

Indoor Skydive Australia Group Limited

(ACN 154 103 607)
ASX: IDZ (TBA)

Corporate Governance Statement

Introduction

The Indoor Skydive Australia Group Limited (ISA Group) Board recognises the need for high standards of corporate governance. The directors are committed to ensuring that the consolidated entity's operations comply with the procedures prescribed in the Corporations Act 2001, Australian Stock Exchange Listing Rules and the Company's Constitution. The directors recognise the need to uphold the highest standards of ethical behaviour and accountability.

The consolidated entity's main corporate governance practices in place during the year and for the future are summarised under the headings of the ASX Corporate Governance Council's "Principle of Good Corporate Governance and Best Practice Recommendations" below:

"Principle 1 – Lay Solid Foundation for Management and Oversight"

The Board has the following responsibilities and functions, namely, to:

- a) review and approve corporate strategies, budgets, plans and policies developed by management and evaluate performance of the Group against those strategies and business plans in order to:
 - i) monitor the performance of functions delegated to the executive team including the progress of major capital expenditure, capital management, acquisitions, divestitures and strategic commitments; and
 - ii) access the suitability of the Company's overall strategies, business plans and resource allocation;
- b) appoint a Managing Director for the ongoing management of the business and its strategies;
- c) regularly evaluate the performance of the Managing Director and senior management and ensure appropriate executive succession planning is conducted;
- d) monitor financial and business results (including the audit process) to understand at all times the financial position of the Group;
- e) ensure regulatory compliance and maintain adequate risk management processes;
- f) report to shareholders; and
- g) implement a culture of compliance with the highest legal and ethical standards and business practices.

In carrying out its duties, the Board will meet formally at least 10 times a year, with additional meetings held as required to address specific issues. Selected directors also participate in meetings of the Audit & Risk Committee and the Remuneration and Nomination committee, which assist the full Board in examining particular areas or issues.

The Board will delegate management of the Company's resources to the executive team under the leadership of the Managing Director, to deliver strategic direction and achieve the goals determined by the Board. Any powers not specifically reserved for the Board have been delegated to the executive team.

"Principle 2 – Structure the Board to add value"

The Board of directors will comprise both executive and non-executive directors with a majority, including the chairman, being non-executive. The roles of Chairman and Chief Executive Officer shall be exercised by separate individuals. The names of current directors, together with details of their experience, qualifications and special responsibilities are set out separately. The remuneration and nominations committee will review the composition of the Board and the appointment of new directors. Close attention is paid in setting criteria for new appointees to ensure that the Board has the appropriate mix of expertise and

experience. New appointments to the Board must stand for election at the next general meeting of shareholders. Existing directors, with the exception of the Managing Director, are required to seek re-election at least once every three years on a rotating basis. The Chairman, and through him any other non-executive director, has the right to incur up to \$25,000 of independent professional advice without prior approval from the board.

The Board has concluded that the proven evidence in Board meetings that all directors act independently and are independent of mind, that the current and planned composition of the Board is appropriate and notwithstanding that a majority of the Board is not independent, and none of the Non-executive Directors are independent under the strict definition of the ASX principles, that all present directors are essential at this time in the Company's history. The Board has created an Audit & Risk Committee and a Remuneration & Nomination Committee:

Audit & Risk Committee

The Audit & Risk Committee will comprise Stephen Baxter as chairman and Ken Gillespie, both of whom are Non-executive Directors. The Chief Financial Officer and external auditors will be invited to Committee meetings, at the discretion of the Committee. Members of the Audit will be financially literate and the Board is of the opinion that the proposed members of the Committee possess sufficient financial expertise and knowledge of the industry in which the Company operates.

The Audit & Risk Committee will review the financial statements, adequacy of financial controls and the annual audit arrangements. It monitors the controls and financial reporting systems, applicable Company policies, national and international accounting standards and other regulatory or statutory requirements. The Committee also reviews the Risk Analysis Report (refer to Principle 7) on a regular basis.

The Committee also liaises with the Company's external auditors, reviews the scope of their activities, reviews the external auditor's remuneration and independence, and advises the Board on their remuneration, appointment and removal. The Board plans to adopt a policy of rotating for the audit requirements of the Company every five years, with the incumbent being eligible for re-appointment.

The Board intends to adopt a formal Audit & Risk Committee Charter prior to listing on ASX.

Remuneration & Nomination Committee

The Remuneration & Nomination Committee comprises Ken Gillespie as chairman and Steve Baxter, both of whom are Non-executive Directors. The Chief Executive Officer and key executives will be invited to Committee meetings, at the discretion of the Committee. The Board is of the opinion that the proposed members of the Committee possess sufficient expertise and knowledge of the industry in which the Company operates.

The Committee will review the overall remuneration structure and policies for staff employed by Indoor Skydive Australia Group Limited, with particular emphasis on the senior executive staff. The Committee will recommend to the Board about such matters such as the issuance of options, other incentive schemes, superannuation entitlements, recruitment and termination policies, succession planning, recruitment of non-executive directors and remuneration arrangements for members of the Board.

The Committee will seek to ensure that remuneration policy is equitable, market competitive and consistent so as to ensure the recruitment and retention of staff with the capabilities, competence and experience necessary for the achievement of ISA Group's business objectives.

The Board intends to adopt a formal Remuneration & Nomination Committee Charter prior to listing on ASX.

"Principle 3 – Promote ethical and responsible decision-making"

The Company is committed to maintaining the utmost standards of integrity and seeks to ensure all its activities are undertaken with efficiency, honesty and fairness.

Directors are required to disclose any potential conflict of interest and to refrain from involvement in Board discussions, or leave the room, during the conflicted matter. This requirement aims to ensure that the interest of shareholders as a whole is pursued and that their interest or the director's independence is not jeopardised.

Each director has the right to seek independent professional advice in fulfilling their duties as a director, at the Company's expense. However, prior approval of the Chairman is required, which is not unreasonably withheld.

The Company intends to develop a Code of Conduct (the Code) to be fully endorsed by the Board and to apply to all directors and employees prior to listing on ASX. The Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of both the law and company policies.

The Company has a share trading policy that regulates directors and officers dealings in the Company's securities. The purchase and sale of Company securities by directors and executive officers is only permitted during the six week period following the release of the half-yearly and annual financial results to the ASX, and five days after the Company's Annual General Meeting, unless otherwise approved by the Chairman. Notwithstanding the above, consistent with the law, directors and officers are prohibited from trading in the Company's securities while in the possession of unpublished price sensitive information concerning the Company. The policy also precludes short term trading of the Company's securities. Details of all security transactions by directors must be notified to the Company Secretary within 5 days of their occurrence and are publicly reported to the Australian Stock Exchange.

"Principle 4 – Safeguard integrity in financial reporting"

The Company has established an Audit & Risk Committee to oversee the integrity of the financial reporting process. (refer to Principle 2).

The CEO and CFO state in writing to the Board on an annual basis that the Company's financial reports represent 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.

"Principle 5 – Make timely and balanced disclosure"

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market with respect to its securities. Accordingly, the market is advised of all information required to be disclosed under the Rules which the directors and officers consider would have a material affect on the price or value of the Company's securities. The Chairman, Managing Director and Company Secretary review all ASX announcements.

"Principle 6 – Respect the rights of shareholders"

The Company provides information to its shareholders through the formal communications processes (eg ASX releases, annual general meeting, annual and half yearly reports, occasional shareholder letters). This material is also available on the Company's website.

The Company requests its external auditor attend the annual general meeting and to be available to answer any shareholder questions about the conduct of the audit and the preparation and content of the audit report.

The Company intends to develop a Shareholder Communications Strategy to be fully endorsed by the Board prior to listing on ASX.

"Principle 7 – Recognise and manage risk"

The Company is committed to the establishment and maintenance of a sound system of risk oversight, management and internal control.

During the year the Directors regularly reviewed and discussed the major risks affecting the business and developed strategies to mitigate these risks. Major business risk arises from such matters as action taken by competitors, government policy changes, supply arrangements and the purchase, development and use of information systems.

The Board does consider the recommendations of the external auditors and other external advisers and where considered necessary, appropriate action is taken to ensure that an environment is in place that will see the key risks, as identified, are managed.

The CEO and CFO state in writing to the Board that the statement given in accordance with best practice under recommendation 4.1 regarding the Company's financial reports, is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board, and that the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

"Principle 9 – Remunerate fairly and responsibly"

The Board reviews the overall remuneration structure and policies and accepts recommendations from the Remuneration & Nomination Committee (refer to principle 2). In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the company's operations, the Board may seek the advice of external advisers in connection with the structure of remuneration packages. The Board will adopt a formal Remuneration Policy which sets out the Company policy for executive and Non-executive Director remuneration. The remuneration of the five highest paid executives and of the Directors will be disclosed in the Company's Annual Report each year.

Non-executive directors will be paid an annual fee within a fixed amount approved for all non-executive directors by shareholders. The total amount currently approved by shareholders under clause n12.1 (a) of the constitution is currently \$500,000. This is the maximum aggregate amount and the Company does not, at this time, intend distributing that full amount by way of fees.

Issued by order of the Board:

John Diddams
Company Secretary
Indoor Skydive Australia Group Limited

31 October 2012