



Animoca Brands Corporation Limited (ACN: 122 921 813)
C/- HLB Mann Judd (SA) Pty Ltd
Level 1, 169 Fullarton Road
Dulwich, South Australia 5065
Phone: +61 (0) 8 8133 5000
Fax: +61 (0) 8 8431 3502
Email: ir@animocabrands.com

20 January 2015

Ben Tippett
Advisor, Listings (Perth)
The Australian Securities Exchange
Level 40, Central Park
152-158 ST Georges Terrace
PERTH, WA, 6000

Dear Ben

COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Please find disclosed below a table that details the extent to which the Company will follow, at the date its securities are reinstated, the recommendations set by the ASX Corporate Governance Council. Where the Company does not intend to follow all of the recommendations on its reinstatement, the table details those recommendations that will not be followed and reasons for not following them.

Yours Sincerely

A handwritten signature in black ink that reads "Donald Stephens".

Donald Stephens
Company Secretary

For personal use only

| PRINCIPLES AND RECOMMENDATIONS | COMPLY (YES/NO) | EXPLANATION |
|---|--------------------|---|
| <i>Principle 1: Lay solid foundations for management and oversight</i> | | |
| <p style="text-align: center;">Recommendation 1.1</p> <p>A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the board, the chair and management; and includes a description of those matters expressly reserved to the board and those delegated to management.</p> | YES | <p>The Company has adopted a Board Charter.</p> <p>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Boards composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Board Charter is available on the Company's website.</p> |
| <p style="text-align: center;">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 relevant to a decision on whether or not to elect or re-elect a director.</p> | YES | <p>(a) The Company has detailed guidelines for the appointment and selection of the Board. The Company's policy requires the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.</p> <p>(b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.</p> |

| | | |
|--|-------------------|---|
| <p style="text-align: center;">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> | <p>NO</p> | <p>The Company has entered into an Executive Services agreement with its Managing Director Mr Robert Yung and all other senior executives are subject to employment agreements with standard commercial terms. The remaining directors (all non-executives) have not entered into formal contracts, but their remuneration is set in the Company's replacement prospectus and responsibilities are outlined within the Board Charter. The Company believes this to be appropriate given the size and nature of the Company.</p> |
| <p style="text-align: center;">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> | <p>YES</p> | <p>The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the Board.</p> |
| <p style="text-align: center;">Recommendation 1.5</p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board:</p> <p style="padding-left: 20px;">(i) to set measurable objectives for achieving gender diversity; and</p> <p style="padding-left: 20px;">(ii) to assess annually both the objectives and the entity's progress in achieving them;</p> <p style="padding-left: 40px;">(b) disclose that policy or a summary of it; and</p> <p style="padding-left: 40px;">(c) disclose as at the end of each reporting period:</p> <p style="padding-left: 20px;">(i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and</p> <p style="padding-left: 40px;">(ii) either:</p> <p style="padding-left: 60px;">(A) 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 style="padding-left: 60px;">(B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.</p> | <p>NO</p> | <p>The Company does have a diversity policy which documents the principles and commitment in relation to diversity. This policy is disclosed on the Company's website. It however does not have measurable objectives for achieving gender diversity. The Company believes this policy to be appropriate at this time, but notes it uses diversity as a driver for staff recruitment. The Company will disclose the proportions of men and women on the board and across the whole organisation in its annual reports.</p> |

| | | |
|--|-------------------|---|
| <p>Recommendation 1.6 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>YES</p> | <p>(a) The Board is responsible for evaluating the performance of the Board and individual directors on an annual basis. It may do so with the aid of an independent advisor. The process for this is contained within the Company's Board Charter.</p> <p>(b) Details of performance evaluations conducted periodically will be provided in the Company's Annual Reports.</p> |
| <p>Recommendation 1.7 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>YES</p> | <p>(a) The Board is responsible for evaluating the performance of senior executives. The Board's policy is to arrange annual performance evaluation of the senior executives.</p> <p>(b) The Company's policy requires the Board to conduct annual performance of the senior executives. Details of the performance evaluations conducted will be provided in the Company's Annual Reports.</p> |
| <p><i>Principle 2: Structure the board to add value</i></p> | | |
| <p>Recommendation 2.1 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</p> | <p>YES</p> | <p>The board will have upon re-admission a Nomination Committee consisting of Mr Martin Green as Chair and Directors Mr David Kim and Mr David Brickler as members. The Charter of the committee is disclosed on the Company's website. The Company will disclose the details in relation to number of meetings held and the members' attendance in its Annual Report.</p> |

| | | |
|--|-------------------|---|
| <p>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 style="text-align: center;">Recommendation 2.2</p> <p>A listed entity should have and disclose a board skill 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 Board is required to prepare a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve). The composition of the Board is to be reviewed regularly against the Company's Board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.</p> <p>The Board Charter requires the disclosure of each board members qualifications and expertise as set out in the Company's Board skills matrix. Full details as to each director and senior executive's relevant skills and experience are available in this Prospectus, the Company's Annual Reports and Company's website.</p> |
| <p style="text-align: center;">Recommendation 2.3</p> <p style="text-align: center;">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 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), 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>(a) The Directors considered by the board to be independent are provided in the Company's replacement prospectus (namely Messers David Brickler, Richard Kuo and Martin Green);</p> <p>(b) The Board requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Company's Replacement Prospectus; and</p> <p>(c) The length of service of each Director is to be provided in the Company's Annual Reports.</p> |

| | | |
|--|-------------------|---|
| <p style="text-align: center;">Recommendation 2.4</p> <p style="text-align: center;">A majority of the board of a listed entity should be independent directors.</p> | <p>NO</p> | <p>The Board Charter requires that where practical the majority of the Board will be independent.</p> <p>Only half of the Directors are independent. Given the present size and nature of the Company, the composition of the Board is considered appropriate at this time. The Board will consider the appointment of further independent directors if the Company increases in size and complexity (though no forecast is made of whether that will occur).</p> <p>Details of each Director's independence will be provided in the Company's Annual Reports.</p> |
| <p style="text-align: center;">Recommendation 2.5</p> <p style="text-align: center;">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> | <p>NO</p> | <p>The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. If the Chairman ceases to be independent then the Board will consider appointing a lead independent Director.</p> <p>The Company's Chairman, Mr David Kim is not an independent director, but he does not fulfill the role of CEO. The Company therefore has not complied with this recommendation. The Company believes this to be appropriate at this time given the size and nature of the Company's operations, but will continue to consider the composition of the board in the future.</p> |
| <p style="text-align: center;">Recommendation 2.6</p> <p style="text-align: center;">A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</p> | <p>YES</p> | <p>The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</p> |

| Principle 3: Act ethically and responsibly | | |
|---|-------------------|--|
| <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> | <p>YES</p> | <p>(a) The Corporate Code of Conduct applies to the Company's directors, senior executives and employees.</p> <p>(b) The Company's Corporate Code of Conduct is available on the Company's website.</p> |
| Principle 4: Safeguard integrity in financial reporting | | |
| <p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and experience of the members of the committee; and</p> <p>(v) 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 financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> | <p>YES</p> | <p>The Company upon re-admission will have an audit committee comprising of directors Mr Richard Kuo as Chairman and Mr David Kim and Mr Martin Green as members. A majority of the committee are independent and the Chair of the committee is not the Chairman of the board. The charter is disclosed on the Company's website and the details required to disclosed will be contained within the Company's annual report.</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 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> | <p>YES</p> | <p>The Company's policy is that the duty and responsibility of the Board is to ensure that before approving the entity's financial statements for a financial period, the CEO and Company Secretary (acting to fulfill the role of CFO) have declared 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> |
| <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> | <p>YES</p> | <p>The Company's external auditor is required by law to attend its AGM and will be available to answer questions from security holders relevant to the audit at all Annual General Meetings.</p> |
| <p><i>Principle 5: Make timely and balanced disclosure</i></p> | | |
| <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> | <p>YES</p> | <p>The Company has established a Continuous Disclosure Policy. This policy is available on the Company's website.</p> |
| <p><i>Principle 6: Respect the rights of security holders</i></p> | | |
| <p>Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p> | <p>YES</p> | <p>Information about the Company and its governance is available on the Company's website, including the policies referred to in this document.</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> | <p>YES</p> | <p>The Board and the Company Secretary are responsible for the investor relations program for the Company. Communication is facilitated in an open manner via the Company's registered office or website and all communications are actioned promptly.</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> | <p>YES</p> | <p>Shareholders are encouraged to participate at all Annual General Meetings and EGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting. The meetings shall also be conducted to allow questions and feedback to the board and management of the Company.</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 electronically.</p> | <p>YES</p> | <p>Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Security holders are also encouraged to register with the Company's share register to communicate electronically.</p> |
| <p><i>Principle 7: Recognise and manage risk</i></p> | | |
| <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>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) 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 process it employs for overseeing the entity's risk management framework.</p> | <p>NO</p> | <p>The Company has adopted a Risk Management Committee charter, but the functions of the committee have been delegated to the audit committee. Accordingly, the Company has not complied with recommendation 7.1</p> |

| | | |
|---|-------------------|--|
| <p style="text-align: center;">Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p> | <p>YES</p> | <p>(a) The audit committee and the Board will review the Company's risk management framework with management annually.</p> <p>(b) The Company will disclose whether the review has taken place in its annual report.</p> |
| <p style="text-align: center;">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>The Board continuously investigates ways to enhance its existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel. The Company however does not have an internal audit function.</p> |
| <p style="text-align: center;">Recommendation 7.4</p> <p>A listed entity should disclose whether, and if so how, it has regard 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 policy is to identify and manage potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.</p> |

| Principle 8: Remunerate fairly and responsibly | | |
|--|-------------------|--|
| <p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) 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 upon re-admission will have a remuneration committee consisting of Mr Martin Green as Chair and Directors Mr David Kim and Mr David Brickler as members. The committee is therefore chaired by an independent director and has 3 members, the majority of which are independent. The charter of the committee can be obtained from the Company's website. The disclosure requirements for recommendation 8.1 will be contained within the Company's Annual Reports.</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 and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.</p> | <p>YES</p> | <p>The Company's policy is to disclose the arrangements in place for the remuneration of executive directors and senior employees, as well as non-executive directors. These policies will be disclosed in the Company's Annual Reports.</p> |

| | | |
|---|-------------------|--|
| <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 has only one equity based remuneration scheme, the Employee Share Option plan (the terms of which are disclosed in the Company's replacement prospectus). Participants are not permitted to enter into transactions which limit the economic risk of participating in the scheme.</p> |
|---|-------------------|--|