

CHAARAT GOLD HOLDINGS LIMITED
TERMS OF REFERENCE OF THE AUDIT COMMITTEE
Revised and adopted by the Board on 8 September 2021

CONSTITUTION AND PURPOSE

1. The audit committee (the “**Committee**”) was established by the board of directors (the “**Board**”) in October 2007. Its purpose is to assist the Board in discharging governance responsibilities in respect of external and internal audit, risk and internal control, compliance activities and to oversee the integrity of the Group’s financial and associated narrative statements. The membership, responsibilities and authorities of the Committee are set out in these revised Terms of Reference, which may be amended by the Board from time to time.

MEMBERSHIP

2. The Committee shall be appointed by the Board on the recommendation of the Nomination Committee and shall comprise at least two independent non-executive directors, at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing. The chair of the Committee shall be appointed by the Board.
3. Appointment to the Committee shall be for a period of up to three years, which may be extended for two further periods, provided the director remains independent. The Board shall have the power at any time to remove any members from the Committee and to fill any vacancies so created and, in any event, shall review the composition of the Committee annually. The chair of the Board shall not be a member of the Committee.
4. The company secretary or their nominee shall be the secretary of the Committee.

AUTHORITY AND SCOPE

5. The Committee:
 - (a) is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires to perform its duties from any employee and all employees are directed to co-operate with any request made by the Committee;
 - (b) is authorised by the Board to have unrestricted access to the Company's external auditors and to obtain, at the Company's expense, outside legal, accounting, 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;
 - (c) shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
 - (d) shall be responsible for co-ordination of the external and internal auditors;
 - (e) shall oversee any investigation of activities which are within its terms of reference and act as a court of the last resort;
 - (f) have the right to publish in the Company’s annual report details of any issues that cannot be resolved between the Committee and the Board; and
 - (g) shall consider such other matters as may be requested by the Board.

6. In discharging its responsibilities, the 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) draw on other Board committees for expertise or refer matters to other Board committees for their consideration whenever it considers this appropriate; and
 - (d) give due consideration to applicable laws and regulations, a recognised corporate governance code and London Stock Exchange Plc's AIM Rules for Companies as appropriate.

ACCOUNTABILITY

7. As a sub-committee of the Board, the Committee is answerable to the Board and shall report to it on a regular basis.
8. The chair of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee may, in addition, at any time request a full meeting of the Board at which its conclusions shall be reported.
9. The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. Where there is disagreement with the Board, the Committee has the right to report such disagreement in the annual report.
10. The chair of the Committee should make himself available at each Annual General Meeting of the Company to answer questions concerning the Committee's work during the preceding year.
11. At least once a year, the Committee shall 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.

CONDUCT OF MEETINGS

Attendance and quorum

12. A quorum of the Committee shall be two members, attending either in person or by telephone or other similar means of communication. In the absence of the chair of the Committee, the remaining members present shall elect one of themselves to chair the meeting.
13. A representative of the external auditors shall be invited to attend meetings on a regular basis. Other Board members and members of management may be invited by the Committee to attend all or part of any meeting as and when appropriate. The Committee may invite any outsiders to attend its meetings as it deems appropriate.
14. At least once a year the Committee shall meet with the external auditors without any executive Board members present.

Frequency of meetings

15. Meetings shall be held not less than three times a year and at such other times as the chair of the Committee shall deem necessary.

16. Meetings will be arranged as far as possible to tie in with publication of the Company's financial statements.
17. Sufficient time should be allowed to enable the Committee to undertake as full a discussion as may be required, and a sufficient interval should be allowed between Committee and Board meetings to allow for the Committee to undertake such work as is necessary in preparation for each Board meeting.
18. Outside of the formal meeting programme, the chairman of the Committee, and to a lesser extent the other committee members, will maintain a dialogue with key individuals involved in the Company's governance including the chairman of the Board, the chairs of the other Board committees, the chief executive officer, the chief finance officer, the internal and the external auditor.

Notice of meetings

19. Meetings of the Committee shall be convened by the company secretary at the request of any of its members or at the request of the external auditors if they consider it necessary.
20. Unless otherwise agreed by the 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 to each member no later than three working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee (as appropriate) at the same time. Notices, agendas and supporting papers may be sent in electronic form.

Voting arrangements

21. The Committee should seek wherever possible to reach agreement by consensus. In exceptional circumstances where unanimity cannot be reached, 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 the meeting.
22. 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.
23. Save where he has a personal interest, the chairman of the Committee will have a casting vote.
24. No invited attendees shall have a vote at meetings of the Committee.

Minutes

25. Minutes of meetings shall be taken by the secretary of the Committee and shall be reviewed and approved by members of the Committee.
26. The secretary shall circulate the minutes of meetings of the Committee to all members of the Board and in any case shall be submitted to the Board as soon as possible. Finalised minutes of the meetings of the Committee will be circulated to the members of the Board as part of the Board papers for each full meeting of the Board.

DUTIES AND TERMS OF REFERENCE

27. The Committee should have oversight of the group as a whole and, unless required otherwise by regulation, carry out the duties below for the Company, major subsidiary undertakings, and the group as a whole.

Financial and narrative reporting

28. The Committee shall monitor the integrity of the financial statements of the Company including its annual and interim reports, preliminary results' announcements and any other formal statements relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The 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.

29. The Committee shall review and challenge where necessary:

- (a) the consistency of application of and any changes to, accounting policies;
- (b) the methods used to account for significant and unusual transactions where different approaches are possible;
- (c) the appropriateness of the going concern assumption and any viability statement as well as any disclosures relating thereto;
- (d) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (e) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- (f) all material information presented with the financial statements, such as the business review and any corporate governance statement (insofar as it relates to the audit and risk management).

30. Where requested by the Board, 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 audit, risk management and internal control

31. The Committee shall:

- (a) keep under review the effectiveness of the Company's internal controls and risk management systems; and
- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management.

32. The Committee shall consider and make recommendations to the Board regarding the need for establishment of and type of, internal audit function and, following establishment of any such function:

- (a) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- (b) approve the appointment and removal of the head of the internal audit function;

- (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 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 Committee.

Ethics and business integrity

33. The Committee shall:

- (a) review and monitor the effectiveness of implementation of any codes of conduct and review any statements on ethical standards for the Company;
- (b) review significant instances of behaviour which stand in conflict with any codes of conduct;
- (c) review the adequacy and security of the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (i.e., whistleblowing arrangements). The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (d) review the Company's procedures for detecting fraud; and
- (e) review and monitor the effectiveness of the Company's arrangements to counter the risk of bribery and corruption, anti-money laundering, the corporate criminal offence of the facilitation of tax evasion, and sanctions and receive reports on non-compliance.

External audit

34. The Committee shall:

- (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, reappointment and removal of the Company's external auditor.
- (b) consider periodically the need to tender the external audit process and conduct the selection process for new auditors.
- (c) if an external auditor resigns, shall investigate the issues leading to this and decide whether any action is required; and
- (d) oversee the relationship with the external auditor including (but not limited to):
 - (i) approval of their remuneration, whether 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;
 - (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 law, professional and regulatory requirements, and the relations with the external 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 external auditor and the Company (other than in the ordinary course of business), which could adversely affect the external auditor's independence and objectivity;
 - (v) agreeing with the Board a policy on the employment of former employees of the Company's external auditor, then monitoring the implementation of this policy;
 - (vi) 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 to the overall fee income of the firm, office and partner and other related requirements; and
 - (vii) assessing annually their qualifications, expertise and resources and the effectiveness and quality of the audit process the handling of key judgements by the auditor and the auditor's response to questions from the Committee. This shall include a report from the external auditor on their own internal quality procedures.
35. 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.
36. The Committee shall discuss with the external auditor the factors that could affect audit quality.
37. The Committee shall review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise, and experience of the audit team.
38. The Committee shall review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- (a) a discussion of any major issues which arose during the audit;
 - (b) any key accounting and audit judgements;
 - (c) the external auditor's explanation of how the risks to audit quality were addressed;
 - (d) the external auditor's views of their interactions with senior management; and
 - (e) levels of errors identified during the audit.
39. The Committee shall review any representation letter(s) requested by the external auditor before they are signed by management.
40. The Committee shall review the management letter and management's response to the auditor's findings and recommendations.
41. The Committee shall develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.