

## **CathRx Corporate Governance Statement**

The principal features of CathRx's corporate governance regime are summarized in this section, following the primary headings used in the Revised Corporate Governance Principles and Recommendations (second edition) issued by ASX Limited's Corporate Governance Council ("ASX Governance Principles"). The ASX Governance Principles are not mandatory however departures from the recommendations are disclosed.

Further details on corporate governance matters are available on CathRx's website [www.cathrx.com](http://www.cathrx.com) and elsewhere in this annual report.

### **Principle 1 – Lay solid foundations for management and oversight**

The Board's responsibilities include:

- overall responsibility for oversight of the Company and its corporate governance, including control and accountability systems;
- reviewing and providing input into the Company's strategic direction and policies in conjunction with senior management;
- reviewing and approving performance objectives, business plans and budgets for the Company;
- monitoring financial performance and reporting including approval of the annual and half-year financial reports and liaison with the Company's auditors;
- approving and monitoring major capital expenditures and acquisitions and divestments;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- appointing, removing and monitoring the performance of the Chief Executive Officer, Chief Financial Officer and Company Secretary;
- determining remuneration policies applicable to the Board and senior management;
- monitoring the performance of senior management and the implementation of strategy; and
- ensuring Board committees are appropriately constituted and performing their functions.

The Chief Executive Officer and senior management responsibilities include:

- developing corporate strategy, performance objectives, business plans and budgets for review by the Board;
- developing and implementing appropriate policies and procedures for the management of the Company;
- day to day management of the Company's affairs and the implementation of corporate strategies and policy initiatives.

The Board regularly reviews the respective roles and the allocation of responsibilities between the Board and management as the Company grows, and will update and/or affirm the allocation of roles and responsibilities described above.

The performance of senior management is reviewed regularly against both measurable and qualitative performance indicators. The performance criteria against which senior management are assessed are aligned with the financial and non-financial objectives of the Company which are reviewed and

approved annually by the Remuneration and Nomination Committee. In or about November each year, the Remuneration and Nomination Committee conducts performance evaluations of the Chief Executive Officer's performance against specific and measurable qualitative and quantitative performance criteria. The Remuneration and Nomination Committee also reviews and evaluates the other member of senior management based on recommendations put forward by the Chief Executive Officer.

## **Principle 2 – Structure the Board to add value**

The Board currently consists of 3 non executive directors and one executive director. Mr Denis Hanley is the non executive chairman.

The revised ASX Corporate Governance Principles and Recommendations include guidelines for determination of whether a director should be considered independent for purpose of the ASX Listing Rules. Under these guidelines Dr Jane Wilson and Dr Michael Hirshorn are regarded as an independent director of the Company. Mr Jeffrey Goodman is not an independent director because he is an executive of the Company and a director of PFM Cornerstone Ltd which holds a substantial interest in the Company. Mr Denis Hanley and Dr Colin Adam were regarded as independent directors for the purposes of the ASX Corporate Governance Principles. Although the Company does not consider the substantial interest held by PFM Cornerstone Ltd would interfere with the ability of these directors to exercise independent judgment in carrying out their responsibilities as directors and therefore considers them to be independent, for the purposes of the ASX Corporate Governance Principles, they may not be regarded as independent directors of the Company. As a result, the Company does not comply with the recommendation that the Board have a majority of independent directors and that the chairman of the Company be an independent director.

<b>Name</b>	<b>Experience</b>	<b>Initially Appointed</b>
Mr Jeffrey Goodman – Executive Director, Chief Executive Officer and Managing director	Extensive business experience in the pharmaceutical and medical devices industry, particularly in general management, marketing and sales.	20 March 2008 (Non executive director) 18 February 2010 (Executive director, Chief Executive Officer, Managing Director)
Mr Denis Hanley – Non executive Chairman	Extensive experience in building Australian technology based corporations.	3 April 2003
Dr Jane Wilson – Non executive director	A professional company director with a background in medicine, banking and finance and extensive experience in the commercialisation of research in both the agricultural and biotechnology sectors.	10 August 2005
Dr Colin Adam – Non executive director	Extensive project management experience in the commercialisation of technologies and research and development in the life sciences industry.	13 September 2010
Dr Michael Hirshorn – Non executive director	Qualifications in medicine, business and finance with extensive experience in founding, building, managing and investing in international technology companies.	13 September 2010

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. The Board regularly considers the composition and performance of the directors and the committees of the Board to ensure that they maximise their effectiveness and contribution to the Company. The Company considers that its Board membership is appropriate given the Company's current stage of development. The Board will regularly review its performance and mix of skills to ensure that they are appropriate to allow the Board to maximise its effectiveness and its contribution to the Company.

The Board has established a Remuneration and Nomination Committee which operates under a Remuneration and Nomination Committee charter approved by the Board. The charter is available on the Company's website. The Remuneration and Nomination Committee comprises of:

<b>Name</b>	<b>Qualifications</b>
Dr Colin Adam (Chairman)	BE (Met), PhD
Mr Denis Hanley	MBA, FCPA, FAICD
Dr Elizabeth (Jane) Wilson	MBBS, MBA, FAICD

The composition of the Remuneration and Nomination Committee does not comply with the recommendations in the ASX Corporate Governance Principles for the Remuneration and Nomination Committee to have a majority of independent directors. The Company considers that its Remuneration and Nomination Committee membership is appropriate given the Company's current stage of development. For a full discussion of the Company's remuneration philosophy and framework for the year ended 30 June 2010, please refer to the Remuneration Report.

The Board has an agreed procedure for directors and Board committees to obtain independent professional advice at the Company's expense. Additionally, all directors have access to the Company Secretary at any time.

### **Principle 3 – Promote ethical and responsible decision making**

The Company has adopted a Code of Conduct applicable to directors, senior managers and other employees. The Company has also adopted a Securities Trading Policy. Both the code of conduct and the securities trading policy are available on the Company's website.

### **Principle 4 – Safeguard integrity in financial reporting**

The Board has established an Audit and Risk Management Committee, which operates under a charter approved by the Board. The charter is available on the Company's website. The Audit and Risk Management Committee has been established to review the integrity of the Company's financial reports. The primary objective of the Audit and Risk Management Committee is to assist the Board to fulfil its responsibilities relating to accounting and reporting practices of the Company, including, the Company's annual and half-year financial statements and all other financial information released by the Company.

The Audit and Risk Management Committee comprises of:

<b>Name</b>	<b>Qualifications</b>
Dr Elizabeth (Jane) Wilson (Chairperson)	MBBS, MBA, FAICD
Mr Denis Hanley	MBA, FCPA, FAICD
Dr Michael Hirshorn	MBA, MB, BS, FAICD

The composition of the Audit and Risk Management Committee does not comply with the recommendations in the ASX Corporate Governance Principles for the Audit and Risk Management Committee to have a majority of independent directors. The Company considers that its Audit and Risk Management Committee membership is appropriate given the Company's current stage of development.

The Audit and Risk Management Committee is responsible for recommending the appointment and reviewing the performance of the external auditors of the Company. The lead audit partner will be required to rotate off the audit duties for the Company after their involvement for a maximum of five years.

The Board will regularly review performance and composition of the Audit and Risk Management Committee.

#### **Principle 5 – Make timely and balanced disclosure**

The Company has adopted a Continuous Disclosure and Shareholder Communication Policy which is available on the Company's website. The policy describes the processes implemented by the Company to assist the Company in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules. Furthermore, the Board has established a disclosure committee to assist the Company in complying with its disclosure obligations. The disclosure committee comprises of the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and the Company Secretary.

#### **Principle 6 – Respect the rights of shareholders**

The Company has adopted the Continuous Disclosure and Shareholder Communication Policy referred to above. The Company also provides shareholders with audio and written quarterly reports and utilises its website to disclose relevant information about the Company. The Company requires that the auditors of the Company attend the Company's annual general meeting and respond to questions that shareholders may have. Shareholders are encouraged to attend and ask questions at general meetings of the Company.

#### **Principle 7 – Recognise and manage risk**

The Audit and Risk Management Committee provides guidance on the structure and operation of risk management processes and is responsible for reviewing the Company's internal controls and management of financial risk. The Audit and Risk Management charter is available on the Company's website.

The Board is responsible for reviewing the Company's general management of risk and reviews the effectiveness of the Company's risk management systems. Management, through the Chief Executive Officer, is responsible for designing, implementing and reporting on the adequacy of the company's risk management and internal control system. Management have adopted policies and procedures to ensure that the Company's material business risks are identified and that controls are adequate, in place, and functioning effectively.

The Company's risk management matrixes are updated with comprehensive reviews each time there is a material change to the Company's business and at other scheduled times each year. Strategic and operational risks are reviewed at least annually by all operating divisions as part of the Company's annual strategic planning, business planning, forecasting and budgeting process. To assist the Board and Audit and Risk Management Committee monitor and manage the Company's material business risks and mitigation processes, management provides regular reports in respect of operations and the financial position of the Company to the Board.

The Chief Executive Officer and Chief Financial Officer must provide a statement to the Board that the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance.

#### **Principle 8 – Remunerate fairly and responsibly**

The Board has established a Remuneration and Nomination Committee, which operates under a charter approved by the Board. For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and key management, please refer to the Remuneration Report.

Executives of the Company are remunerated by way of fixed salary, variable bonus payments and equity. Non executive directors are paid by way of fixed fee and are not entitled to bonus payments. Non executive directors have been granted options upon their appointment. Any such grant of options is subject to approval of shareholders of the Company in accordance with the requirements of the ASX Listing Rules. The Company does not operate any schemes for retirement benefits, other than statutory superannuation for non executive directors.

#### **Future Principle – Gender Diversity**

In December 2009 the ASX Corporate Governance Council issued a media release regarding new requirements around diversity for listed companies. The proposed implementation date for these changes is the financial year commencing 1 July 2011.

In anticipation of this, the Board intends to develop a diversity policy and conduct a review of gender diversity within the Company.