

The Board of Directors of Antaria Limited (Antaria or the Group) is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Antaria on behalf of shareholders by whom they are elected and to whom they are accountable.

The Group's Corporate Governance Guidelines are reviewed and updated at least annually. The various codes, policies and charters referred to in the Guidelines are available for review on Antaria's website, www.antaria.com.

A description of Antaria's main corporate governance practices is set out below. Antaria's corporate governance practices were in place throughout the year ended 30 June 2009 unless otherwise stated. They comply with the August 2007 ASX *Principles of Good Corporate Governance and Best Practice Recommendations*.

Principle 1 - Lay solid foundations for management and oversight

The Group has met the recommendations contained in Principle 1.

1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Board's primary role is to protect and enhance long-term shareholder value by providing strategic guidance and direction to the Group and evaluating its performance against these objectives.

The Group's Corporate Governance Guidelines include a formal Board Charter, which discloses the specific functions of the Board and the delegated responsibility for the day to day operations and administration of the Group to the Executive Chairman. This charter is available for viewing on the Group's website.

1.2 Companies should disclose the process for evaluating the performance of senior executives.

The Board monitors the performance of the Group and its executives through the review and establishment of key objectives and deliverables, including the review of monthly financial and operational activities.

The Chairman of the Board is responsible for the performance evaluation of the senior executives. On an annual basis, the Chairman will review the performance of the senior executives. The 2009 performance evaluation was concluded in July 2009. The Board considers the above process appropriate in light of the size of the Group.

Principle 2 - Structure the board to add value

The Group has departed from some of the recommendations contained in Principle 2.

- 2.1 A majority of the board should be independent directors.*
- 2.2 The chair should be an independent director.*
- 2.3 The roles of chair and chief executive officer should not be exercised by the same individual.*

The Group has reviewed the independence of each director, including (but not limited to) assessment of the level of their current shareholdings and any relationships with any material customers, suppliers or advisers. For the purposes of assessing independence, the Group has used a materiality threshold of \$200,000 in respect of customer, supplier or adviser relationships.

The Group has concluded that each of Antaria's non-executive directors, Mr. Mangioni and Mr. Young (representing 50% of the Board), meet the relevant criteria for independence. The Board believes that given the size and nature of activities of the Group, the number of directors is sufficient.

The Board recognises Mr. Young has previously been a substantial shareholder of the Group, and currently holds a total of 10,978,019 shares in the Group, or 4.8% of the issued share capital as at the date of the report. However, notwithstanding Mr. Young's shareholding, the Board has concluded that Mr. Young is independent based upon his exercise of impartial judgment in his decision making.

Mr. Cameron was appointed Executive Chairman on 8 April 2008 and is therefore not considered independent by virtue of his executive position. Prior to 8 April 2008, Mr. Cameron was a non-executive director and is considered to have met the criteria for independence during his period as a non-executive director (18 December 2006 to 7 April 2008). Mr. Cameron currently holds 10,950,515 shares or 4.8% of the issued share capital as at the date of the report.

The Board recognises that the role of Chairman is recommended to be fulfilled by an independent, non-executive director. The Board believes, notwithstanding Mr. Cameron's appointment to an executive position from 8 April 2008, given the Group's size and nature of activities, the Group is best served with Mr. Cameron's appointment as Executive Chairman due to the strength of his skills, experience and commitment to that role. A non-executive director has served as Chairman of the Group at all times from its ASX listing in February 2005 until Mr. Cameron's appointment as Executive Chairman on 8 April 2008.

Dr. McCormick holds a senior management position with the Group and is therefore not considered independent. Dr. McCormick is also a founding shareholder of the Group. Dr. McCormick currently holds 6,008,250 shares in the Group, or 2.6% of the issued share capital as at the date of this report. Dr. McCormick also has the ability to acquire further shares, through an Inventors Call Option Deed, with the University of Western Australia (right to acquire a further 13,902,165 shares). Should Dr. McCormick exercise all of these rights, his total shareholding could represent up to 19,910,415 ordinary shares or 8.8% of the Group's outstanding share capital.

2.4 The board should establish a nomination committee.

Due to its current size, Antaria's Board does not have a separate nomination committee. The Board of Directors currently performs all functions relating to Board nomination and membership.

2.5 Companies should disclose the process for evaluating the performance of the board, its committee and individual directors.

The Chairman of the Board is responsible for the performance evaluation of the Board and its Committees (namely the Audit Committee). On an annual basis, the Board will evaluate and discuss its own performance as a whole and of each director and Chairman individually. Antaria's next Board performance review is scheduled for the November 2009 Board meeting. The Board considers the above process appropriate in light of the size of the Board.

2.6 Other information indicated in the Guide to reporting on Principle 2.

The names, qualifications, experience and expertise of each of the Group's directors in office at the date of the annual report is included on page 6 of the Directors' Report, along with the term of office held by each director.

Principle 2 - Structure the board to add value (continued)

As set out in the Group's Board Charter, directors have the right to take independent advice at the Group's expense. The Executive Chairman's prior approval of such expenditure is required.

Principle 3 - Promote ethical and responsible decision making

3.1 *Companies should establish a code of conduct and disclose the code or a summary of the code.*

Antaria's reputation for honesty and integrity is valuable to the Group and its shareholders, and therefore must be maintained and protected at all times. The directors and employees of the Group are therefore expected to conduct their business on behalf of the Group in accordance with the highest ethical standards and sound corporate governance.

In order to provide a framework within which decisions and actions in relation to ethical conduct can be evaluated, Antaria has developed a Corporate Code of Conduct which sets out the standards expected of the directors and employees of the Group in the performance of their duties. The Code of Conduct also requires employees to report known or suspected events which involve questionable, dishonest or fraudulent activity and provides that all suspected breaches of the Corporate Code of Conduct will be investigated. This code is available for viewing on the Group's website.

3.2 *Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.*

As part of Antaria's Corporate Governance Guidelines, the Group has established a specific policy related to dealing in the Group's securities including guidelines for buying and selling securities in the Group (Securities Dealing Policy). This policy includes, amongst other items, restrictions on dealing in the Group's securities during certain "closed periods" (such as the period from the end of the relevant financial year to the date of the preliminary announcement of the Group's annual results) and any dealing on considerations of a short-term nature. The Securities Dealing Policy also provides that directors must not deal in any securities of the Group or related companies without advising the Chairman in advance and receiving clearance. Under this policy, the Chairman is required to advise and receive clearance from the Board prior to dealing in the Group's securities. This policy is available for viewing on the Group's website.

Principle 4 - Safeguard integrity in financial reporting

4.1 *The Company should establish an audit committee.*

Antaria has established an Audit Committee, the primary function of which is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the following areas:

- Application of accounting policies and reporting of financial information to shareholders, regulators and the general public;
- Corporate conduct and business ethics, including auditor independence and ongoing compliance with laws and regulations;
- Maintenance of an effective and efficient audit; and
- Appointment, compensation and oversight of the external auditor, and to ensure that the external auditor meets the required standards for auditor independence.

4.2 *The audit committee should be structured so that it: consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, which is not chair of the board; and has at least three members.*

The Group has complied with all of the recommendations contained in Principle 4.2 except the recommendation relating to the size of the Committee. The Board considers the current number of committee members appropriate given the size of the Group.

The Group's Audit Committee is comprised of Antaria's two non-executive directors, Mr. Mangioni and Mr. Young. All Audit Committee members are considered independent. Mr. Mangioni is the current Chairman of the Audit Committee.

4.3 *The audit committee should have a formal charter.*

The Group's Audit Committee operates under a formal Audit Committee Charter which sets out the audit committee's role and responsibilities, composition, structure and membership requirements and the procedures for inviting non-committee members to attend meetings.

4.4 *Other information indicated in the Guide to reporting on Principle 4.*

The qualifications of the Audit Committee members are included in the Directors' Report on page 6, along with the number of meetings of the Committee and the number of meetings attended on page 21.

Principle 5 - Make timely and balanced disclosures

5.1 *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

Antaria is committed to complying with the continuous disclosure obligations of the Corporations Act and the ASX Listing Rules.

In order to ensure compliance with the requirements of the Corporations Act and the ASX Rules relating to continuous disclosure of material information, Antaria's Corporate Governance Guidelines include a specific Continuous Disclosure Policy with established internal procedures for the dissemination and monitoring of that information. This policy is available for viewing on the Group's website.

The Chief Financial Officer is responsible for the implementation, operation and monitoring of this Policy. This includes overseeing and coordinating disclosure of information to the ASX, educating employees on the Group's disclosure policies and procedures and communicating with the Executive Chairman and directors on continuous disclosure matters.

Principle 6 - Respect the rights of shareholders

6.1 *Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

Antaria recognises and respects the right of its shareholders to be informed of matters, in addition to those prescribed by law, which affect their investment in the Group. The Group also encourages dialogue with its shareholders, with the Executive Chairman being the primary point of contact for shareholders requiring information about the Group.

Principle 6 - Respect the rights of shareholders (continued)

The Group has developed and documented a Shareholder Communication Policy, which aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs. This Policy includes the provision of relevant information on the Group's website and a subscription service to allow shareholders to obtain an email from the Group alerting them to a release made to the ASX. Any such emails are sent once confirmation has been received from the ASX of the release of the announcement. The Group also has a practice of making public information available to shareholders by other means (post, fax, email) upon request. This policy is available for viewing on the Group's website.

The Board encourages participation of shareholders at its Annual General Meetings to ensure accountability and identification with the Group's strategies and goals. Important issues will be presented to shareholders as single resolutions.

Principle 7 - Recognise and manage risk

7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board of Directors is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal controls. The objectives of Antaria's risk management program are contained in the Group's Risk Management Policy included in its Corporate Governance Guidelines.

It is the policy of Antaria that all operations are conducted in a manner which ensures, as far as reasonably practicable:

- The health and safety of all employees, customers, visitors to the Group's sites and others who may be affected by the Group's operations;
- Establishment of business relationships where Antaria has the capacity (both technical and financial) to meet the contracted requirements on time and within budget;
- Protection of assets and earning capacity against loss;
- Compliance with all applicable legislation; and
- Protection of the environment.

7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Responsibility for establishing and maintaining effective risk management strategies rests with Antaria's Executive Chairman and senior executives, accountable to the Board of Directors. Each of these officers provides approval for all major items of expenditure, and is involved in the negotiation and agreement of all commercial contracts and commitments. These officers have reported to the Board as to the effectiveness of the Group's risk management systems.

Antaria is a quality endorsed Group under the ISO 9001:2000 quality standard. The Group has developed a set of policies and procedures (set out in the Group's Quality Manual) in relation to the Group's operations, the compliance of which is an essential part of each employee's responsibility to the Group and is referred to as such in the Group's Corporate Code of Conduct.

The Board recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon written procedures, policies and guidelines, an organisational structure that provides an appropriate division of responsibility, and the selection and training of qualified personnel.

The Board of Directors review the business and financial risk management systems and internal control systems implemented by management to obtain reasonable assurance that the entity's assets are safeguarded and that the reliability and integrity of its financial information is maintained. The Board will review, at least annually, the effectiveness of the Group's risk management systems.

7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and chief financial officer (or equivalent) 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 and that the system is operative effectively in all material respects in relation to financial reporting risks.

In relation to the 2009 Annual Report, Antaria's Executive Chairman and Chief Financial Officer have provided such assurance.

Principle 8 - Remunerate fairly and responsibly

8.1 The board should establish a remuneration committee.

The Board does not have a remuneration committee, as the directors believe that the Board is not of a sufficient size to warrant the establishment of a remuneration committee at this time. Accordingly, the Board currently performs the functions of ensuring that appropriate and effective remuneration packages and policies are implemented within the Group, following recommendation by (or delegation to) the Executive Chairman and senior managers.

8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

A detailed discussion of Antaria's remuneration policies and structure is provided in the Remuneration Report set out on pages 13 to 21 of the Directors' Report. Further details as to the current remuneration structure for directors are also included in the Antaria Board Charter which is available in the Corporate Governance section of the Group's website.

8.3 Other information indicated in the Guide to reporting on Principle 8.

The qualifications of the Board members, who perform all the functions relating to remuneration, are included in the Directors' Report on page 6.

There are no schemes for retirement benefits, other than superannuation, for non-executive directors.