

Corporate Governance Statement

The Board of Djerriwarrh is committed to the highest standards of ethical behaviour and corporate governance.

Djerriwarrh aims to provide shareholders with an enhanced level of dividend income and attractive investment returns over the medium to long term. The Company's approach to corporate governance principles and practices reflects its specialised nature and the limited scope of its activities.

In accordance with ASX Listing Rule 4.10.3, the ASX's Corporate Governance Council's 10 principles of good corporate governance and the Company's compliance with those principles are set out below.

Principle 1: Laying Solid Foundations for Management and Oversight

The first Principle requires the Company to recognise and publish the respective roles and responsibilities of both the Board and management.

The role of the Board is set out both below and on the Company's website together with a statement of the Corporate Principles of Conduct.

The role of the Board of Directors is to set goals and policies for the operation of the Company, to oversee the Company's management, to regularly review both Board and management performance, and to generally monitor the Company's affairs in the best interests of shareholders. For these responsibilities, the Board is accountable to shareholders.

All of the Directors have entered into an Agreement with the Company covering the terms of their appointment, access to documents, Director's indemnity against liability, and Directors and Officers insurance.

The Company's primary activities are the investment of its capital in a diversified portfolio of listed Australian securities and the enhancement of the income from that portfolio.

The Company's investments are subject to the oversight of the Investment Committee. The Directors of the Company have a close involvement with this Committee either as formal members or attending whenever available.

For day-to-day administrative, investment support and dealing activities, Djerriwarrh uses the services of Australian Investment Company Services Limited ("AICS") in which it has a 25 per cent ownership interest. AICS staff are provided to Djerriwarrh on a non-exclusive basis further to a Service Agreement in which they take responsibility for the conduct of the Company's operations in accordance with the Board's objectives, policies and directions. They also provide investment research information and implement decisions of the Investment Committee. AICS is paid a fee based on its costs in providing these services.

The Managing Director is responsible and accountable to the Board for the Company's management.

The Board believes that the Company is fully compliant with Principle 1.

Principle 2: Structuring the Board to Add Value

The Principle requires the Company to have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

See the Directors' Report for details of the skills, experience and expertise of each Director. The number of meetings held during the year and attendance by Directors are set out on page 8. The Directors normally meet as a Board each month.

The Board comprises a Chairman (BB Teele), Managing Director (RE Barker) and five Non-Executive Directors (TA Campbell, PC Barnett, AF Guy, GJ Kraehe and J Paterson) all of whom have a personal financial interest in the Company. During the year, RJ Fynmore retired as a Director and PC Barnett was appointed as a Director of the Company. Four of the five Non-Executive Directors are regarded as independent, that is, PC Barnett, AF Guy, GJ Kraehe and J Paterson.

Independence of Directors

BB Teele, the Chairman of the Company, has a continuing close involvement in the management of the portfolio. Accordingly, he is not considered an independent Director. Given that Djerriwarrh is a Listed Investment Company, it is of great assistance to have a Chairman with a depth of experience and skills in the securities industry who is actively involved in the investment decisions. Given the specialised nature of the Company, an independent Chairman is not regarded as necessary.

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TA Campbell is not considered an independent Director because of his current involvement as Senior Chairman, former Chief Executive and a shareholder of Goldman Sachs JBWere with whom the Company has had a strong relationship over its life and in consequence of the related party transactions (refer Note 25 to the Accounts).

The other four Non-Executive Directors, PC Barnett, AF Guy, GJ Kraehe and J Paterson are considered independent. The Board does not consider that J Paterson's past involvement with Goldman Sachs JBWere as a Director and shareholder compromises his independence as a Director.

Details of the term of office held by each Director in office as at the date of this report are as follows:

| | |
|-------------|-----------------------------|
| BB Teele | – 18 years |
| RE Barker | – 20 years |
| TA Campbell | – 18 years |
| AF Guy | – 18 years |
| GJ Kraehe | – 6 years |
| J Paterson | – 6 years |
| PC Barnett | – appointed 18 October 2007 |

A number of these Directors are also Directors of companies in which Djerrivarrh invests. Any real or potential conflicts of interest are dealt with by procedures consistent with Corporations Act requirements which are designed to ensure that conflicted Directors do not take part in the decision-making on a relevant issue. On this basis, it is believed that their independence on all other issues is not compromised.

To assist Directors to fully meet their responsibilities to bring an independent view to matters coming before them, the Board has agreed a procedure in appropriate situations for Directors to take independent professional advice, at the expense of the Company, after advising the Chairman of their intention to do so.

Consideration is also given to the issue of Director independence in any situation where an individual Director may be a partner in, controlling shareholder of, or executive of an entity which has a material commercial relationship with the Company. The Board would consider whether the relevant Director remained independent in any situation where, as a result of the commercial relationship with Djerrivarrh, an amount in excess of \$200,000 per annum is paid or received and the Director had a direct or indirect material interest. This threshold is considered by the Board on an annual basis.

Nomination Committee

The Board has a Nomination Committee which comprises four members of the Board with GJ Kraehe as the Chairman and the members being AF Guy, J Paterson and BB Teele. RJ Fynmore was a member of the Nomination Committee until his retirement in December 2007. The Charter of the Nomination Committee is set out on the Company's website.

The Committee considers matters relating to the orderly renewal of the Board and the attraction and retention of Directors of high calibre with the appropriate experience and skill to contribute effectively to the oversight of the Company.

The Board believes that Djerrivarrh is fully compliant with Principle 2 but acknowledges that, for the reasons given above, it does not comply with Recommendation 2.2 that the Chairman of the Company should be an independent Director.

Principle 3: Promotion of Ethical and Responsible Decision-making

The Principle requires that the Board should actively promote ethical and responsible decision-making.

The Company, including its Directors and key executives, is committed to maintaining the highest standards of integrity and seeks to ensure all its activities are undertaken with efficiency, honesty and fairness. The Company also maintains a high level of transparency regarding its actions consistent with the need to maintain the confidentiality of commercial-in-confidence material and, where appropriate, to protect its shareholders' interests.

The Company has published a Corporate Principles of Conduct Statement and a Trading Policy for Directors which are available on the website together with the Trading Policy that the Company has for dealing in its own shares by its officers or those working on the Company's behalf. These documents are provided to management and new Directors as they join the Company and any updates are provided to all employees and Directors. In accordance with the Company's policy, no Djerrivarrh shares held by Directors are held subject to margin loans.

The Board believes that the Company is fully compliant with Principle 3.

Principle 4: Safeguarding Integrity in Financial Reporting

The Principle requires that the Company has a structure to independently verify and safeguard the integrity of the Company's reporting.

The Company has an Audit Committee to oversee the integrity of the financial reporting process and which reports to the Board. The Audit Committee comprises three Directors: AF Guy (Chairman), GJ Kraehe and J Paterson, all of whom are independent Directors. In December 2007, RJ Fynmore retired as a member of the Committee. The number of meetings held during the year and attendance by committee members are set out on page 8. All members of the Audit Committee have the requisite financial experience and understanding to effectively discharge its mandate. The Board has obtained from the Managing Director and the Chief Financial Officer written affirmation concerning the Company's financial statements as set out in the Directors' Declaration.

The Company has a process to ensure the independence and competence of the Company's external auditors including the Audit Committee reviewing any non-audit work to ensure that it does not conflict with audit independence. Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners is set out on the website. Policies relating to rotating external audit engagement partners are set by the external audit firm in accordance with Corporations Act requirements.

The Board believes that the Company is fully compliant with Principle 4.

Principle 5: Making Timely and Balanced Disclosure

The Principle requires that the Company promote timely and balanced disclosure of all material matters concerning the Company.

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market in its securities. Accordingly, the market is kept advised of all information required to be disclosed under the Listing Rules which it is believed would or may have a material effect on the price or value of the Company's securities.

The Company's Continuous Disclosure Policy is publicly available on its website.

The Board believes that the Company is fully compliant with Principle 5.

Principle 6: Respecting the Rights of Shareholders

The Principle requires that the Company respect the rights of shareholders and facilitate the effective exercise of those rights.

The Company is owned by its shareholders and the Board's primary responsibility to them is to do its utmost to meet the Company's objectives and so increase the Company's value for all shareholders. The Board maintains active communication with shareholders as owners of the Company.

In addition to the Annual and Half Year Reports, the Company holds an Annual General Meeting of shareholders to fulfil statutory requirements, to provide shareholders with the opportunity to meet with representatives of the Board and management, to learn more about the Company's activities and, particularly, to provide an opportunity to question the Board and Management about any aspect of the Company's activities.

The Company also conducts Shareholder Information Meetings in the Australian capital cities, some of which follow the full year results and some of which follow the half year results. This year, shareholder meetings were held in Sydney, Melbourne, Adelaide, Brisbane, Canberra and Perth.

The Company's website contains all ASX announcements, Annual Reports, Half Year Reports, details of corporate governance practices, presentations to shareholders, and related material for shareholders and investors.

The Board believes that the Company is fully compliant with Principle 6.

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Principle 7: Recognising and Managing Risk

The Principle requires that the Board establish a sound system of risk oversight, management and internal control.

The Company has established and maintains a sound system of risk oversight, management and internal control.

Investment Risk

The Board's Investment Committee is primarily responsible for dealing with issues arising from investment risk. By its nature, as a Listed Investment Company the Company will always carry investment risk because it invests its capital in securities which are not risk free. However, the Company seeks to reduce this investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market.

Other Risks

The Company's management is primarily responsible for recognising and managing all other risk issues such as operational risk, disaster recovery, occupational health and safety, credit and counter-party risk. This is in the context that most of Djerriwarrh's administrative functions have been outsourced to AICS using its systems and staff. Accordingly, risk issues associated with these activities are handled in accordance with the policies and procedures adopted by AICS for dealing with them.

The Company has received a report from AICS outlining the control objectives for AICS and the specific policies and procedures established to meet these procedures. AICS has stated that these have been in place throughout the period, and have been effective in meeting the control objectives. This statement and verification have been confirmed by AICS's internal auditors, Ernst & Young, under the requirements of Auditing Guidance Standard 1026.

The Audit Committee has specific oversight of management's role in identifying and responding to risk issues.

The Risk Management Framework adopted by the Board is available on the Company's website.

The Board has obtained from the Managing Director and the Chief Financial Officer written affirmation that, to the best of their knowledge and belief, the integrity of the financial statements 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 insofar as they relate to the financial reporting risks.

The Board believes that the Company is fully compliant with Principle 7.

Principle 8: Encouraging Enhanced Performance

The Principle requires that the Board fairly review and actively encourage Board and management effectiveness.

In order to provide a specific opportunity for performance matters to be discussed with each Director, the Board Chairman has established a formal Director review process. The Chairman meets with each Director individually to discuss issues including performance and effectiveness of the Board as a whole, individual Directors and the Chairman with the intention of providing mutual feedback. Given the nature of the Company's activities, it is considered that this process of evaluation of the Board, individual Directors and the Chairman is sufficiently formal.

Each Director of the Company is encouraged to have a financial interest in the Company. All Directors have a meaningful shareholding in the Company. These security holdings were acquired from their own resources. (For details of the Directors' holdings refer to the Financial Report.) As shareholders in the Company, Directors benefit in the same way as all other shareholders in improving shareholder value.

The Board believes that the Company is fully compliant with Principle 8.

Principle 9: Remunerating Fairly and Responsibly

The Principle requires that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

The Board has not established a Remuneration Committee given the size of the Company and the nature of its activities. Other than the Board members, which includes the Managing Director, the Company has no formal employees. The Board is able to deal with matters relating to the remuneration of Directors itself and a separate Remuneration Committee is not considered necessary.

Directors' Remuneration

The Constitution of Djerriwarrh requires approval by the shareholders in general meeting of a maximum amount of remuneration to be allocated between Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors together with such factors as the general level of fees paid to Australian corporate Directors. The amount of remuneration for each Director excludes amounts that were owing to them when the Directors' retirement allowances were frozen at 30 June 2004.

Djerriwarrh does not pay any performance-based remuneration.

Management Remuneration Approach

Because the Company has outsourced its administrative functions, it has not adopted any 'at risk' remuneration arrangements for the Managing Director or any other person involved in the activities of the Company.

RE Barker is made available as Managing Director of Djerriwarrh by AICS. The fees to which he is entitled as a Director of the Company are paid directly to AICS pursuant to his remuneration arrangements with them. Also as part of these remuneration arrangements with AICS, RE Barker receives an 'at risk' component determined by AICS which is based on performance. The performance criteria includes quantitative and qualitative assessments which include, amongst other things, the services that he has provided to Djerriwarrh and for which AICS is paid.

Further information on Directors and Executives remuneration is set out in the Financial Report.

The Board believes that the Company is fully compliant with Principle 9, but acknowledges that, for the reasons given above, it does not comply with Recommendation 9.2 that a separate Remuneration Committee be established.

Principle 10: Recognising Legitimate Interests of Stakeholders

The Principle requires that the Company recognises legal and other obligations to all legitimate stakeholders.

Because of Djerriwarrh's operation as a Listed Investment Company, its key stakeholders are its shareholders, agents and the small number of creditors connected with the administration of the Company's affairs. As noted above, the Company has published its Corporate Principles of Conduct which are intended to guide the activities of Directors, senior executives and agents and are designed to ensure that the legal requirements and the obligations to the Company's stakeholders are complied with at all times.

The Board believes that Djerriwarrh is fully compliant with Principle 10.