

**CORPORATE GOVERNANCE STATEMENT
as at 9 December 2014**

Grays eCommerce Group Limited (ACN 125 736 914) (**Company**) refers to the proposed reinstatement of the Company to official quotation.

This is a Corporate Governance Statement for the Company reporting on the Company's compliance with the Corporate Governance Principles and Recommendations (Third Edition) issued by the ASX Corporate Governance Council (**Corporate Governance Principles**) as at 9 December 2014, following completion of the Company's acquisition of all of the issued securities in Grays (Aust) Holdings Pty Limited.

Recommendation	Comply (yes/no)	Reference / explanation
<p>Recommendation 1.1:</p> <p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	Yes	<p>The Company's Board Charter is available on the Company's website.</p>
<p>Recommendation 1.2:</p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	Yes	<p>Prior to the appointment of a person, or putting forward to shareholders a candidate for election, as a director, the Company undertakes checks which it believes are appropriate to verify a director's experience, education, criminal record and bankruptcy history.</p> <p>The Company's Prospectus dated 30 September 2014 contained director profiles in respect of each proposed director of the Company, including all material information in the Company's possession about that director.</p> <p>The Company will ensure that all material information in its possession relevant to a shareholder's decision whether to elect or re-elect a director, including the information referred to in Recommendation 1.2, is</p>

Recommendation	Comply (yes/no)	Reference / explanation
		provided to shareholders in the Company's Notice of Annual General Meeting.
<p>Recommendation 1.3</p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	Yes	The Company has a written agreement with each director and senior executive setting out the terms of their appointment.
<p>Recommendation 1.4:</p> <p>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.</p>	Yes	The Company's Board Charter provides that Company Secretary is accountable to the Board through the Chairman on all corporate governance matters.

Recommendation	Comply (yes/no)	Reference / explanation
<p>Recommendation 1.5:</p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and 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 the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity’s diversity policy and its progress towards achieving them, and either:</p> <p>(1) 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>(2) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.</p>	<p>No</p>	<p>The Company has a Diversity Policy that provides that the Board will consider the establishment of measurable objectives and will annually assess these objectives and the progress in achieving them (where the measurable objectives have been established). At this time, no measurable objectives have been set in relation to gender diversity given the recent merger of Mnemon Limited and Grays (Aust) Holdings Pty Limited has meant that it will take the Board some time to evaluate current gender diversity across the enlarged group.</p> <p>The Company’s Diversity Policy is available on the Company’s website.</p> <p>The Company’s Diversity Policy provides that the Company will provide information in its annual Corporate Governance Statement regarding:</p> <p>(a) key features of the policy;</p> <p>(b) the Company’s measurable objectives for achieving gender diversity and its progress towards achieving them; and</p> <p>(c) the proportion of women employees in the organisation, in the senior executive and on the Board.</p>

Recommendation	Comply (yes/no)	Reference / explanation
<p>Recommendation 1.6:</p> <p>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>	<p>No</p>	<p>The Company's Remuneration & Nomination Committee Charter gives the committee responsibility for overseeing the development and implementation of a process for the evaluation of the performance the Board, Board committees, and directors individually, using both measurable and qualitative indicators. At this time, no formal process has been established or disclosed for periodically evaluating the performance of the board, its committees and individual directors.</p> <p>However, the Company intends that a formal process will be established and disclosed on its website prior to the next reporting period, such that the Company's 2015 Corporate Governance Statement will contain information on the performance evaluations undertaken in relation to the relevant reporting period.</p>
<p>Recommendation 1.7:</p> <p>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>	<p>No</p>	<p>Formal processes exist in relation to periodically evaluating the performance of the Company's senior executives. However, those processes are being reviewed following the merger of Mnemon Limited and Grays (Aust) Holdings Pty Limited, with the aim of implementing a group-wide process.</p> <p>To that end, the Board Charter gives the Board responsibility for monitoring senior executives' performance and implementation of strategy against measurable and qualitative indicators, encouraging enhanced effectiveness and ensuring that appropriate resources are available.</p> <p>The Company intends that the 2015 Corporate Governance Statement will contain information on the performance evaluations undertaken in relation to the relevant reporting period.</p>

Recommendation	Comply (yes/no)	Reference / explanation
<p>Recommendation 2.1:</p> <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) 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> <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, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Yes</p>	<p>The Company has a Remuneration and Nomination Committee.</p> <p>There are three members of the Remuneration and Nomination Committee, two of whom are independent directors.</p> <p>The Chair of the Remuneration and Nomination Committee is Ms Naseema Sparks, who is an independent director.</p> <p>The Remuneration and Nomination Committee is established under the Remuneration & Nomination Committee Charter, a copy of which is available on the Company's website.</p> <p>The current members of the Remuneration and Nomination Committee are:</p> <p>Ms Naseema Sparks (Chair)</p> <p>Mr Jonathan Pinshaw</p> <p>Mr Will Vicars</p> <p>The Company's annual Corporate Governance Statement in respect of future reporting periods will disclose meeting times of the Remuneration and Nomination Committee and attendances for each member.</p>

Recommendation	Comply (yes/no)	Reference / explanation
<p>Recommendation 2.2:</p> <p>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>	<p>Yes</p>	<p>The Company's Remuneration & Nomination Committee Charter gives the committee responsibility for development and maintenance of a director skills matrix.</p> <p>The mix of skills comprised in the current Board, and that the Board would look to maintain, and to build on, includes:</p> <ul style="list-style-type: none"> • retail industry expertise, particularly online; • high level of business acumen; • technical expertise (including finance and online/digital); • ability to think strategically; and • governance experience and expertise. <p>The Board aspires to have a Board comprised of individuals diverse in gender, culture, background and experience and will be mindful of this when making appointments which will also be based on merit.</p> <p>The Company will include in its annual Corporate Governance Statement information regarding the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>

Recommendation	Comply (yes/no)	Reference / explanation															
<p>Recommendation 2.3:</p> <p>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 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>Yes</p>	<p>The composition of the Board and the independence status of its directors are as follows:</p> <table border="1" data-bbox="799 539 1487 1798"> <thead> <tr> <th data-bbox="799 539 1031 667">Director</th> <th data-bbox="1031 539 1257 667">Independent (Yes/No)</th> <th data-bbox="1257 539 1487 667">Comments</th> </tr> </thead> <tbody> <tr> <td data-bbox="799 667 1031 994">Jonathan Pinshaw (Appointed 7 November 2014)</td> <td data-bbox="1031 667 1257 994">Yes</td> <td data-bbox="1257 667 1487 994">Independent, non-executive Chairman</td> </tr> <tr> <td data-bbox="799 994 1031 1279">Mark Bayliss (Appointed 7 November 2014)</td> <td data-bbox="1031 994 1257 1279">No</td> <td data-bbox="1257 994 1487 1279">Executive director</td> </tr> <tr> <td data-bbox="799 1279 1031 1525">Naseema Sparks (Appointed 17 January 2014)</td> <td data-bbox="1031 1279 1257 1525">Yes</td> <td data-bbox="1257 1279 1487 1525">Independent, non-executive director</td> </tr> <tr> <td data-bbox="799 1525 1031 1798">Will Vicars (Appointed 7 November 2014)</td> <td data-bbox="1031 1525 1257 1798">No</td> <td data-bbox="1257 1525 1487 1798">Non-executive director, who is a director of a substantial shareholder of the Company</td> </tr> </tbody> </table>	Director	Independent (Yes/No)	Comments	Jonathan Pinshaw (Appointed 7 November 2014)	Yes	Independent, non-executive Chairman	Mark Bayliss (Appointed 7 November 2014)	No	Executive director	Naseema Sparks (Appointed 17 January 2014)	Yes	Independent, non-executive director	Will Vicars (Appointed 7 November 2014)	No	Non-executive director, who is a director of a substantial shareholder of the Company
Director	Independent (Yes/No)	Comments															
Jonathan Pinshaw (Appointed 7 November 2014)	Yes	Independent, non-executive Chairman															
Mark Bayliss (Appointed 7 November 2014)	No	Executive director															
Naseema Sparks (Appointed 17 January 2014)	Yes	Independent, non-executive director															
Will Vicars (Appointed 7 November 2014)	No	Non-executive director, who is a director of a substantial shareholder of the Company															
<p>Recommendation 2.4:</p> <p>A majority of the board of a listed entity should be independent directors.</p>	<p>No</p>	<p>Currently 2 of the 4 directors are independent directors.</p> <p>It is intended that the Board will soon appoint an additional non-executive director and will have regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations in doing</p>															

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		so.
<p>Recommendation 2.5:</p> <p>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>	Yes	The Chairman of the Board is Mr Jonathan Pinshaw, who is an independent non-executive director.
<p>Recommendation 2.6:</p> <p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	Yes	<p>The Company's Board Charter provides that directors will be expected to participate in an induction or orientation program on appointment.</p> <p>The Company will provide appropriate provide appropriate professional development opportunities for directors.</p>
<p>Recommendation 3.1:</p> <p>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	The Company's Code of Conduct is available on the Company's website.
<p>Recommendation 4.1:</p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the</p>	Yes	<p>The Company has an Audit and Risk Committee.</p> <p>There are three members of the Audit and Risk Committee, all of whom are non-executive directors, and two of whom are independent directors.</p> <p>The Chair of the Audit and Risk Committee is to be determined at the first Committee meeting, but will be an independent director who is not chair of the Board.</p> <p>The Audit and Risk Committee is established under the Audit and Risk Committee Charter, a copy of which is available on the Company's website.</p> <p>The current members of the Audit and Risk Committee are:</p>

Recommendation	Comply (yes/no)	Reference / explanation
<p>committee; and</p> <p>(5) 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 corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>		<p>Ms Naseema Sparks</p> <p>Mr Jonathan Pinshaw</p> <p>Mr Will Vicars</p> <p>It is the intention of the Board to appoint another non-executive director who will also be appointed to the Audit and Risk Committee.</p> <p>The relevant qualifications and experience of the members of the Audit and Risk Committee were disclosed in the Company's Prospectus dated 30 September 2014, and will be disclosed in its annual Corporate Governance Statement in respect of future reporting periods (together with meeting times and attendances for each member).</p>
<p>Recommendation 4.2:</p> <p>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, in their opinion, 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>The Company has received a declaration in the form set out in Recommendation 4.2 from its CEO and CFO in relation to the financial statements for the financial period ended 30 June 2014, and will ensure that it receives a declaration in the form set out in Recommendation 4.2 for future reporting periods.</p> <p>To that end, the Audit and Risk Committee Charter provides that the Audit Committee is responsible for ensuring receipt of the CEO and CFO declaration required pursuant to section 295A of the Corporations Act in relation to financial statements for a financial period.</p>
<p>Recommendation 4.3:</p> <p>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's auditor attends its AGM in accordance with the Corporations Act and is available at the AGM to answer questions from security holders relevant to the audit.</p> <p>This is also a requirement under the Company's Disclosure Policy.</p>

Recommendation	Comply (yes/no)	Reference / explanation
<p>Recommendation 5.1:</p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	Yes	The Company's Disclosure Policy is available on the Company's website.
<p>Recommendation 6.1:</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	Yes	<p>The Company has an investor website located at www.graysecommercegrou p.com.au which includes a section on Investor Information.</p> <p>Relevant press releases, financial announcements and financial data, as well as charters and policies will also be available on the investor website.</p>
<p>Recommendation 6.2:</p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	Yes	<p>The Company's Disclosure Policy that outlines the processes followed by the Company to ensure communication with shareholders and the investment community is effective, consistent and adheres to the principles of continuous disclosure.</p> <p>The Disclosure Policy also outlines requirements for communications with analysts and investors to ensure that the communications are effective and comply with the Company's continuous disclosure obligations.</p>
<p>Recommendation 6.3:</p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	Yes	<p>The Company's Disclosure Policy sets out the policies and processes the Company has in place to facilitate and encourage participation at meetings of shareholders.</p> <p>The Disclosure Policy provides that shareholders are encouraged to attend or, if unable to attend, to vote on the motions proposed by appointing a proxy or using any other means included in the notice of meeting.</p>
<p>Recommendation 6.4:</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry</p>	Yes	<p>The Company's Disclosure Policy provides that shareholders may elect to receive information electronically as it is posted on Company's website.</p> <p>The Company may consider the use of other reliable</p>

Recommendation	Comply (yes/no)	Reference / explanation
electronically.		technologies as they become widely available.
<p>Recommendation 7.1:</p> <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) 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> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	Yes	<p>The Company has established an Audit and Risk Committee to oversee risk. Recommendation 4.1 sets out, or provides the location of the information referred to in paragraph (a) in Recommendation 7.1.</p>
<p>Recommendation 7.2:</p> <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	Yes	<p>The Audit and Risk Committee is responsible for ensuring that the Company has an effective risk management system, including by regularly reviewing and updating the Company's risk profile.</p> <p>The Company will include in its annual Corporate Governance Statement information regarding periodic reviews undertaken in relation to its risk management system.</p>

Recommendation	Comply (yes/no)	Reference / explanation
<p>Recommendation 7.3:</p> <p>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>	<p>Yes</p>	<p>Given the Company's current size and nature of its operations, the Board does not consider it appropriate to have an internal audit function outside of its internal financial reporting function, and relies on its external auditors.</p> <p>The Audit and Risk Committee is responsible for overseeing the preparation of financial reports and reviewing the results of external audits of these reports. The Audit and Risk Committee Charter, under section 3.3 'Internal control and risk management, details the Committee's responsibilities in evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>
<p>Recommendation 7.4:</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Yes</p>	<p>The Company's Prospectus dated 30 September 2014 contained detailed disclosures relating to risks affecting the Company. Key risks related to economic matters and the online environment, with environmental and social sustainability risks not featuring as key primary risks.</p> <p>The Company has in place policies and procedures, including a risk management system (as described in the Company's Audit and Risk Committee Charter), which are continually being developed and updated to help manage these risks.</p>

Recommendation	Comply (yes/no)	Reference / explanation
<p>Recommendation 8.1:</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) 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> <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>	<p>Yes</p>	<p>The Company has established a Remuneration and Nomination Risk Committee. Recommendation 2.1 sets out, or provides the location of the information referred to in paragraph (a) in Recommendation 8.1.</p>
<p>Recommendation 8.2:</p> <p>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.</p>	<p>Yes</p>	<p>The Company's policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives is set out in the Directors' Report contained in the Company's 2014 Annual Report and in the Remuneration and Nomination Committee Charter.</p> <p>The Directors' Report contained in the Company's Annual Report will continue to disclose such matters for future reporting periods.</p>

Recommendation	Comply (yes/no)	Reference / explanation
<p>Recommendation 8.3:</p> <p>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>	<p>Yes</p>	<p>The Company's Security Trading Policy includes prohibitions on the use of derivatives and other transactions which limit the economic risk of owning securities in the Company.</p> <p>The Company's Security Trading Policy is available on the Company's website.</p>