

STATEMENT ON CORPORATE GOVERNANCE AT PERILYA

This statement reports on Perilya's key governance framework, principles and practices as at the date of this report. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and best practice in corporate governance.

ASX principles of good corporate governance

Perilya, as a listed entity, must comply with the *Corporations Act 2001* (Cwth) ("*Corporations Act*"), the Australian Securities Exchange Limited ("ASX") Listing Rules ("ASX Listing Rules") and other Australian laws.

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles") released by the ASX Corporate Governance Council. The ASX Principles require the Board to consider carefully the development and adoption of appropriate corporate governance policies and practices founded on the ASX Principles.

Compliance with ASX principles of good corporate governance

Details of the company's compliance with the ASX Principles are set out below. A checklist, cross referencing the ASX Principles to the relevant section of this statement and the remuneration report, is provided on pages 35 to 36 of Perilya's 2010 Annual Report published on the company's website at www.perilya.com.au.

1. The Board of directors

a) Board composition and expertise

The Board has an expansive range of relevant industry experience, financial and other skills and expertise to meet its objectives.

The current Board composition includes three senior executives from the parent company, Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd ("*Zhongjin Lingnan*") who are each regarded as non-independent directors. In addition, there are two independent non-executive directors and one executive director. Details on each of the director's backgrounds including experience, knowledge and skills and their status as an independent or non-independent director are set out on pages 24 to 26 of Perilya's 2010 Annual Report.

The Board considers that the executive and non-executive directors collectively bring the range of skills, knowledge and experience necessary to direct the company.

In assessing the composition of the Board, the directors have regard to the following policies:

- the Chairman should be non-executive (but does not need to be independent where the Chairman or his associates control greater than 50% of Perilya);
- the role of the Chairman and Chief Executive Officer ("*CEO*") should not be filled by the same person;
- the Managing Director should be a full-time employee of the company;
- the Board should include at least two independent non-executive directors; and
- the Board should have a broad range of qualifications, experience and expertise considered of benefit to the company and to adequately represent both the interest of the parent company Zhongjin Lingnan and the 48% of minority related shareholders.

ASX Principle 2.1 (non-compliance) - The Company presently does not meet the requirements of ASX Principle 2.1, which requires a majority of independent directors. The Company notes that on 5 February 2009, shareholders overwhelmingly supported the acquisition by Zhongjin Lingnan of a 50.1% interest in Perilya (now 52% following a pro rata non-renounceable rights issue in December 2009) and the appointment of three senior executives of Zhongjin Lingnan to the Perilya Board. The Board believes that the qualifications, experience and expertise of all non-independent directors, being those senior executives of Zhongjin Lingnan, bring considerable benefit to the company and is appropriate to adequately represent the interest of the 52% ownership of the parent company Zhongjin Lingnan.

The Chairman, Mr Zhang is the President and a Director of Zhongjin Lingnan. Mr Zhang joined Zhongjin Lingnan in 2000 as a Vice President and was promoted to President in 2002. Mr Han and Mr Wang are senior executives of Zhongjin Lingnan, with the relevant skills and experience to assist the Company.

b) Board role and responsibilities

The roles and responsibilities of the Board are formalised in the Board Charter. The Board Charter defines in detail the matters that are reserved for the Board and its committees, and those that the Board has delegated to management. The central role of the Board is to oversee and approve the company's strategic direction, to select and appoint a CEO, to oversee the company's management and business activities and report to shareholders.

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In addition to matters required by law to be approved by the Board, the following powers are reserved to the Board for decision:

- strategy - providing strategic oversight and approving strategic plans and initiatives;
- board performance and composition – evaluating the performance of non-executive directors, and determining the size and composition of the Board as well as recommending to shareholders the appointment and removal of directors;
- leadership selection – evaluating the performance of, and selection of, the CEO and those executives reporting directly to the CEO;
- corporate responsibility – considering the safety, social, ethical and environmental impacts of Perilya’s activities, and setting policy and monitoring compliance with safety, corporate and social policies and practices;
- financial performance – approving Perilya’s annual operating plans and budget, monitoring management, financial and operational performance;
- financial statements to shareholders – approving annual and half-year reports and disclosures to the market that contain, or relate to, financial projections, statements as to future financial performance or changes to the policy or strategy of the company; and
- establishing procedures – ensuring that the Board is in a position to exercise its power and to discharge its responsibilities as set out in the Board Charter;

The Board also recognises its responsibilities to Perilya’s employees, the communities and environments within which Perilya operates and, where relevant, other stakeholders.

Responsibility for management of Perilya’s business activities is delegated to the CEO who is accountable to the Board.

The Board Charter is available in the corporate governance section of Perilya’s website.

c) Chairman

The Board elects one of the non-executive directors to be Chairman. The Chairman is responsible for leadership of the Board, for the efficient organisation and conduct of the Board’s function and for the promotion of relations between Board members and between Board and management that are open, cordial and conducive to productive co-operation.

ASX Principle 2.2 (non-compliance) - The company presently does not meet the requirements of ASX Principle 2.2, which requires an Independent Chairman. The company notes that the acquisition of Zhongjin Lingnan’s initial 50.1% interest in Perilya (now 52% following a pro rata non-renounceable rights issue in December 2009), together with the appointment of Directors, Messrs Zhang (Chairman of Perilya and President of Zhongjin Lingnan), Han and Wang was approved by shareholders on 5 February 2009. Mr Zhang’s role as Chairman brings significant leadership and experience to Perilya’s Board.

d) Director independence

The Board has approved a policy on independence of directors, a copy of which is available in the corporate governance section of Perilya’s website.

The policy provides that the independence of a director will be assessed by determining whether the director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the director. Materiality is considered from the perspective of Perilya, the persons or organisations with which the director has an affiliation and from the perspective of the director. Materiality thresholds are considered by the Board from time to time. The Board considers that the following are material:

- a material customer is a customer of Perilya which accounts for more than 5% of Perilya’s consolidated gross revenue;
- a supplier is material if Perilya accounts for more than 5% of the supplier’s consolidated gross revenue;
- a substantial shareholder of Perilya who holds greater than 5% of the voting capital of Perilya; and
- service on the Board for a period exceeding 10 years is a period which could, or could reasonably be perceived to, materially interfere with a director’s ability to act in the best interests of the company.

As stated above, the directors Messrs Zhang, Han and Wang are not regarded as independent as they represent the interest of Zhongjin Lingnan, which holds 52% interest in Perilya.

Mr O’Connor is regarded as independent. His time as Executive Chairman from February 2008 to November 2008 is not considered to have affected his independence as this role was vital during the company’s strategic review phase and it required considerably more time than would normally be provided by a Non Executive Chairman.

Mr O'Connor and Mr Harley are both regarded as independent as they are regarded, and have been assessed as being, free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

e) Directors' retirement and re-election

Perilya's Constitution states that at each annual general meeting ("AGM") one of its directors (excluding the Managing Director and any director appointed to fill a casual vacancy) and any director who has held office for three or more years since their last election must retire. At least one non-executive director must stand for election at each AGM.

Any director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves to shareholders for election at the next AGM. Directors who retire as required may offer themselves for re-election by shareholders at the next AGM. Re-appointment of directors retiring by rotation or filling a casual vacancy is not automatic.

f) Board succession planning

The Board in conjunction with the Remuneration and Nominations Committee reviews the size and composition of the Board and the mix of existing and desired competencies across members from time to time.

g) Board performance evaluation

The Board undertakes ongoing self-assessment and review of performance of the Board, committees and individual directors annually. The Chairman of the Board is responsible for determining the process for evaluating Board performance.

The last review was undertaken in December 2008, and subsequent to the appointment of Zhongjin Lingnan representatives to the Board on 5 February 2009, the composition of the Board was reduced with the retirement of Mr Lockyer and Mrs Field from the Board. Mr Van den Brand also retired from the Board on 25 November 2008 following a review of the size and composition of the Board, which commenced at the time the Company's operations were resized. The Board has planned a full review of performance of the Board, committees and individual directors during the first half of 2011.

h) Nominations and appointment of new directors

Recommendations for nomination of new directors are considered by the Remuneration and Nominations Committee and approved by the Board as a whole.

i) Professional advice

Directors may, in carrying out their company related duties, seek external professional advice. If external professional advice is sought a director is entitled to reimbursement of all reasonable costs where such a request for advice is approved by the Chairman. In the case of a request made by the Chairman, approval is required by at least two Board members.

j) Conflicts of interest

Directors are required to disclose any actual or potential conflict, or any material personal interests, on appointment as a director and are required to keep these disclosures up to date.

In the event that there is, or may be, a conflict between the personal or other interests of a director, then the director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter. When the matter comes before the Board for discussion, the director withdraws from the meeting for the period the matter is considered and takes no part in the discussion or decision making process.

The Board has established a formal process to review any potential conflicts that may arise as a result of Zhongjin Lingnan's 52% ownership. The process includes the review of relevant matters by a Contracts Committee which comprise the relevant independent non-executive directors, Mr O'Connor and Mr Harley, the Managing Director & CEO, Mr Arndt and the Company's General Counsel, Paul Marinko (as a non-voting member).

k) Terms of appointment, induction training and continuing education

All new directors are provided with a formal letter of appointment setting out the key terms and conditions of the appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

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A formal induction is provided to all new directors. It includes comprehensive meetings with the CEO, key executives and management, and information on key corporate and Board policies, visits to the company's principal operations and completion of compulsory safety inductions.

All directors are expected to maintain the skills required to discharge their obligations to the company. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, this is paid for by the company where appropriate.

l) Directors' remuneration

Details of remuneration paid to directors (independent non-executive) are set out in section 1.0 on pages 43 to 45 of the remuneration report in Perilya's 2010 Annual Report.

The non-independent directors, Messrs Zhang, Han and Wang, who are appointed representatives of Zhongjin Lingnan are entitled to receive remuneration at a commensurate level to the Company's independent directors, but to date have elected to decline to accept any directors' remuneration.

m) Board meetings

The Chairman sets the agenda for each meeting in conjunction with the executive management and the Company Secretary. Any director may request additional matters be added to the agenda. Members of senior management attend meetings of the Board by invitation and sessions are also held for non-executive directors to meet without management present.

Directors are entitled to request additional information where they consider the information is necessary to support informed decision making.

Details on the number of meetings and the attendance of Directors at Board and Board Committee Meetings are set out below in Table 1.

n) Company Secretary

The Company Secretary is Mr Paul Marinko LLb (Hons). Mr Marinko joined Perilya in October 2006 as general counsel, and was appointed Company Secretary on 25 November 2008. Mr Marinko is a barrister and solicitor and was admitted to practise in the Supreme Court of Western Australia and the Federal and High Courts of Australia in 1993. Paul has over 17 years of legal, corporate and commercial experience and has previously served as company secretary for an Australian publicly listed company. Mr Marinko has also practised and held partnerships in Australian commercial law firms and before joining Perilya held executive board roles on a number of Australian and US private companies. In addition to his role as Company Secretary, Mr Marinko continues to serve as Perilya's general counsel and as a director of Perilya's operational subsidiaries.

Responsibilities for the secretarial function include providing advice to directors and executives on corporate governance and regulatory matters, recording minutes of directors meetings, developing Perilya's corporate governance framework and giving effect to the Board's decisions. All directors have access to advice from the Company Secretary.

2. Board committees

a) Board committees and membership

The Board currently has three standing committees to assist in the discharge of its responsibilities. These are the:

- Audit and Risk Management Committee;
- Remuneration and Nominations Committee; and
- Contracts Committee

All duties and responsibilities for health, safety and environment are included as standing agenda item for every Board meeting.

The charters of all Board committees detailing the roles and duties of each are available in the corporate governance section of Perilya's website. All Board committee charters are reviewed at least annually.

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At the date of this report the membership of each Board committee is as follows:

Audit and Risk Management Committee	Remuneration and Nominations Committee	Contracts Committee
Peter Harley (Chair)	Patrick O'Connor (Chair)	Patrick O'Connor (Chair)
Patrick O'Connor	Peter Harley	Peter Harley
Han Minzhi	Wang Wen	Paul Arndt
		Paul Marinko (non-voting member)

Committee members are chosen for the skills, experience and other qualities they bring to the committees. The executive management attends, by invitation, board committee meetings.

With the exception of papers being considered by the Contracts Committee, all papers considered by the standing committees are available on request to directors who are not on that committee.

In accordance with the Contracts Committee Charter and protocols establishing the Contracts Committee, all papers relating to matters before the Contracts Committee are not made available to Zhongjin Lingnan representatives on the Board until after those matters have been finally determined by the Contracts Committee.

Following each committee meeting, generally at the next Board meeting, the Board is given a verbal update by the Chair of each committee. In addition, minutes of all committee meetings are provided to all directors.

The Company Secretary provides secretariat services for each committee.

Other committees are convened to address major transactions or other matters calling for special attention.

Details on the number of meetings and the attendance of Directors at Board Committee Meetings are set out below in Table 1.

b) Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to assist the Board to meet its oversight responsibilities in relation to the company's financial statements, internal control structure and financial risk management procedures and the internal and external audit function. In doing so, it is the Committee's responsibility to maintain free and open communication between the Committee and the external auditors and the management of Perilya. Oversight of the operational risk management procedures is retained by the full Board.

The Audit and Risk Management Committee is required to have a minimum of two members composed of independent non-executive directors. The Chairman of the Audit and Risk Management Committee, Mr Harley is a qualified accountant. Details on the qualifications of members of the Audit and Risk Management Committee are set out on pages 24 to 26 of Perilya's 2010 Annual Report.

The external auditors, the CEO and the CFO attend Committee meetings by invitation. The Committee meets at least four times per year.

c) Remuneration and Nominations Committee

The role of the Remuneration and Nominations Committee is to assist the Board by reviewing and approving Perilya's remuneration policies and practices and the appointment of non-executive directors to the Board. The Committee's responsibilities include:

- assess the necessary and desirable competencies of Board members;
- reviewing Board succession plans;
- reviewing the company's remuneration framework, which is used to attract, retain and motivate employees to achieve operational excellence and create value for shareholders;
- reviewing the remuneration packages and incentive schemes for the CEO and senior executives, to establish rewards, which are fair and responsible, having regard to the financial results of the group, individual performance and general remuneration conditions;
- reviewing the performance and succession planning for the CEO and senior executives; and
- reviewing Perilya's corporate governance policies and practices.

The CEO attends Committee meetings by invitation. The Committee meets at least two times per year.

d) Contracts Committee

The role of the Contracts Committee is to assist the Board by reviewing and approving any proposed contract with Zhongjin Lingnan and its

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associates, to ensure arms length terms and related party transactions are assessed and are reasonable. The proceedings of the Contract Committee are not disclosed to any Zhongjin Lingnan representatives of the Perilya Board until the relevant contract has been finalised or, if considered appropriate, rejected at the discretion of the Contracts Committee. The Contracts Committee is free to engage suitably qualified advisors. The Committee meets as required.

In making a determination on whether a proposed contract with a related party is on “arms length terms”, the Contracts Committee measures the terms of the transaction against the terms that would reasonably be achieved by the hypothetical public company in the following circumstances:

- (i) The company is unrelated to the other party to the transaction in anyway;
- (ii) The company is free from any undue influence or pressure;
- (iii) The persons making decisions on behalf of the company are persons who are sufficiently:
 - *knowledgeable* about the circumstances of the transaction;
 - *experienced* in business; and
 - *well advised* to be able to form a sound judgement as to what is in the company’s interests; and
- (iv) The company’s only concern is to achieve the *best available commercial result* for itself in all of the circumstances:

In all cases the Contracts Committee aims to satisfy itself that what has been achieved is the best available commercial result for Perilya in all of the circumstances.

During the period under review, the Contracts Committee met on one occasion in accordance with its Charter to review proposed related party transactions with Zhongjin Lingnan. That transaction related to a proposed security to be provided by Zhongjin Lingnan to the Bank of China as security for a working capital facility being provided by the Bank of China to Perilya in an amount of US\$50 million (the “**Facility**”)

At its meeting held on 22 October 2010 the Committee resolved to approve entering into the Facility, which included the payment of a guarantee fee to Zhongjin Lingnan of 0.6% of the amount guaranteed (guaranteed amount is US\$50 million). The guarantee fee was payable in return for Zhongjin Lingnan providing the Bank of China with a guarantee as security for the Facility.

Table 1: Directors in Office and attendance at Board and Board Committee Meetings in the year ended 31 December 2010

	Board meetings		Board committee meetings					
	A	B	Audit and Risk Management Committee		Remuneration and Nominations Committee		Contracts Committee	
			A	B	A	B	A	B
Zhang Shuijian	13	13	-	-	-	-	-	-
Patrick O’Connor	13	13	4	4	2	2	1	1
Paul Arndt	13	13	-	-	-	-	1	1
Peter Harley	12	13	4	4	2	2	1	1
Wang Wen	13	13	-	-	2	2	-	-
Han Minzhi	12	13	4	4	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the relevant committee during the year.

3. External Auditor relationship and independence

a) Approach to audit and governance

The Board is committed to the basic principles that:

- Perilya’s financial statements represent a true and fair view;
- Perilya’s accounting practices are comprehensive, relevant and comply with applicable accounting standards and policies; and
- the external auditor is independent and serves all shareholder’s interests.

b) External auditor relationship

Perilya's independent external auditor is PricewaterhouseCoopers ("PwC"). PwC was appointed by shareholders at the 1988 annual general meeting in accordance with the *Corporations Act*. The shareholders approved re-election of the auditors at the 2009 Annual General Meeting.

The Board has adopted an External Auditor Policy which requires rotation of the audit partner at least every five years, prohibits the re-involvement of a previous audit partner in the audit service for two years following their rotation, and provides that a former partner of the audit firm, or member of the audit team, may only be recruited into a position as a director or senior employee of Perilya after the expiry of at least two years.

Furthermore, in accordance with the External Auditor Policy, the Audit and Risk Management Committee oversees detailed External Auditor Guidelines covering the terms of engagement of Perilya's external auditor. The guidelines include provisions directed to maintaining the independence of the external auditor and in assessing whether the provision of any non-audit services by the external auditor that may be proposed is appropriate. Such provisions are referenced to the Code of Ethics published by the International Federation of Accountants ("IFAC").

The External Auditor Guidelines contain a set of controls which address threats to the independence of the external auditor including, in particular, any threat which may arise by reason of self interest, self-review, advocacy, familiarity or intimidation (all terms defined by the IFAC's Code of Ethics). The External Auditor Guidelines classify a range of non-audit services which are considered not acceptable for provision by the external auditor.

c) Attendance of auditor at the AGM

Perilya's external auditor attends the AGM and is available to answer questions from shareholders on:

- the conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by Perilya in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

4. Risk management and internal control

a) Approach to risk management

The Board and senior executives are responsible for overseeing the implementation of the company's Risk Management Policy.

The company's approach to risk management is based on the identification, assessment, monitoring and management of material risks embedded in its business and management systems. This framework is based on the Australian Standards for Risk Management.

In light of the changes in operations and ownership structure during the year, the Board in conjunction with management has commenced a review to update the company's Risk Management Policy and approved risk management plan. The risk management plan will build on management's existing assessment of material business risks and mitigation strategies, with a focus on reviewing Perilya's underlying policies and practices for managing strategic, operational and financial risks.

b) Risk Management Roles and Responsibilities

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with those risks and opportunities.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- Board approval of a strategic plan, which encompasses the Board's objectives and strategies along with identified risks and plans to manage such risks;
- Implementation of Board approved operating budgets and plans, then monitoring the actual progress against those;
- Audit and Risk Management Committee reporting on specific financial risks; and
- Dissemination of a Risk Management Policy guide to be used throughout the company in identifying and communicating business risks.

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The executive management team is responsible for implementation of the Board approved risk management strategy and developing policies, processes and procedures to identify risks and mitigation strategies in Perilya's activities.

c) CEO and CFO assurance on corporate reporting

The Board receives monthly reports about the financial condition and operational results of Perilya and its controlled entities.

The CEO and Chief Financial Officer provide, at the end of each six monthly period, a formal statement to the Board confirming that the company's financial statements present a true and fair view, in all material respects, and the group's financial condition and operational results have been prepared accordance with the relevant accounting standards.

The statement also confirms the integrity of the company's financial statements and notes to the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies approved by the Board, and that Perilya's risk management and internal compliance and control systems, to the extent they relate to financial statements, are operating efficiently and effectively in all material respects.

5. Promoting ethical and responsible behaviour

a) Health and safety

The Board has approved a Health and Safety Policy consistent with Perilya's commitment to ensuring the highest standards of occupational health and safety management at its operations. The health, safety and wellbeing of Perilya's people, contractors, suppliers, visitors and host communities are a key value for the company.

Perilya's safety management system includes standard to guide all aspects of safety management at Perilya's operations, including the occupational health and safety charter and statements, departmental safety management plans, inductions and site security policy.

Perilya's systems are regularly reviewed and submitted for internal and external audit to ensure continuing compliance.

Perilya's philosophy is that all personnel share the responsibility for a safe workplace. A range of occupational health programs are in place to monitor the wellbeing of employees. Perilya's fitness for work policy is designed to further promote wellbeing and a safe workplace by addressing drug, alcohol and fatigue related issues. Perilya's safety performance is closely and carefully monitored by the Board and is a subject of standing item for each Board meeting.

b) Codes of conduct

The Board has approved a Code of Conduct for Directors and a Code of Conduct for Employees which describes the standards of ethical behaviour that directors and employees are required to maintain.

Compliance with the Code of Conduct by Directors and Employees will also assist Perilya in effectively managing its operating risks and meeting its legal and compliance obligations, as well as enhancing Perilya's corporate reputation.

The Code of Conduct describes Perilya's requirements on matters such as confidentiality, conflicts of interest, sound employment practices, compliance with laws and regulations, the protection and proper use of Perilya's assets and the responsibilities and accountabilities of individuals for reporting and investigating reports of unethical practices.

Conflicts of interest that may arise from potential transactions between Perilya and Zhongjin Lingnan are dealt with by the Contract Committee.

A copy of each Code of Conduct is available in the corporate governance section of Perilya's website.

c) Concern reporting and whistleblowing

The Board has approved a Whistleblower Policy which documents Perilya's commitment to maintaining an open working environment in which employees are able to report instances of unsafe work practices, unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

A copy of the Whistleblower Policy is available in the corporate governance section of Perilya's website.

d) Share trading policy

Perilya's Securities Trading Policy is binding on all directors and employees. This policy provides a brief summary of the law on insider trading and other relevant laws, sets out the restrictions on dealing in securities by people who work for, or are associated with, Perilya and

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is intended to assist in maintaining market confidence in the integrity of dealings in the company's securities.

The policy stipulates that the only appropriate time for a director or employee to deal in the company's securities is when he or she is not in possession of 'price sensitive information' that is not generally available to the share market. A director wishing to deal in the company's securities may only do so after first having advised the Chairman of his or her intention. A senior executive wishing to deal must first notify the CEO. Confirmation of any dealing must also be given by the director or senior executive within two business days after the dealing.

Directors and senior executives' dealings in the company's securities are also subject to specified closed periods, which are set out in the Company's Share Trading Policy or as otherwise determined by the Board from time to time.

A copy of the company's Share Trading Policy is available in the corporate governance section of Perilya's website.

6. Shareholders and corporate responsibility

Perilya aims to produce positive outcomes for all stakeholders in managing its business and to maximise financial, social and environmental value from our activities.

In practice this means having a commitment to transparency, fair dealing, responsible treatment of employees and customers and positive links into the community.

Sustainable and responsible business practices within Perilya are viewed as an important long term driver of performance and shareholder value. Through such practices Perilya seeks to reduce operational and reputation risk and enhance operational efficiency while contributing to a more sustainable society.

Perilya accepts that the responsibilities on the Board and management, which flow from this approach, go beyond strict legal and financial obligations. In particular, the Perilya Board seek to take a practical and broad view of directors' fiduciary duties, in line with stakeholders' expectations.

a) Continuous disclosure

Perilya is committed to maintaining a level of disclosure that meets the highest standards and provides all investors with timely and equal access to information.

Perilya's Continuous Disclosure Policy reinforces Perilya's commitment to ASX continuous disclosure requirements and outline management's accountabilities and the processes to be followed for ensuring compliance. The policy also describes Perilya's guiding principles for market communications.

A copy of the Continuous Disclosure Policy is available in the corporate governance section of Perilya's website.

b) Shareholder communications and participation

Perilya is committed to giving all shareholders comprehensive, timely and equal access to information about its activities so that they can make informed decisions. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares in Perilya.

A wide range of communication approaches are employed including direct communications with shareholders and presentations to shareholders at the company's Annual General Meeting. Publication of all relevant company information, including the company's Annual Report is in the Investor Information section of Perilya's website at www.perilya.com.au. Shareholders are also given the opportunity to receive information in print or electronic format.

Perilya's Shareholder Communication Policy provides that the company will communicate effectively with its shareholders, give shareholders ready access to balanced and understandable information about Perilya and encourages shareholder participation at General Meetings and Annual General Meetings. The way it does this includes:

- ensuring that financial statements are prepared in accordance with applicable laws;
- ensuring the disclosure of full and timely information about Perilya's activities in accordance with the general and continuous disclosure principles of the ASX Listing Rules and the *Corporations Act 2001*. This includes reporting on a quarterly basis the activities and prospects of the company;
- the Chairman and CEO reporting to shareholders at the company's annual general meeting;
- placing all ASX announcements (including quarterly reports and financial statements) on Perilya's website as soon as practicable following release; and

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- ensuring that reports, notices of meeting and other shareholder communications are prepared in a clear and concise manner.

A copy of the Shareholder Communication Policy is available in the corporate governance section of Perilya's website.

7. Remuneration framework

Details of Perilya's remuneration framework are included in the remuneration report.

ASX PRINCIPLES COMPLIANCE STATEMENT

	ASX corporate governance council's best practice recommendations	Reference	Compliance
Principle 1:	Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	1b	Comply
1.2	Companies should disclose the process for evaluating the performance of senior executives	Remuneration report	Comply
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	1a, 1b Remuneration report	Comply
Principle 2:	Structure the Board to add value		
2.1	A majority of the Board should be independent directors.	1a, 1d	Not in compliance
2.2	The chair should be an independent director.	1a, 1c	Not in compliance
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	1a, 1b	Comply
2.4	The Board should establish a nomination committee.	1h, 2c	Comply
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	1g, 2a	Comply
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	Directors' report	Comply
Principle 3:	Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity; and the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	5a,5b	Comply
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	1j, 5d	Comply
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	5a, 5b, 5c, 5d	Comply
Principle 4:	Safeguard integrity in financial statements		
4.1	The Board should establish an audit committee.	2b	Comply
4.2	The audit committee should be structured so that it:		

CORPORATE GOVERNANCE STATEMENT

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	<ul style="list-style-type: none"> consists only non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the Board; and has at least three members. 	2a, 2b 2a, 2b 2a 2a, 2b	Comply Comply Comply Comply
4.3	The audit committee should have a formal charter.	2 a	Comply
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	2a, 3b Directors' report	Comply
Principle 5: Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance and ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	6, 6a	Comply
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	6a	Comply
Principle 6: Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	6, 6b	Comply
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	6	Comply
Principle 7: Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	2b, 4a, 4b	Comply
7.2	The board should require management to design and implement the risk management and internal control systems to manage the company's material business risks and disclose a summary of those policies	4a	Comply
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial statement risks.	4b, 4c	Comply
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	4a,4b, Directors' report	Comply
Principle 8: Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee	2c, Remuneration report	Comply
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Remuneration report	Comply
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	Remuneration report	Comply