



Audit and Risk Committee Charter

1. Background

The Audit and Risk Committee is a Committee of the Board of Directors (**'Board'**) of Syrah Resources Limited (ACN 125 242 284) (**'Syrah'** or the **'Company'**) that was established under the Company's Constitution.

This charter sets out the scope of the Audit and Risk Committee's responsibilities in relation to the Company and its controlled entities (**'Group'**). The Audit and Risk Committee will assist the Board to meet its obligations under its Charter and as required by regulatory compliance, as well as addressing all matters pertaining to audit and risk matters as suggested by the 3rd Edition of the ASX Corporate Governance Principles.

The role of the Audit and Risk Committee is not an executive role.

2. Purpose

The purpose of the Audit and Risk Committee is to assist the Board to achieve its objectives in relation to the oversight of:

- (a) the quality, credibility and objectivity of the Group's financial accountability and reporting processes;
- (b) the application of accounting policies;
- (c) business policies and practices;
- (d) taxation activities;
- (e) treasury activities;
- (f) internal control and financial risk management;
- (g) external and internal (if applicable) audit functions;
- (h) information technology (**'IT'**) and cyber security;
- (i) the Group's Risk Management Framework and internal risk controls; and
- (j) legal and regulatory compliance in respect of the matters above.

3. External financial reporting

The Audit and Risk Committee is responsible for:

- (a) assessing the appropriateness and application of the Group's accounting policies and principles and any material changes to them;
- (b) obtaining an independent judgment from the external auditor about:
 - (i) the acceptability and appropriateness of accounting policies and principles put forward by management; and
 - (ii) the clarity of current or proposed financial disclosure practices as put forward by management;
- (c) assessing any significant estimates or judgments in the financial reports (including those in any consolidated financial statements) by:
 - (i) querying management as how they were made; and



- (ii) querying the external auditors as how they concluded that those estimates were reasonable;
- (d) reviewing compliance with all related party disclosures required (where applicable) by accounting standards and the *Corporations Act 2001 (Cth)* ('**Corporations Act**');
- (e) assessing information from internal (if relevant) and external auditors that may affect the quality of financial reports (for example, actual and potential material audit adjustments, financial report disclosures, non-compliance with laws and regulations, and internal control issues);
- (f) reviewing any half-yearly and annual financial reports (including those prepared on a consolidated basis) with management, advisers and the internal and external auditors (as appropriate) to assess (among other things):
 - (i) the compliance of accounts with accounting standards and the Corporations Act; and
 - (ii) the nature and impact of any changes in accounting policies during the applicable period;
- (g) discussing any draft audit opinion letter with the external auditors before it is finalised;
- (h) receiving any management letter from the external auditors;
- (i) recommending for adoption by the Board interim and final financial reports and the annual report;
- (j) following up on any matter raised by the Board regarding financial reports, audit opinions and management letters; and
- (k) reviewing the processes adopted by the Managing Director and Chief Financial Officer when giving the Board their certifications under section 295A of the *Corporations Act 2001* as to the financial records and statements, compliance with accounting standards, and system of risk management and internal control.

4. General Oversight of Risk Management Framework and its Processes

The Audit and Risk Committee is responsible for:

- (a) overseeing the Group's Risk Management Framework
- (b) overseeing the Group's compliance with the Risk Management Framework;
- (c) making recommendations to the Board regarding any amendments or changes to the Risk Management Framework, as necessary.

5. Areas of Specific Oversight of risk management and internal controls

The Audit and Risk Committee is responsible for:

Financial risk management

- (a) monitoring financial risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems;
- (b) regularly reviewing, discussing and updating the financial risk profile;
- (c) assessing the adequacy of the internal financial risk control system with management and internal (if relevant) and external auditors;
- (d) monitoring the effectiveness of the internal financial risk control system;
- (e) ensuring the risk management system takes into account all material financial risks;



- (f) assessing if management has controls in place for unusual transactions and any potential transactions that may carry more than an acceptable degree of risk;
- (g) evaluating the Company's exposure to fraud and reviewing the effectiveness of management's processes for managing financial reporting fraud risk;
- (h) reviewing proposed disclosures and strategies for managing material financial risks; and
- (i) considering the Group's insurance arrangements and renewals, and in particular:
 - (i) reviewing the Group's insurance program annually having regard to the nature of the Group's business and the insurable risks associated with that business; and
 - (ii) recommending to the Board changes to the Group's insurance program resulting from the annual review.

Key financial risk

- (a) monitoring and assessing the Group's procedures for the identification, evaluation and management of the areas of greatest potential financial risk, including:
 - (i) safeguarding assets;
 - (i) litigation and claims;
 - (ii) non-compliance with laws, regulations, standards and best practice guidelines that may result in significant financial loss; and
 - (iii) maintenance of proper accounting records;
- (b) assessing the internal process for determining areas of greatest potential financial risk;
- (c) assessing and monitoring the management of areas of greatest potential financial risk;
- (d) reporting to the board on the adequacy of the financial risk management; and
- (e) assessing the performance of the Group's existing financial risk management framework and advising the Board with respect to improvements that may better place the Group to respond to and manage its exposure to economic and financial risks.

Legal and regulatory risk

- (a) assessing the internal process for determining, monitoring and managing areas of greatest legal and regulatory risk associated with the Group's financial management and reporting systems;
- (b) receiving reports from management of any actual or suspected fraud, theft or similar legal or regulatory breach;
- (c) monitoring and assessing the adequacy of financial compliance management processes.

IT Security

- (a) overseeing the Group's cyber and IT risk control systems, policies and procedures, including in respect of IT security;
- (b) regularly receiving reports from senior management on material IT security incidents; and
- (c) reviewing any material IT security incident and making recommendations to the Board in relation to the outcomes of those investigations.



6. External audit

The Audit and Risk Committee is responsible for:

- (a) approving and recommending to the Board for acceptance, the terms of engagement with the external auditor at the beginning of each year;
- (b) regularly reviewing with the external auditor:
 - (i) the scope of the external audit;
 - (i) identified risk areas; and
 - (ii) any other agreed procedures;
- (c) approving and recommending to the Board for adoption, policies and procedures for appointing or removing an external auditor, including criteria for:
 - (i) technical and professional competency;
 - (ii) adequacy of resources; and
 - (iii) experience, integrity, objectivity and independence;
- (d) recommending to the Board for approval, the appointment or removal of an external auditor based on those policies and procedures referred to in paragraph (c);
- (e) reviewing and assessing on a regular basis the compliance of the external auditor with criteria referred to in paragraph (c);
- (f) recommending to the Board the remuneration of the external auditor;
- (g) regularly reviewing the effectiveness and independence of the external auditor taking into account:
 - (i) the length of appointment;
 - (ii) the last dates lead engagement partners were rotated;
 - (iii) an analysis and disclosure of fees paid to external auditors, including the materiality of fees paid for non-audit services and the nature of those services; and
 - (iv) any relationships with the Group or any other body or organisation that may impair or appear to impair the external auditor's independence;
- (h) satisfying itself that the external auditor can do an effective, comprehensive and complete audit for the external auditor's set fee;
- (i) recommending to the Board for approval the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence;
- (j) meeting periodically with the external auditors and inviting them to attend Audit, Risk and Compliance Committee meetings to:
 - (i) review their plans for carrying out internal control reviews;
 - (ii) consider any comments made in the external auditor's management letter, particularly, any comments about material weaknesses in internal controls and management's response to those matters; and
 - (iii) make recommendations to the Board;



- (k) asking the external auditor if there have been any significant disagreements with management, whether or not they have been resolved;
- (l) monitoring and reporting to the Board on management's response to the external auditor's findings and recommendations;
- (m) reviewing all representation letters signed by management and ensuring information provided is complete and appropriate;
- (n) receiving and reviewing the reports of the external auditor; and
- (o) scrutinising any resignation of the external auditor.

7. Internal audit

The Audit and Risk Committee is responsible for determining the need and appropriateness of an internal audit function within the Company. At the present time, given the nature and scope of the Company's business operations, the Board have resolved not to maintain an internal audit function. The Board has resolved that the requirement for an internal audit capability be reviewed regularly on the recommendation of the Audit and Risk Committee.

If the Company has an internal audit function, the Audit and Risk Committee will be responsible for:

- (a) ratifying the engagement and dismissal by management of any chief internal audit executive;
- (b) ensuring any chief internal audit executive is independent of the external auditor;
- (c) ensuring the external auditor does not provide internal audit services;
- (d) overseeing the scope of the internal audit, including reviewing the internal audit team's mission, charter, qualifications and resources;
- (e) reviewing and approving the scope of the internal audit plan and work programme;
- (f) monitoring the progress of the internal audit work programme and considering the implications of the internal audit findings for the control environment;
- (g) monitoring and reporting to the Board on management's responsiveness to internal audit findings and recommendations;
- (h) evaluating the process for monitoring and assessing the effectiveness of the internal audit function;
- (i) overseeing the liaison between the internal audit team and the external auditor;
- (j) receiving and reviewing the internal audit team's reports; and
- (k) ensuring the internal audit team reports directly to the Audit and Risk Committee.

8. Taxation

The Audit and Risk Committee is responsible for:

- (a) reviewing Group tax policies and practices including any material decisions relating to tax; and
- (b) reviewing the Group's tax risk management framework and progress in implementing that framework including the effectiveness of tax risk management policies.

9. Treasury

The Audit and Risk Committee is responsible for:

- (a) reviewing and endorsing Group treasury policies;



- (b) monitoring the implementation of agreed treasury activities;
- (c) considering any requests for variations to approved treasury practices or policies;
- (d) monitoring the Group's overall treasury risk exposure; and
- (e) considering the proposed creation of new financing facilities or arrangements.

10. Compliance

In respect of matters relating to financial management and reporting processes, the Audit and Risk Committee is responsible for:

- (a) monitoring developments in the regulatory and governance environment and consider the effects on the Group of any new or proposed accounting or tax practices, principles or developments, disclosure requirements and legislative or regulatory pronouncements;
- (b) overseeing the Group's compliance with relevant legislation and listing obligations including the ASX Listing Rules;
- (c) reporting to the Board on any industry development affecting the control environment;
- (d) reviewing policies and programs developed in respect of significant compliance issues including the issue of regulated disclosure documents;
- (e) reviewing and monitoring the propriety of all related party transactions, and recommending its approval; and
- (f) oversight of any investigations into claims of illegal or fraudulent practice in respect of accounting, financial or auditing matters.

11. Authority

The Audit and Risk Committee:

- (a) will act as an advisory body to the Board and, unless otherwise determined or delegated by the Board, its power and authority is limited to making recommendations to the whole Board;
- (b) is authorised by the Board to review and consider any activity within its terms of reference and any additional matters as requested by the Board and is tasked with recommending to the Board appropriate actions emanating from its deliberations;
- (c) shall have unfettered access to personnel, records and senior management of the Company, as appropriate;
- (d) shall have unfettered access to internal and external auditors to seek explanations and information from them, without management being present.
- (e) shall have direct access to the Company's resources as it may reasonably require to carry out its duties; and
- (f) is authorised by the Board to obtain outside legal or other independent professional advice in respect of any matter relating to its terms of reference. It may also secure the attendance of outsiders with relevant experience and expertise, if it considers this necessary. The Audit and Risk Committee may meet with these external advisers without management being present. The cost of such advice will be borne by the Company.



12. Audit and Risk Committee composition

The composition of the Audit and Risk Committee will be in accordance with the following:

- (a) ASX corporate governance guidelines recommend that the Audit and Risk Committee should comprise no less than three non-executive directors with a majority of those non-executive directors being independent directors;
- (b) the chairperson of the Audit and Risk Committee shall be an independent Non-Executive Director appointed by the Board and should not be the chairperson of the Board;
- (c) the Audit and Risk Committee must include at least one member with experience of financial and accounting matters;
- (d) each member of the Audit and Risk Committee should have an understanding of the industry in which the Group operates;
- (e) the Board will decide appointments, rotations and resignations within the Audit and Risk Committee having regard to the ASX Listing Rules and the *Corporations Act 2001*; and
- (f) a member may act by their alternate.

The role of the Committee Chairperson is to:

- (a) determine the agenda for meetings of the Committee;
- (b) chair meetings of the Committee and take reasonable steps for the proper functioning of the Committee, including the proper conduct of meetings and an appropriate level of discussion;
- (c) take reasonable steps regarding the adequate flow of relevant information to the Committee;
- (d) take reasonable steps to advise the Board on the Committee's recommendations to the Board on matters falling within the scope of the Committee's responsibilities;
- (e) review the minutes of meetings of the Committee for circulation to and approval of the Committee and sign the approved minutes; and
- (f) act under a delegation of the Committee, including liaising on behalf of the Committee with consultants advising the Committee.

13. Meetings

- (a) The Audit and Risk Committee will meet as often as it considers necessary;
- (b) A quorum for an Audit and Risk Committee meeting is two Audit and Risk Committee members;
- (c) Audit and Risk Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present;
- (d) The Audit and Risk Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) in section 248A "Circulating resolutions of companies with more than one director" of the *Corporations Act*;
- (e) Unless otherwise determined by the Audit and Risk Committee, the Company Secretary shall act as Secretary to the Audit and Risk Committee;
- (f) The Audit and Risk Committee may invite other persons it regards appropriate to attend Audit and Risk Committee meetings;



- (g) The Managing Director and Chief Financial Officer will be invited to attend all meetings, unless otherwise determined by the Audit and Risk Committee; and
- (h) The Chief Financial Officer has the right to meet on a confidential basis with the Chairman of the Audit and Risk Committee or the Audit and Risk Committee as a whole.
- (i) The external auditors will be provided with unrestricted and confidential access to the Chairman of the Audit and Risk Committee.

14. Minutes of Audit and Risk Committee meetings

- (a) The Audit and Risk Committee must keep minutes of its meetings.
- (b) Minutes must be distributed to all Audit and Risk Committee members, after the Audit and Risk Committee chairperson has approved them.
- (c) Minutes, agenda and supporting papers are available to directors upon request to the Audit and Risk Committee secretary, except if there is a conflict of interest.

15. Reporting to the Board

The key matters discussed at each Committee Meeting shall be reported by the Chairman of the Audit and Risk Committee to the Board at the next regular Board Meeting.

16. Committee Performance

The Board will periodically assess the effectiveness of the Committee with a view toward ensuring that its performance accords with best practice.

The Committee will also participate in a formal review every year, as part of the Board and Committee review process.

The Committee will oversee that its members undergo ongoing training and professional development as appropriate, so that all members are best placed to discharge the Committee's responsibilities.

The Committee's Charter will be reviewed and updated as required, so as to ensure, among other things, that it complies with corporate governance requirements and meets the needs of the Group.

17. Other matters

This Audit and Risk Charter will be made available on the Company's website.

The Audit and Risk Committee will review this charter annually or as often as it considers necessary and the Board may change this charter from time to time by resolution.

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