

CORPORATE GOVERNANCE STATEMENT

As at 29 June 2015

ROLE OF THE BOARD

The Board of Directors of Pacific Edge Limited is elected by the shareholders to supervise the management of the Company.

The Board establishes the Company's objectives, strategies for achieving these objectives, the overall policy framework within which the business of the Company is conducted, monitors management's performance and ensures that procedures are in place to provide effective internal financial control.

The day-to-day management responsibilities of the Company have been delegated to the Chief Executive Officer.

CORPORATE GOVERNANCE PRACTICES IN THE CONSTITUTION

The Company's constitution sets out guidelines for Directors and management in carrying out their duties and responsibilities. The constitution requires that the Board comply with the Listing Rules and the Companies Act 1993. The provisions in the Second Schedule to the Company's constitution govern the proceedings of the Board.

The Company's constitution covers matters such as:

- General corporate governance matters
- Role of the Board
- Composition of the Board
- Directors' responsibilities
- Appointment and removal of Directors (including executive and alternate directors)
- Powers and rights of Directors
- Remuneration of Directors
- Confidentiality and protection of Company information
- Compliance with laws and regulations
- Shareholder participation, rights, and obligations
- Company transactions
- Conflicts of interest
- Protection of Company assets

The primary responsibilities of the Board include ensuring compliance with the Company's constitution, setting up clear goals for the Company and ensuring that there are appropriate strategies in place for achieving them, monitoring the performance of management, managing the Company's financial position and financial statements, ensuring that the Company follows high standards of ethical and corporate behaviour, and ensuring that the Company has appropriate risk management policies in place. Newly elected directors are expected to be familiar with their obligations under the constitution.

BOARD MEMBERSHIP

The Board has been selected on their individual skills and contribution to the Company. The Board is comprised of 5 non-executive Directors including the Chairman Chris Swann, David Band, Charles Sitch, Anatole Masfen and Bryan Williams and one executive Director, David Darling. The Chairman is a non-executive Director who is elected by the Directors.

In accordance with the Company's constitution, one third, or the number nearest to one third, of the Board retire by rotation at each annual meeting. The directors to retire are those who have been longest in office since the last election. Directors retiring by rotation may, if eligible, stand for re-election. A Director appointed since the previous annual meeting holds office only until the next annual meeting but is eligible for re-election at that meeting.

SUB COMMITTEES

The Board forms subcommittees for designated tasks to be addressed. Such subcommittees include the Audit Subcommittee, the Nomination Subcommittee and the Remuneration Subcommittee.

INTERNAL FINANCIAL CONTROL

The Board has overall responsibility for the Company's system of internal financial control. The Directors have established procedures and policies that are designed to provide effective internal financial control. Annual budgets and business plans are prepared, and agreed by the Board. Financial statements are prepared monthly and reviewed by the Board throughout the year to monitor performance against budget targets and objectives.

The Directors are responsible for presenting the financial statements for each financial year.

AUDIT COMMITTEE

The Company's constitution requires it to have an Audit Committee comprised solely of directors of the Company, with the majority of members being independent directors.

There must be at least three members in the Audit Committee and at least one member must have an accounting or financial background. Under the constitution the responsibilities of the Audit Committee include as a minimum:

- Ensuring that the processes are in place in monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters
- Recommending the appointment and removal of the independent auditor
- Monitoring and reviewing the independent and internal auditing practices.
- Having direct communication with and unrestricted access to the independent auditors and any internal auditors or accountants.
- Reviewing the financial reports and advising all directors whether they comply with the appropriate laws and regulations.
- Ensuring that the external auditor or lead audit partner is changed at least every five years.
- The Audit Committee comprises 3 independent directors, Chris Swann, David Band and Charles Sitch.

NOMINATION SUBCOMMITTEE

The Board has established a nomination committee to recommend director appointments to the Board. The committee members are Anatole Masfen, Bryan Williams and Chris Swann.

REMUNERATION COMMITTEE

The Board has a remuneration committee to recommend the remuneration for directors to the shareholders. The members of this committee are David Band, Bryan Williams, David Darling and Chris Swann.

CONFLICTS OF INTEREST

The constitution sets out a procedure to be followed where directors are faced with a potential conflict of interest. At all times a director must be able to act in the interests of the Company as a whole and in accordance with all relevant laws including the NZX Main Board Listing Rules and the Companies Act 1993.

The personal interests of a director must not be allowed to prevail over those of the Company and its shareholders generally. The constitution requires a director to disclose any personal interests to the Company which may conflict with the Company's interest.

The Company's constitution provides that a Director may:

- Contract with the Company and be a party to any transaction with the Company.
- Have any personal involvement or interest in any transaction or arrangement to which the Company is a party or is otherwise interested or involved.
- Become a director or other officer of, or otherwise be interested in, any corporation promoted by the Company or in which the Company may be directly or indirectly interested as a shareholder or otherwise.
- Retain any remuneration profits or benefits in relation to any of these arrangements.

However a Director who is interested in a transaction that is entered into by the Company may not vote on a Board resolution in respect of any matter relating to the transaction unless that matter is one in which the Directors are either required to sign a certificate or where the matter relates to an indemnity.

COMPLIANCE WITH NZX AND SECURITIES COMMISSION GUIDELINES

The Company's governance policies are consistent with the NZX Corporate Governance Best Practice Code and meet the 9 Principles for Corporate Governance issued by the Financial Markets Authority and set out on the Financial Markets Authority website. In summary, the 9 principles are:

1. Ethical Standards — Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.
2. Board Composition and Performance — To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.
3. Board Committees — The Board should use committees where this will enhance its effectiveness in key areas while retaining board responsibility.
4. Reporting and Disclosure — The Board should demand integrity both in financial reporting and in the timeliness and balance of corporate disclosures.
5. Remuneration — The remuneration of directors and executives should be transparent, fair, and reasonable.
6. Risk Management — Directors should have a sound understanding of the key risks faced by the business, and should regularly verify there are appropriate processes to identify and manage these.
7. Auditors — The Board should ensure the quality and independence of the external audit process.
8. Shareholder Relations — The Board should foster constructive relationships with shareholders that encourage them to engage with the Company.
9. Stakeholder Interests — The Board should respect the interests of stakeholders, taking into account the entity's ownership type and its fundamental purpose.

REPORTING AND DISCLOSURE

The Board focuses on providing accurate, adequate and timely information both to existing shareholders and to the market generally. This enables all investors to make informed decisions about the Company. All significant announcements made to NZX, and reports issued, are posted on the Company's website.

ENDS