategy is important because our competitive advantage is based on know-how and our pipeline is dependent on making good product selections.
- g) Clinical development experience is important as our projects will usually involve the coordination of clinical trials which are pivotal to regulatory assessment and approval of products that Acrux develops.
- h) International experience is important because the products Acrux develops will have a greater market potential outside the local Australian market and potential partners will most likely be based outside Australia.
- i) Alliance management or partner management experience is important because all of our development projects and commercialised products are intended for marketing through partnerships making alliance management a critical success factor for Acrux.
- j) Talent management or organisational development or change management experience is important because we are a highly skilled organisation making talent acquisition, development and retention a critical success factor.

The Board adopts and regularly reviews a skills matrix that defines a set of skills appropriate for the Board to discharge its duties having regard to the current and future strategies and operational priorities of the Company.

The current Board is made up of a Chairman (Ross Dobinson), three non-executive Directors (Timothy Oldham, Simon Green and Geoffrey Brooke) and an Executive Director (Michael Kotsanis). The names of the Directors, the dates of their appointments, their non-executive, executive or independent status and whether they will seek election at the 2019 Annual General Meeting are set out in the table below.

The details of their background, skills and experience are set out on pages 6-8 of the financial report.

Name	Appointed/resigned	Non-Executive	Executive	Independent	Seeking election at 2019 AGM
Ross Dobinson	Appointed 1998	Yes	No	Yes	No ¹
Timothy Oldham	Appointed 1 October 2013	Yes	No	Yes	No ²
Michael Kotsanis	Appointed 1 November 2014	No	Yes	No	No ³
Simon Green	Appointed 1 June 2016	Yes	No	Yes	Yes
Geoff Brooke	Appointed 1 June 2016	Yes	No	Yes	Yes

1. Mr Dobinson was re-elected on 26 October 2017.
2. Timothy Oldham was re-elected on 1 November 2018.
3. Michael Kotsanis is the Managing Director.

1.3 Director Independence

Pursuant to the recommendations of ASX Principle 2, the Board Charter ideally requires the Board to include a majority of non-executive independent Directors, have a non-executive independent Chairman and to have different persons filling the roles of Chairman and Chief Executive Officer.

The Board comprises a majority of independent Directors. A Director is considered to be independent where he/she is independent of management and is free of any business or other relationship with could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement. The Board Charter sets out guidelines to assist in considering the independence of Director. The Board considers that each of Ross Dobinson, Tim Oldham, Simon Green and Geoff Brooke are independent for the purposes of the ASX Principles.

In accordance with the recommendation of ASX Principle 2.5 the roles of Chair and Chief Executive Officer are not exercised by the same individual. The Chair is responsible for the leadership of the Board, for ensuring that the Board functions effectively and, where appropriate, communicating the views of the Board to the public. The Chair sets the agendas for Board meetings and manages the conduct of meetings by facilitating open discussion between Board members, between the Board and Senior Management and with the public.

1.4 Terms of Director Appointment

The Chairman, Non-executive Directors and Managing Director have formal letters of appointment. Remuneration of the non-executive Directors, Managing Director and the terms of appointment of the Chairman are disclosed in the Remuneration Report.

Non-executive Directors should be willing to serve for not less than that period of time determined by the Board at the time of the non-executive Director's appointment before retiring from the Board. Each non-executive Director will resign pursuant to ASX guidelines unless the other Directors unanimously request that Director to continue in office. In that case the non-executive Director will continue as a Director until he or she resigns or does not stand for re-election or another Director does not approve of him or her standing for re-election.

1.5 Access to Information and Independent Advice

All Directors have unrestricted access to employees of the Company and, subject to the law, access to all Company records and information held by the Company, its employees and advisors. The Board receives an agenda, detailed financial and operational reports and, where relevant, reports of the Board Committees for each Board meeting.

Each Director is entitled to obtain independent professional advice at the Company's expense for the purpose of assisting them in performing their duties. A Director who wishes to obtain such advice must first obtain the approval of the Chair (which approval must not be unreasonably withheld) and must provide the Chair with the reason for seeking such advice, the identity of the person from whom the advice will be sought and the likely cost of obtaining such advice. Except in certain circumstances detailed in the Board Charter, advice obtained in this manner is made available to the Board as a whole.

1.6 Human Capital and Nomination Committee

The current members of the Human Capital and Nomination Committee of the Board are Timothy Oldham (Chair), Geoff Brooke and Simon Green. During the financial year, the Committee met on 6 December 2018 and 20 June 2019 with only one absence at one meeting by members.

Members of the Committee are chosen having regard to their skills and experience in relation to the matters for which the Committee is responsible. Members of the Committee have unrestricted access to company records, Senior Management, advisers and the external auditors.

The objective and purpose of the Committee is to support and advise the Board in fulfilling its responsibilities to shareholders in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of Directors and ensuring that the Company obtains and retains Senior Management and employees of high quality and motivation to drive the long term growth of the Company.

The Committee's duties and responsibilities, which are set out in its Charter, in general terms is to:

- a) establish a formal and transparent procedure for the selection and appointment of new Directors to the Board;
- b) identify suitable candidates to fill Board vacancies as and when they arise and nominating candidates for the approval of the Board;
- c) consider processes for the orientation and education of new Directors and developing ongoing policies to facilitate continuing education and development of Directors;
- d) periodically assess the skills required for each Director to discharge competently the Director's duties;
- e) regularly review the structure, size and composition of the Board and the effectiveness of the Board as a whole;
- f) establish and conduct an appropriate evaluation of the Board's process and of existing Directors, including an evaluation of whether each Director is contributing the time required of him or her for Board duties;
- g) recommend to the Board a policy and framework for Senior Management's remuneration;
- h) review and monitor the implementation of the human resources plan of the Company and succession planning for Senior Management; and
- i) review and recommend to the Board the total individual remuneration package of each member of Senior Management, including any bonuses, incentive payments, and participation in any share or share option plans in accordance with the policy and framework for Senior Management's remuneration.

In accordance with the recommendations of ASX Principle 2.4, the Committee's Charter further provides that, where practical, a majority of the Committee must be independent non-executive Directors and the Chair must be a non-executive Director who is not the Chair of the Company. Executive Directors may not be members of the Committee. A further recommendation of ASX Principle 2.1 is that the Committee have at least 3 members.

The Company's Code of Conduct, which has been in place since 2005, contains a principle of equal opportunity to be applied in all human resource decisions and in the workplace environment. The Committee has supplemented the Code of Conduct principle by adopting a formal diversity policy. However, the Committee has not yet set measurable objectives for gender diversity.

The workforce at Acrux is small and the majority of positions require specialist qualifications and experience. The Committee believes specific diversity objectives are impractical at this time. At the date of this report, 61% of Acrux's workforce were female. The Senior Management team consists of two female members and one male member, while the five current Board members are male. The Committee and the Board will review the potential need for formal diversity objectives in the future as the Company evolves.

1.7 Audit and Risk Committee

The current members of the Audit and Risk Committee are Geoff Brooke (Chair), Timothy Oldham and Ross Dobinson. During the financial year, the Committee met on 16 August 2018 and 21 February 2019.

Members are chosen having regard to their skills and experience in relation to the matters for which the Committee is responsible. Members of the Committee have unrestricted access to company records, Senior Management, advisers and the external auditors.

The objective and purpose of the committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities relating to the Company's financial accounting practices, internal control systems, risk management procedures, external reporting and the external audit function.

The Committee's duties and responsibilities, which are set out in its Charter, in general terms is:

1. overseeing the Company's system of financial reporting for the purpose of safeguarding its integrity, including viewing all regular financial reports and other formal announcements relating to the Company's financial performance prepared for release to the ASX, regulators and the public before making appropriate recommendations to the Board;
2. determining the extent of internal audit activities required and monitor the effectiveness of those activities (note that the Committee has determined that the Company, due to its size, does not presently warrant establishing a separate internal audit function);
3. monitoring the performance and activities of the external auditor including:
 - overseeing the process for the appointment, reappointment and removal of the external auditors (including audit engagement letters), overseeing the rotation of the principal audit partner and reviewing the level of the external auditors' fees;
 - assessing the performance and independence of the external auditors and the quality of the audit work performed;
 - requiring, reviewing and monitoring compliance with the audit plan of the external auditors, including the scope of the plan and the levels of financial statement materiality;
 - reviewing reports from the external auditors and meeting with the external auditors at least once annually in the absence of Senior Management and also meeting with the external auditors as requested by the Board, the Committee or the external auditors; and
 - receiving, reviewing, developing and implementing policy on the engaging of the external auditors to supply non-audit services.
4. overseeing and reviewing the Company's financial and risk management compliance and internal control framework including:

- overseeing the creation, implementation and maintenance of the risk management system of the Company and its controlled entities and their internal control framework, including information systems;
- reviewing the effectiveness of the Company's implementation of its risk management systems and internal controls on an ongoing basis and reviewing the outcome of any non-financial audits;
- requiring Senior Management to report to the Board at least annually on whether the Company's material business risks are being managed effectively;
- developing an understanding of the overall business environment, relevant laws and codes of importance to the Company and the programs that the Company has in place to provide reasonable assurance of compliance;
- reviewing the Company's occupational health and safety policies and ensuring regular reporting to the Committee on issues related to occupational health and safety;
- reviewing insurance coverage and claims trends;
- ensuring that the Chief Executive Officer and the Chief Financial Officer state in writing to the Board annually that:
 - i. the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with the relevant accounting standards;
 - ii. the statement in (i) above is founded on a sound system of risk management and control which implements the policies adopted by the Board; and
 - iii. the Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects. The Board has received the report from Senior Management referred to above, advising whether the Company's material business risks are being managed effectively.

The Board received the statement in writing referred to above from the Chief Executive Officer and the Chief Financial Officer on 22 August 2019.

In accordance with the recommendations of ASX Principle 4.1, the Committee's Charter provides that the Committee have at least three members, Executive Directors may not be members of the Committee, a majority of the Committee must be independent Directors and the Chair must not be the Chair of the Company.

1.8 Director and Senior Management Remuneration and Performance

The remuneration structure for Senior Management and Directors and the amounts paid to each during the year are set out in the Remuneration Report section of the Directors' Report on pages 12 and 16. Non-executive Directors are remunerated by way of fees. They are also eligible to participate in the Company's Omnibus Equity Plan.

At the end of each financial year, the performance of Senior Executives against the company and their personal goals is assessed. At the same time personal goals and development plans for the next financial year are set, to be aligned with the Company's objectives. The review of Senior Management team members is carried out by the Chief Executive Officer and the results are subject to further review and approval by the Chair of the Human Capital and Nomination Committee.

The review of the Chief Executive Officer's performance is carried out by the Human Capital and Nomination Committee and the Committee's remuneration recommendations are then approved by

the Board. A performance evaluation in accordance with this process was undertaken in respect of the year ended 30 June 2019.

A review of the performance of the Board and its Committees was undertaken and discussed at the Human Capital and Nomination Committee on 22 June 2019. No areas of under-performance requiring immediate remedial action were identified.

The Board remains focussed on continuous improvement and monitors the following areas:

- a) Board skills, experience and diversity;
- b) Role of the board vis-a-vis management; and
- c) Board process and dynamics.

2. Disclosure and Communication

2.1 Continuous Disclosure

The Board has adopted a Continuous Disclosure Policy to ensure compliance with the ASX Listing Rules continuous disclosure requirements. The Policy sets out procedures aimed at ensuring the Company fulfils its obligations in relation to the timely disclosure of material price-sensitive information. The Company has an obligation to keep the market fully informed of any information it becomes aware of concerning the Company which may have a material effect on the price or value of the Company's securities, subject to certain exceptions.

A copy of the Continuous Disclosure Policy is available on the Company's website.

This policy:

- a) gives guidance as to the information that may need to be disclosed;
- b) gives guidance for dealing with market analysts and the media;
- c) establishes regular reminders to Directors and Senior Management to actively consider whether there is any price sensitive information which needs disclosure;
- d) allocates responsibility for approving public disclosures and shareholder communications.

2.2 Communications with Shareholders

The Board has approved, as part of the continuous disclosure policy, the Company's policy to promote effective communication with its shareholders. In addition to its disclosure obligations under the ASX Listing Rules, the Company communicates with its shareholders through a number of channels including:

- a) annual and half-yearly reports;
- b) media releases, public announcements and investor briefings; and
- c) annual general meetings.

All the above communications are posted on the Company's website (www.acrux.com.au). Shareholders are encouraged to receive shareholder materials electronically and can do so by visiting our investor centre, located on the Company's website. In addition, the Company is committed to using general meetings of the Company to effectively communicate with shareholders and to allow reasonable opportunities for informed shareholder participation at these meetings.

Where possible the Company will comply with the ASX Best Practice Guidelines for the content of notices of meeting. Further, the external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit of the Company

and the preparation and content of the auditor's report. The Company is committed to further developing its communications strategies to optimise shareholder communication.

3. Share Trading

Under the Company's share trading policy, the Directors, Senior Executives and all other employees of the Company (and their collective designated persons) are prohibited from trading in the Company's shares if they are in possession of inside information.

In addition, the Directors, Senior Executives and all other employees (and their collective designated persons) are prohibited from trading in the Company's shares during the periods starting at the end of either the financial year or the half year and ending when the financial results related to these periods are released to the market.

The Directors, Senior Executives and all other employees of the Company (and their collective designated persons) may not trade in the Company's shares without the approval of the Company Secretary (who must obtain approval from the Chair) and only if they have provided a statement that they are not in possession of material non-public information. Such approval expires after five business days. If the Chair wishes to trade in the Company's shares, proper approval must be obtained from the Chair of the Audit and Risk Committee or the Company Secretary.

4. Conduct and Ethics

The Directors and Senior Management of the Company and its controlled entities are committed to observing high standards of ethics and behaviour in all of the Company's activities, including the Company's interaction with its shareholders, employees, business partners, customers, suppliers, the community and the environment in which the Company operates.

The Company has adopted a Code of Conduct which provides the ethical and legal framework for how the Company will conduct its business and how the Company will relate to shareholders, employees, business partners, customers, suppliers, the community and the environment in which the Company operates.

The Board have set the following general principles which are covered by the Code of Conduct:

- a) values
- b) compliance with laws
- c) fair dealing
- d) confidentiality and protection of Company assets
- e) conflicts of interest
- f) shareholders and the financial community
- g) trading in Company securities
- h) equal opportunity
- i) health, safety and environment
- j) reporting non-compliance and grievances
- k) compliance with taxation laws
- l) bribes and financial inducements
- m) political donations

As part of the Company's commitment to observing high standards of ethics and behaviour in all of its activities, the Company has adopted a Whistle-blower Policy. The Company is also committed to maintaining a culture where all staff are encouraged to raise concerns about poor or unacceptable practice and misconduct and can do so safely. A whistleblowing program is an important aspect of detecting poor or unacceptable practice and misconduct in an organisation.

The purpose of this policy is to encourage the reporting of conduct by employees of the Company and other persons with whom the Company deals closely where the interests of others, including the public, or of the Company itself are at risk.

The conduct covered by the policy is conduct that is:

- a) illegal, dishonest, fraudulent or corrupt;
- b) in breach of Commonwealth or state legislation or local authority by-laws;
- c) in breach of applicable industry practices, such as Good Laboratory Practice, Good Clinical Practice or Good Manufacturing Practice;
- d) unethical (being either a breach of the Company's Code of Conduct or generally);
- e) gross mismanagement;
- f) a serious or substantial waste of resources;
- g) an unsafe work practice;
- h) failure to comply with the Company's Code of Conduct;
- i) failure to comply with agreements with the Company's commercial partners;
- j) a breach of proper environmental practice;
- k) discriminatory, bullying or harassing;
- l) other serious improper conduct; and
- m) any other conduct that may cause financial or non-financial loss to the Company or otherwise be detrimental to the interests of the Company.