



Audit Committee terms of reference

WENTWORTH RESOURCES PLC

AUDIT COMMITTEE TERMS OF REFERENCE

1. Constitution

The audit committee (the “Committee”) was constituted at a full meeting of the board of directors (the “Board”) of Wentworth Resources Plc (the “Company”) held on 5 February 2019 in accordance with the articles of association of the Company.

2. Duties

The Committee should carry out the duties below for the Company, the Company’s major subsidiaries and the Group as appropriate.

Financial Statements

- 2.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half yearly reports, interim management statements, preliminary results' announcements (if any) and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.
- 2.2. The Committee shall review and challenge where necessary:
 - 2.2.1. the consistency and application of, and any changes to, accounting policies both on a year on year basis and across the Company and the Group;
 - 2.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;
 - 2.2.3. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, considering the views of the external auditor;
 - 2.2.4. the clarity and completeness of disclosure in the Company’s financial reports and the context in which statements are made; and
 - 2.2.5. all material information presented with the financial statements, such as the strategic report and any corporate governance statement.
- 2.3. If the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.
- 2.4. Where requested by the board of directors, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy.

Internal Risk

- 2.5. The Committee shall:
 - 2.5.1. keep under review the Company’s internal financial controls and internal control and risk management systems; and
 - 2.5.2. review and approve the statements to be included in the annual report concerning internal controls and risk management, including the nature and extent of significant risks the Company is willing to take in achieving its strategic objectives.
- 2.6. The Committee shall:
 - 2.6.1. review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial

reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

2.6.2. review the Company's procedures for detecting fraud; and

2.6.3. review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

2.7. The Company does not currently have an internal audit function. The decision on whether or not to set up an internal audit function shall be made by the board of directors on the recommendation of the Committee (which shall consider annually whether there is a need for an internal audit), based on the growth of the company, the scale, diversity and complexity of the company's activities and the number of employees, as well as cost and benefit considerations.

External Auditor

2.8. The Committee shall:

2.8.1. consider and make recommendations to the Board to be put to shareholders for approval at the Annual General Meeting ("AGM"), in relation to the appointment, re-appointment or removal of the Company's external auditor. If an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

2.8.2. develop and oversee the selection process for the appointment of the audit firm, ensuring that all tendering firms have such access as is necessary to information and individuals during the tendering process.

2.8.3. oversee the relationship with the external auditor including (but not limited to):

2.8.3.1. approval of their remuneration, including fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;

2.8.3.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

2.8.3.3. assessing annually their independence and objectivity considering relevant UK professional and regulatory requirements (including any relevant ethical standards) and the relationship with the auditor, including any threats to the auditors' independence and safeguards applied to mitigate those threats including the provision of any non-audit services;

2.8.3.4. satisfying itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

2.8.3.5. agreeing with the Board a policy on the employment of former employees of the company's auditor considering any relevant ethical standard and legal requirements, then monitoring the implementation of this policy;

2.8.3.6. monitoring the auditor's processes for maintaining independence, their compliance with relevant ethical, legal regulatory and professional guidance on the rotation of audit partners, and monitoring the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;

2.8.3.7. assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and

- 2.8.3.8. evaluating the risks to the quality and effectiveness of the financial reporting process in light of the external auditors communications with the Committee.
- 2.9. The Committee shall meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- 2.10. The Committee shall discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- 2.11. The Committee shall review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 2.11.1. a discussion of any major issues which arose during the audit,
 - 2.11.2. any key accounting and audit judgements,
 - 2.11.3. the auditor's explanation of how the risks to audit quality were addressed;
 - 2.11.4. the auditor's view of their interactions with senior management;
 - 2.11.5. levels of errors identified during the audit;
 - 2.11.6. the effectiveness of the audit;
 - 2.11.7. the review of any representation letters requested by the external auditor before they are signed by management on behalf of the Board;
 - 2.11.8. the review of the management letter and management's response to the auditor's findings and recommendations; and
 - 2.11.9. the review of the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor and the auditor's response to questions from the Committee.
- 2.12. The Committee shall develop and implement a policy on the supply of non-audit services by the external auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
 - 2.12.1. threats to the independence and objectivity of the external auditor and any safeguards in place;
 - 2.12.2. the nature of the non-audit services;
 - 2.12.3. whether the external audit firm is the most suitable supplier of the non-audit service;
 - 2.12.4. the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - 2.12.5. the criteria governing compensation.
- 2.13. The Committee shall consider such other matters as may be requested by the Board and work and liaise as necessary with all other Board committees taking account of the impact of risk management and internal controls being delegated to other Board Committees.

3. Functioning of the Committee

3.1. Membership

- 3.1.1. The members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the chairperson of the Committee. All members of the Committee shall be independent non-executive directors. The Committee shall, where possible, include at least one member of the Remuneration Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. The chairperson of the Board shall not be a member of the Committee.
- 3.1.2. Appointments to the Committee shall be for periods of up to three years, which may be extended for no more than two additional three-year periods provided the director still meets the criteria for membership of the Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
- 3.1.3. The Committee shall have at least three members at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing.
- 3.1.4. A quorum shall be any two members of the Committee present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
- 3.1.5. The external auditor will be invited to attend meetings of the Audit committee on a regular basis.

3.2. Voting arrangements

- 3.2.1. Each member of the 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 Committee.
- 3.2.2. If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 3.2.3. Save where he has a personal interest, the chairperson of the Committee will have a casting vote.

3.3. Notice and Attendance at meetings

- 3.3.1. The Committee will meet at least twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 3.3.2. Outside of the formal meeting programme, the Committee chairperson will maintain a dialogue with key individuals involved in the Company's governance, including the Board chairperson, chief executive, finance director and the external audit lead partner.
- 3.3.3. Only members of the Committee have the right to attend Committee meetings. However, the chief financial officer and external auditors will be invited to meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate.
- 3.3.4. The Company secretary or his or her nominee shall be the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to all issues.
- 3.3.5. Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the external audit lead partner.
- 3.3.6. Unless otherwise agreed, 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 to each member of the Committee and any other person required to attend no later than

two working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee and to other attendees (as appropriate) at the same time.

3.4. Authority

3.4.1. The Committee is authorised by the Board to examine any activity within its terms of reference and is authorised to have unrestricted access to the Company's external auditors and to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes necessary to do so. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee. The Committee has the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

3.4.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

3.5. Reporting

3.5.1. The proceedings and resolutions of meetings of the Committee, including the names of those present and in attendance, shall be minuted by the Company Secretary. Draft minutes of each meeting shall be agreed with the Committee Chairman and then circulated promptly to all members of the Committee. Once approved, the minutes of each meeting will be submitted to the Board as a formal records of the decisions of the Committee on behalf of the Board unless, in the opinion of the Committee chairperson, it would be inappropriate to do so.

3.5.2. The chairperson of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. The report shall include:

3.5.2.1. the significant issues that it had considered in relation to the financial statements and how these were addressed;

3.5.2.2. the Committee's assessment of the effectiveness of the external audit process and its recommendations on the appointment/reappointment of the external auditor (considering length of tenure of audit firm and when a tender was last conducted); and

3.5.2.3. any other issues on which the board of directors has requested the Committee's opinion.

3.5.3. The Committee shall compile a report on its activities to be included in the Company's annual report. The report shall include an explanation of how the Committee has addressed the effectiveness of the audit process, the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed having regard to matters communicated to it by the auditor.

3.5.4. In compiling the reports referred to in 3.5.2 and 3.5.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

3.6. *General matters*

- 3.6.1. The chairperson of the Committee should make themselves available at each AGM of the Company to answer questions concerning the Committee's work.
- 3.6.2. The Committee shall arrange for periodic reviews of its own performance and, at least once a year, review its constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.
- 3.6.3. The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required and be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
- 3.6.4. The Committee shall give due consideration to applicable laws and regulations, the provisions of the QCA Corporate Governance Code and the requirements of the London Stock Exchanges' rules for AIM Companies as appropriate.
- 3.6.5. The Committee shall oversee any investigation of activities which are within its terms of reference.