

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

FIRST GRAPHENE LIMITED (Company)

CONSTITUTION

- 1 The board of the Company (the “**Board**”) hereby resolves to establish a committee of the Board to be known as the audit committee (the “**Audit Committee**”):
 - (a) to increase shareholder confidence and the credibility and objectivity of published financial information;
 - (b) to assist the Board in meeting their financial reporting responsibilities;
 - (c) to strengthen the independent position of the Company's external auditors by providing channels of communication between them and the non-executive directors; and
 - (d) to review the performance of the auditors.

MEMBERSHIP

- 2 The Audit Committee shall be appointed by the Board and shall comprise at least two non-executive directors of the Company (two of which should be independent non-executive directors and one of which should have recent and relevant financial experience). All members of the Audit Committee should have sufficient competence to understand, analyse and, when necessary, challenge the management accounts and draft public financial statements.
- 3 The chairman of the Audit Committee shall be appointed by the Board and should not be the Chairman of the Board. The membership of the Audit Committee shall be set out in the annual report and accounts of the Company.
- 4 A quorum for a meeting of the Audit Committee shall be two members, one of whom shall have recent and relevant financial experience.
- 5 The secretary of the Audit Committee shall be the Company secretary or such other person as the Audit Committee may appoint.
- 6 The members of the Committee and the chairman can be removed at any time.

ATTENDANCE AT MEETINGS

- 7 Only members of the Audit Committee have the right to attend committee meetings. Other individuals may be invited to attend all or part of any meeting as and when appropriate, but such persons have no right of attendance. The external auditors will be invited to attend meetings of the Audit Committee on a regular basis.

FREQUENCY OF MEETINGS

- 8 Meetings of the Audit Committee shall be held at least two times a year at appropriate times in the reporting and audit cycle and at such other times as the chairman of the Audit Committee sees fit. Any member of the Audit Committee may at any time convene a meeting of the Audit Committee by notice in writing to the secretary of the Audit Committee who will then notify the other members of the Audit Committee. The external auditors may request a meeting if they consider that one is necessary.

NOTICE OF MEETINGS

- 9 Meetings of the Audit Committee shall be summoned by the Company secretary at the request of any of its members or at the request of the external or internal auditors if they consider it necessary.
- 10 Unless otherwise agreed by the secretary of the Audit Committee, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded by the secretary of the Audit Committee to each member of the Audit Committee and any other person required to attend no later than 2 working days before the date of the meeting. Any supporting papers shall be sent to each member of the Audit Committee and to other attendees (as appropriate) at the same time.

VOTING ARRANGEMENTS

- 11 Each member of the Audit Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Audit Committee.
- 12 If a matter that is considered by the Audit Committee is one where a member of the Audit Committee, either directly or indirectly has a personal, financial or other interest or a potential conflict of interest, that member shall not be permitted to vote at the meeting.
- 13 Save where he has a personal interest, the chairman will have a casting vote. In the absence of a chairman or any appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

AUTHORITY

- 14 The Audit Committee is authorised by the Board to investigate and undertake any activity within its terms of reference. It is authorised to seek any information it requires from any director, employee or professional adviser of the Company or any subsidiary of the Company (the "**Group**") and any employees or directors are directed to co-operate with any request made by the Audit Committee (including to attend meetings of the Audit Committee if required).

- 15 The Audit Committee is authorised by the Board to have unrestricted access to the external auditors and to obtain, at the Company's expense, outside legal or other independent professional advice on any matter within its terms of reference and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The cost of obtaining such advice or services shall be borne by the Company within such limits as may be authorised by the Board from time to time.
- 16 As a sub-committee of the Board, the Audit Committee is answerable to the Board and shall report to it on a regular basis.
- 17 The Audit Committee has the right to publish in the Company's annual report details of any issues that cannot be resolved between the Audit Committee and the Board.

DUTIES AND TERMS OF REFERENCE

FINANCIAL STATEMENTS

- 18 The Audit Committee shall monitor the integrity of the financial statements of the Company and the Group, including its annual and half-yearly reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance and scrutinise important transactions, accounting policies and judgements made by management. The Audit Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- 19 The Audit Committee shall, in respect of the Company and the Group, review and challenge where necessary:
 - (a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company and the Group;
 - (b) the methods used to account for significant and unusual transactions where different approaches are possible;
 - (c) whether the Company and/or the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors;
 - (d) the clarity of disclosures in the Company's and the Group's financial reports and the context in which statements are made;
 - (e) significant adjustments resulting from the audit;
 - (f) the going concern assumption; and
 - (g) all material information presented with the financial statements, such as the operating and financial review and any corporate

governance statement (insofar as it relates to the audit and risk management).

- 20 The Audit Committee shall review the annual financial statements of the pension funds where not reviewed by the Board as a whole.

COMPLIANCE, INTERNAL CONTROLS AND RISK ASSESSMENT

- 21 The Audit Committee shall:

- (a) keep under review and challenge where necessary the effectiveness of the Company's financial reporting and internal controls including overseeing internal audit and whistle-blowing arrangements and risk management systems for the identification, assessment and reporting of risks including the reporting of significant or unusual transactions and satisfy itself that the Company's approach to risk and its management of risk conforms with the risk appetite determined by the Board; and
- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management and the accounting standards used.

WHISTLEBLOWING AND FRAUD

- 22 The Audit Committee shall review:

- (a) the Company's and the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (b) the Company's procedures for detecting fraud;
- (c) the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (d) any relevant reports regarding the adequacy and effectiveness of the Company's anti-money laundering systems and controls.

INTERNAL AUDIT

- 23 The Audit Committee shall, in respect of the Company and the Group:

- (a) monitor and review the effectiveness of the Company's and the Group's internal audit function, if any, in the context of the Company's and the Group's overall risk management system;
- (b) approve the appointment and removal of the head of the internal audit function, (if any);
- (c) consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Audit

Committee shall also ensure the function has adequate standing and is free from management or other restrictions;

- (d) review and assess the annual internal audit plan;
- (e) review promptly all reports on the Company from the internal auditors;
- (f) review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- (g) meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the Board and to the Audit Committee.

EXTERNAL AUDIT

24 The Audit Committee shall, in respect of the Company and the Group:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the external auditors and shall ensure that key partners within the appointed firm are rotated from time to time. The Audit Committee shall oversee the selection process for new auditors and if an auditor resigns, the Audit Committee shall investigate the issues leading to this and decide whether any action is required; and
- (b) keep under review and oversee the relationship with the external auditor including (but not limited to):
 - (i) approval of their remuneration and fees, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity taking into account relevant Australian professional and regulatory requirements, together with those of any other relevant jurisdictions and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

- (v) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
- (vi) discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made vis-à-vis the Company's internal auditing standards;
- (vii) ensuring that the external auditors report in a timely manner to the Audit Committee on:
 - (A) all accounting policies and practices used or to be used;
 - (B) all alternative disclosures and treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditors; and
 - (C) all other material written communications between the external auditors and management, such as any management letter or schedule of unadjusted differences;
- (viii) ensuring that procedures are in place for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- (ix) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- (x) assessing annually the auditor's qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- (xi) seeking to ensure co-ordination with the activities of the internal audit function; and
- (xii) considering the risk of the withdrawal of the Company's present auditor from the market.

- 25** The Audit Committee shall meet the external auditors at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- 26** The Audit Committee shall review the annual audit plan and ensure that it is/was consistent with the scope of the audit engagement.

- 27 The Audit Committee shall review the findings of the audit with the external auditors. This shall include but not be limited to, the following:
- (a) a discussion of any major issues which arose during the audit;
 - (b) any accounting and audit judgements; and
 - (c) levels of errors identified during the audit.
- The Audit Committee shall also review the effectiveness of the audit.
- 28 The Audit Committee shall review any representation letter(s) requested by the external auditors before they are signed by management.
- 29 The Audit Committee shall review the management letter and management's response to the auditor's findings and recommendations (including management representations).
- 30 The Audit Committee shall develop and implement a policy on the supply of non-audit services by the external auditors, taking into account any relevant ethical guidance on the matter.

REPORTING RESPONSIBILITIES

- 31 The Audit Committee shall meet formally, or ensure that the chairman of the Audit Committee meets formally, with the members of the Board at least two times a year to discuss such matters as the Company's annual report and accounts and the relationship with the external auditors.
- 32 The Audit Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 33 The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

OTHER MATTERS

- 34 The Audit Committee shall:
- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required;
 - (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
 - (c) give due consideration to applicable laws and regulations, the provisions of the ASX Corporate Governance Principles and Recommendations, UK Corporate Governance Code, the QCA

Corporate Governance Guidelines for smaller quoted companies, the Prospectus and Disclosure and Transparency Rules and the requirements of the ASX Listing Rules and the London Stock Exchange's rules for AIM companies as appropriate;

- (d) give consideration to dividend policy and payment;
 - (e) be responsible for co-ordination of the internal and external auditors;
 - (f) oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort; and
 - (g) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 35 The Audit Committee shall consider such other matters as may be requested by the Board.

MINUTES OF MEETINGS

- 36 The secretary of the Audit Committee shall minute the proceedings and resolutions of all Audit Committee meetings, including the names of those present and in attendance and the existence of any conflicts of interest.
- 37 The secretary of the Audit Committee shall ascertain, at the beginning of each Audit Committee meeting, the existence of any conflicts of interest and minute them accordingly.
- 38 The secretary of the Audit Committee shall as promptly as practicable after the date of the Audit Committee Meeting circulate the minutes of meetings of the Audit Committee to all members of the Audit Committee, the Board and the external auditors. The Audit Committee may, in addition, at any time request a full meeting of the board at which its conclusions shall be reported.

GENERAL

- 39 The recommendations of the Audit Committee minutes must be approved by the Board before they can be implemented.
- 40 Finalised minutes of the meetings of the Audit Committee will be circulated to the members of the Board as part of the Board papers for each full meeting of the Board, unless a conflict of interest exists.
- 41 The chairman of the Company should make himself available at each Annual General Meeting of the Company to answer questions concerning the Audit Committee's work during the preceding year.
- 42 Any of the terms set out in this document may be varied by a majority resolution of the Audit Committee.

- 43 The Audit Committee is authorised to have unrestricted access to the Company's auditors.

THE COMMITTEE

- 44 The Audit Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 45 The Audit Committee shall make available its terms of reference for inspection at the registered office of the Company.

ANNUAL GENERAL MEETINGS

- 46 The chairman of the Audit Committee (or another member of the Audit Committee nominated by the chairman) shall attend each Annual General Meeting of the Company and be available to answer shareholders' questions.