



CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Syrah Resources Limited ("the Company") supports the establishment and ongoing development of good corporate governance policies, that are compatible with the Company's size and which ensure an appropriate level of accountability to shareholders and other stakeholders.

A description of the Company's main corporate governance practices is set out below. In August 2007, the ASX issued a revised set of corporate governance principles and recommendations intended to take effect from 1 January 2008. Syrah Resources has elected to adopt these recommendations early for the purposes of reporting in the current period.

The recommendations are not prescriptions and are intended as guidelines only. The Board has sought to apply the revised recommendations to the extent relevant to the Company's size and scale of operations.

Recommendation 1.1: Establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.

The Company's activities are currently not of a sufficient size nor are its affairs of such complexity to justify the employment of full-time management personnel. Accordingly most of the functions of management are undertaken by consultants under the supervision of the Managing Director who is responsible for management activities under delegated authority of the Board. The functions specifically reserved for the full Board are as follows:

- a) Setting and monitoring of objectives, goals and strategic direction with a view to maximising shareholder value, consistent with ethical behaviour and acceptable risk parameters;
- b) Approving budgets and monitoring financial performance;
- c) Identifying significant business risks and ensuring that these are appropriately managed;
- d) Approval of any significant asset acquisitions or disposals;
- e) Selection and appointment of new directors; and
- f) Appointment and removal of Managing Director.

Recommendation 1.2: Disclose the process for evaluating the performance of Senior Executives.

The performance of all Directors, and Senior Executives is reviewed at least annually. The Board evaluates the performance of the Managing Director and any other Senior Executives having regard to such things as:

- a) The responsibilities of the executive;
- b) Performance against budget;
- c) Any communicated key performance indicators; and
- d) Qualitative as well as quantitative measures.

No Director or Senior Executive is involved with his or her own evaluation, and the remainder of the Board evaluates such parties without such parties being present.



Recommendation 2.1: A majority of the Board should be independent directors.

The Company does not currently have any Non-Executive Independent Directors.

Due to the Company's size and its specialised operations, the Board considers that a majority of independent directors is not currently warranted. As the Company's activities expand, this policy will be reviewed, with a view to aligning the Company's policies to conformity with this recommendation. The Board recognises that directors remain in office for the benefit of and are accountable to shareholders and that shareholders have the voting power to elect members to the Board regardless of their standing, independent or otherwise.

The effectiveness of the Board is achieved through the Directors' knowledge and experience specific to the business and the industry in which the Company operates. Any Director may seek their own independent legal advice at the Company's expense to assist them in the performance of their duties to the Company and the shareholders.

Recommendation 2.2: The Chairperson should be an independent director.

The Chairman, Mr Eadie, is not an Independent Director as he is the CEO of a substantial shareholder. Whilst the Board recognises that it is desirable for the Chairman to be an Independent Director, the Company's current early stage of development and size dictate that this is the most efficient mode of operation at the current time. The Board will review the appointment of an Independent Chairperson should the Company's size and growth warrant this.

Recommendation 2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual.

The Company's Chief Executive Officer is Mr Alistair Campbell who is not the Chairperson.

Recommendation 2.4: The Board should establish a nomination committee.

The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors and the identification of attributes required in new Directors. The Board as a whole also reviews Board succession plans, appointment and re-election of Directors and the process for evaluation of the performance of the Board, its Members and Senior Executives (as outlined under recommendation 1.2). Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board.

Should the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

Recommendation 2.5: Disclose the process for evaluating the performance of the Board, its committees and individual Directors.

See the comments under recommendation 1.2 above.



Recommendation 3.1: Establish a code of conduct and disclose the code or a summary of the code as to:

- **the practices necessary to maintain confidence in the Company’s integrity;**
- **the practices necessary to take into account the Company’s legal obligations and the reasonable expectations of their stakeholders;**
- **the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

The Company has adopted a Corporate Code of Conduct, and a Code of Conduct for Executives, which can be accessed at the Company’s website at www.syrahresources.com.au under the “Corporate” tag which has the appropriate sub headings.

Recommendation 3.2: Establish a policy concerning trading in Company securities by Directors, Senior Executives and employees, and disclose the policy or a summary of that policy.

The Company has adopted a Trading Policy which can be assessed at www.syrahresources.com.au under the “Corporate” tag which has the appropriate sub heading.

Recommendation 4.1: The Board should establish an audit committee.

The Company does not have an audit committee. All items that would normally be dealt with by an audit committee are dealt with at Board meetings. Such matters include:

- a) Establishment and review of internal control frameworks within the Company;
- b) Review of the financial statements, annual report and any other financial information distributed to shareholders or other external stakeholders;
- c) Review of audit reports and any correspondence from auditors, including comments on the Company’s internal controls;
- d) Nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual audit and half year review; and
- e) Monitoring compliance with the Corporations Act, ASX listing Rules and any other regulatory requirements.

Recommendation 4.2: The audit committee should be structured so that it;

- **consists only of non-executive directors;**
- **consists of a majority of independent directors;**
- **is chaired by an independent chairperson, who is not chairperson of the Board;**
- **has at least three members**

See comments under recommendation 4.1 above.

Recommendation 4.3: The audit committee should have a formal charter.

See comments under recommendation 4.1 above



Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies.

The Company has adopted a continuous disclosure policy that requires all Directors, Officers and executives to inform the Managing Director, or in his absence the Chairman or Company Secretary, of any potentially material information as soon as practicable after they become aware of that information. The Company does not currently have a formal written policy in place, but instead relies on the extensive experience of the Board and senior management to ensure ongoing compliance.

Recommendation 6.1: Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.

The Company has a disclosed policy for effective communication with shareholders which is available at the corporate governance statement on the Company's website at www.syrahresources.com.au, under the "Corporate" tag which has the appropriate sub heading.

Recommendation 7.1: Establish policies for the oversight and management of material business risk and disclose a summary of those policies.

The Company has established policies for the oversight and management of material business risks which is available at the corporate governance statement on the Company's website at www.syrahresources.com.au, under the "Corporate" tag which has the appropriate sub heading.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Management has not formally reported to the Board as to the effectiveness of the company's management of its material business risks. All business risks are the responsibility of the Board, and the Board believes the risk management and internal control systems designed and implemented by the Directors and the Chief Financial Officer are adequate given the size and nature of the Company's activities. The Board requests management to report informally on risk management and internal control, and to highlight any additional risks that may have been identified, as well as reporting on matters that may have arisen from the Company's internal control procedures. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.

Recommendation 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 reporting risks.

The Board receives such assurances prior to the release of the Company's full year and half year accounts.



Recommendation 8.1: The Board should establish a remuneration committee.

The Board considers that, based on the Company's stage of development, no benefits or efficiencies are to be gained by delegating this function to a separate committee. The process for evaluating both Executives and Directors remuneration is explained under recommendation 1.2 above. There are no schemes for retirement benefits, other than superannuation for Directors.

Recommendation 8.2: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors.

Executive Director Remuneration

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as appropriate.

All Executives are eligible to receive a base salary (which is based on factors such as experience and comparable industry information), fringe benefits, options, and performance incentives. The Board reviews the Managing Directors remuneration package, and the Managing Director reviews the senior Executives' remuneration packages, annually by reference to the Company's performance, executive performance and comparable information within the industry.

The performance of Executives is measured against criteria agreed annually with each executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. Bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can require changes to the Managing Director's recommendations. This policy is designed to attract the highest caliber of Executives and reward them for performance that results in long-term growth in shareholder wealth.

Directors, Executives, staff and approved specialist advisors/contractors who are involved with the business are all entitled to participate in the ESOP.

Any Australian-resident Executives or Directors receive a superannuation guarantee contribution required by the government, which is currently 10%, and do not receive any other retirement benefits (except salary sacrifice superannuation which is at the discretion of the employee).

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

Non-Executive Director Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. The limit of Non-Executive Directors' fees is currently set at a maximum of \$200,000. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the *Corporations Act 2001* at the time of the Directors retirement or



termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

Performance Based Remuneration

As part of each executive's remuneration package there is a performance-based component. This is based on the executive meeting their responsibilities under the annual Business Plan related to the financial performance, exploration, operations and regulatory requirements to commercialise the Company's assets. The measurement of the Company's performance is achieved via periodic board assessments of the Company's progress through its business plan, and by reference to its financial position. An individual member of staff's performance assessment is done by reference to their contribution to the Company's overall achievements. The intention of this program is to facilitate goal congruence between Executives with that of the business and shareholders. Generally, the executive's performance-based remuneration is tied to the Company's successful achievement of certain key milestones as they relate to its operating activities, as well as the Company's overall financial position. Further information has not been disclosed as it is commercially confidential.