



## **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.

In August 2002 the Australian Stock Exchange (“the ASX”) established a Corporate Governance Council (“CGC”) and in March 2003 the CGC put forward a number of best practices recommendations. In August 2007, the ASX issued a revised set of corporate governance recommendations intended to take effect from 1 January 2008.

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.

This statement sets out the corporate governance practices in place which comply with the revised recommendations of the CGC unless otherwise stated.

### **PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

*Council Recommendation 1.1: Establish and disclose the functions reserved to the Board and those delegated to management.*

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.

*Council Recommendation 1.2: Establish and disclose the process for evaluating the performance of senior executives*

The performance of all Directors, the Board as a whole and the Managing Director is reviewed at least annually in accordance with the Company’s Corporate Governance guidelines.

### **PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE**

*Council Recommendation 2.1: A majority of the board should be independent directors*



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. Due to the Company's size and its 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 best practice guidelines.

***Council Recommendation 2.2: The Chair should be an independent director***

The chairperson, Mr. Tom Eadie is not an independent director. The board intends to appoint an independent chairperson if the Company's size and growth warrants this.

***Council 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.

***Council 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 to enable identification or attributes required in new Directors. 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.

***Council Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors***

The Chairman, in consultation with other Directors, makes recommendations to the full Board on the remuneration packages provided for officers and the Directors themselves.

If appropriate, the Board will use the services of external advisors to assist them in this process.

Non-executive Directors receive a fixed fee for providing their services as Directors.

The Managing Director's salary is reviewed annually.



## **PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

*Council Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code*

The Company's code of conduct is detailed below:

### **1. Introduction**

This code of conduct sets out the standard which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, shareholders and the broader community.

### **2. Commitment of the Board and Management to Corporate Code of Conduct**

The Board and management approve and endorse this code of conduct and support the code and all it strives to achieve.

### **3. Responsibilities to Shareholders and the Financial Community Generally**

The Company aims:

- (a) to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community; and
- (b) comply with systems of control and accountability which the Company has in place as part of its corporate governance with openness and integrity.

### **4. Responsibilities to Clients, Customers and Consumers**

The Company is to comply with all legislative and common law requirements which affect its business. Any transgression from the applicable legal rules is to be reported to the managing director as soon as a person becomes aware of such a transgression.

### **5. Employment Practices**

The Company will employ to vacant positions the best available staff with the skills and experience required to carry out the functions of those positions.

The Company will ensure a safe work place and maintain proper occupational health and safety practices commensurate with the nature of the Company's business and activities.



## **6. Responsibility to the Community**

The Company will recognise, consider and respect environmental issues which arise in relation to the Company's activities and comply with all applicable legal requirements.

## **7. Responsibility to the Individual**

The Company recognises and respects the rights of individuals and to the best of its ability will comply with the applicable legal rules regarding privacy, privileges, private and confidential information.

## **8. Obligations Relative to Fair Trading and Dealing**

The Company will deal with others in a way that is fair and will not engage in deceptive practices.

## **9. Conflicts of Interest**

The Board, management and employees must not involve themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interests of the Company. Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairperson in the case of a board member or the managing director, the managing director in the case of a member of management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner for all concerned.

## **10. Compliance with the Code**

Any breach of compliance with this code is to be reported directly to the managing director or chairperson, as appropriate.

## **11. Periodic Review of Code**

The Company will monitor compliance with the code periodically by liaising with the Board, management and staff especially in relation to any areas of difficulty which arise from the code and any other ideas or suggestions for improvement of the code. Suggestions for improvements or amendments to the code can be made at any time by providing a written note to the managing director.

## 12. Incorporation of Code of Conduct for Executives

The Code of Conduct for Executives forms part of this Corporate Code of Conduct. It provides as follows:

All Executives will:

1. Actively promote the highest standards of ethics and integrity in carrying out their duties for the Company.
2. Disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company.
3. Respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated.
4. Deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates.
5. Protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company.
6. Report any breach of this code of conduct to the chairperson, who will treat reports made in good faith of such violations with respect and in confidence.

This Code of Conduct is in addition to the Corporate Code of Conduct which has been adopted by the Board of the Company.

***Council Recommendation 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***

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, Officers and employees which prohibits dealing in the Company's securities when those persons possess unpublished market price sensitive information.

Directors must also notify the Company Secretary of any trade in the Company's securities within two days of such trade occurring so that the Company Secretary can comply with ASX Listing Rule 3.19A.2 requirement to notify ASX of any change in a notifiable interest held by a Director.



## **PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

### ***Council Recommendation 4.1: Companies should establish an audit committee***

The Board has established an audit committee.

### ***Council Recommendation 4.2: Structure of audit committee***

The members of the audit committee are Tom Eadie, Terry Lees and David Ogg.

### ***Council Recommendation 4.3: Charter of audit committee***

The Board believes that having raised funds from the public, it has a responsibility to ensure independent accountability exists. The focus of the audit committee is to increase confidence in the credibility and reliability of financial statements and other financial statements and other financial information released by the Company to the public.

The audit committee will consider any matters relating to the financial affairs of the Company, compliance with statutory requirements, Listing Rules and issues relating to internal and external audit. In addition, the Committee will examine any other matters referred to it by the Board.

## **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

### ***Council Recommendation 5.1: Company should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements***

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 Company Secretary, of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board and Company Secretary.

The Managing Director and Company Secretary have been nominated as the persons responsible for communications with ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in ASX Listing Rules and overseeing and co-coordinating information disclosure to ASX, analysts, brokers, shareholders, the media and the public.

## **PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS**

### ***Council Recommendation 6.1: Companies should design a communications policy***

The Company's communication strategy requires communication with shareholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company.

## **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

### ***Council Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks***

The Board is responsible for risk management and control, and they examine and consider areas of significant business risk on an ongoing basis and implement policy to minimise exposure to these risks.

Arrangements put in place by the Board to monitor risk management include:

- detailed monthly reporting in respect of operations by the Managing Director;
- monthly update reports on operational activities by the Managing Director; and
- completion of monthly income statement, balance sheet and cash flow statement.

The risk management policy of the Company will continue to be developed as its operations and risks evolve.

### ***Council Recommendation 7.2: Companies should require management to design and implement the risk management and internal control system***

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, these are responsibilities of the Board.

## **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

### ***Council 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.

***Council Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors***

The Company has no non-executive directors.