



BEOWULF MINING PLC

I

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

ADOPTED BY RESOLUTION OF THE BOARD ON 18 JANUARY 2022



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BEOWULF MINING PLC

AUDIT COMMITTEE

TERMS OF REFERENCE

1. CONSTITUTION

- 1.1 The Audit committee (**Committee**) was constituted as a committee of the board of directors of Beowulf Mining plc (**Company**) (**Board**) upon admission of the Company to AIM on 9 May 2005 in accordance with the articles of association of the Company.

2. ROLE

- 2.1 The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- (a) the integrity of the financial statements and other financial information of the Company and its subsidiaries (**Group**) provided to the Company's shareholders;
- (b) the Group's system of internal controls and risk management;
- (c) the internal and external audit process and auditors;
- (d) the processes for compliance with laws, regulations and ethical codes of practice; and
- (e) how risk is reported internally and externally.

- 2.2 Responsibility for determining the Company's attitude to and appetite for risk and its future risk strategy shall remain with the Board.

3. DUTIES AND TERMS OF REFERENCE

The Committee shall carry out the duties set out in this section 3 for the Company:

3.1 Financial reporting

The Committee shall:

- (a) monitor the integrity of the financial statements of the Group, released to the market or circulated to the Company's shareholders including:
 - (i) the annual and half-yearly reports; and
 - (ii) any other formal statements relating to its financial performance;
- (b) review and report to the Board on significant financial reporting issues and judgements which the financial statements, interim reports, preliminary announcements and related formal statements contain, having regard to matters communicated to it by the external auditor;
- (c) consider and report to the Board its views on appropriate KPIs for inclusion in the Company's annual report;
- (d) review and challenge where necessary:



- (i) the application and appropriateness of significant accounting policies,
 - (ii) any changes to significant accounting policies both on a year-on-year basis and across the Company and the Group, including the application of new accounting policies in interim accounts, and the plan to communicate those changes to shareholders and the market;
 - (iii) management's assessment of the impact of new accounting policies on the distributable reserves of the Company and its subsidiaries;
 - (iv) whether the Company has made appropriate estimates and judgements, taking into account the external auditor's views;
 - (v) the clarity and completeness of financial reporting disclosures and any changes to those disclosures, including the review of any correspondence between the Company and the external auditor;
 - (vi) the methods used to account for significant or unusual transactions (including any off-balance sheet arrangements) where different approaches are possible;
 - (vii) significant adjustments resulting from the external audit;
 - (viii) the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Company and the Group looking forward over an appropriate and justified period), including the robustness of stress-testing and scenario planning, and disclosures around such analysis; and
 - (ix) the legality of any proposed dividend and the Company's ability to pay it and remain a going concern;
- (e) monitor compliance with financial reporting standards and the AIM Rules and related guidance and other financial and governance reporting requirements;
 - (f) review all material information presented with the financial statements, such as the strategic report and the corporate governance statements, insofar as it relates to audit and risk management;
 - (g) review first any other statements that contain financial information and require board approval, if carrying out a review before board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the AIM Rules; and
 - (h) where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, report its views to the Board.

3.2 Narrative reporting

Where requested by the Board, the Committee shall 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.

3.3 Risk management systems and internal controls

The Committee shall:

(a) Risk assessment and management

- (i) on behalf of the Board (which retains overall responsibility for risk management), review the Company's risk management systems and overall risk framework and processes, at least annually to assess their suitability and effectiveness;
- (ii) consider the appropriate risk appetite for the Company across all major activities, taking into account the overall strategy of the Company, its future plans and other internal information, as well as the external environment, including economic, political and industry information;
- (iii) consider (in conjunction with the Remuneration Committee) how executive remuneration may shape the executive approach to risk;
- (iv) on an annual basis, ensure that a robust assessment of the emerging and principal risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity and reputation), that procedures are in place to identify emerging risks and provide advice on appropriate management and mitigation of those risks;
- (v) oversee the current and prospective risks faced by the Company and its strategy in relation to future risks;
- (vi) ensure that risk management is properly considered in board decisions;
- (vii) review the methodology for reporting risk to the Board, including both quantitative and qualitative measures;
- (viii) set triggers for reporting and escalation of significant emerging risks which may be critical to the Company and assess the Company's ability to manage new risks;
- (ix) review the risk management functions and report to the Board the Committee's view on whether they are appropriately resourced, with adequate information rights and sufficient independence to discharge their function;
- (x) at the request of the Board, carry out a specific risk assessment of any major transactions, including but not limited to mergers and acquisitions, disposals, joint ventures, significant expenditure on property, plant and equipment and material multi-year service contracts and report to the Board accordingly. This should involve consideration of whether all due diligence and/or procurement processes have been carried out, including obtaining external advice, as well as an assessment of whether the



transaction meets the Company's risk appetite criteria and the implications for future risk tolerance; and

- (xi) review all material adverse crystallisation of risks, including those involving breaches of the Company's procedures, carrying out root cause analysis and introducing lessons learned into the risk management system.

(b) **Internal controls**

review the Company's internal financial controls and internal control systems and, at least annually, carry out a review of its effectiveness;

(c) **On-going viability**

where requested by the Board, provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary and taking into account relevant scenario planning and stress-testing;

(d) **Management and internal and external audit reports**

- (i) review the assurance reports from management on the effectiveness of the internal control and risk management systems and from the internal audit, the external auditor and others on the operational effectiveness of matters related to risk and control. The Committee should satisfy itself that these sources of assurance and information are sufficient and objective and are enough to enable the Board to satisfy itself that they are operating effectively; and
- (ii) review the timeliness of, and reports on, the effectiveness of corrective action taken by management in response to any material external or internal audit recommendation;

(e) **Disclosures**

- (i) review and approve the statements to be included in the annual report concerning internal controls, risk management and the viability statement, and ensure that relevant disclosures are given in the directors' report as to the Company's risk management and strategy in relation to financial instruments;
- (ii) consider any necessary disclosure implications of the process that has been applied by the Board to deal with material internal control aspects of any significant problems disclosed in the annual report and accounts; and
- (iii) consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud, or misconduct and management's response, and also consider whether any such failings or weaknesses are significant and therefore require disclosure, the basis and accuracy of explanations given as to what actions are being taken to address them, and whether the level of disclosure of such actions is appropriate.



3.4 Internal audit

The Company has no internal audit function. The Committee shall consider at least annually the need for an internal audit function, make any recommendation to the Board and explain the reasons for the absence of such a function to the Board accordingly for disclosure in the annual report. The Committee shall assess whether the processes applied by management to ensure that the internal controls systems are functioning as intended provide sufficient and objective assurance.

3.5 External audit

The Committee shall, taking into account any applicable law and legislation, other professional requirements and the Financial Reporting Council's Ethical Standards in place at the relevant time (**Ethical Standard**):

(a) Appointment, reappointment and resignation

- (i) consider and make recommendations to the Board, to be put to shareholders for approval at the Company's AGM, on the appointment, reappointment or removal of the Company's external auditor;
- (ii) ensure compliance with any applicable requirements for audit tendering and, in any event, ensure that at least once every ten years consideration is given to putting the audit services contract out to tender;
- (iii) oversee any tender for the audit services contract to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms and, in respect of such tender, develop and oversee the selection process, ensuring that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- (iv) if any external auditor resigns, investigate the issues leading to this and decide whether any action is required; and
- (v) evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee and consider the need to include the risk of the withdrawal of the external auditor from the market in that evaluation;

(b) Terms of engagement

oversee the relationship with the external auditor and negotiate and agree their terms of engagement, including any engagement letter issued at the start of each audit, the scope of the audit and agree and approve their remuneration (including fees for both the audit and non-audit services) to ensure that the level of fees is appropriate to enable an effective and high quality audit to be undertaken;

(c) Independence and expertise

- (i) review and assess on an annual basis:
 - (a) the external auditor's independence and objectivity taking into account the relevant UK law, Ethical Standard and other



professional and regulatory requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards to mitigate those threats including the provision of any non-audit services; and

- (b) the qualifications, expertise and resources of the external auditor and, taking into account relevant UK professional and regulatory requirements, the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - (ii) seek reassurance from the external auditor and their staff and satisfy itself that they have no relationships with the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - (iii) at least annually, seek information from the external audit firm about, and monitor, the external audit firm's policies and processes for maintaining independence and its compliance with the relevant UK law, regulation and other professional requirements and the Ethical Standard, including guidance on the rotation of the audit partner and staff;
 - (iv) agree with the Board the Company's policy on employment of former employees of the Company's external auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy;
- (d) **Fees of external auditor**
- monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of the legal, professional and regulatory requirements, guidance and the Ethical Standard;
- (e) **Non-audit services**
- (i) develop and recommend to the Board, and implement, the Company's formal policy on the external auditor's provision of non-audit services, including the Committee's approval of non-audit services and 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 assessment of:
 - (a) threats to the external auditor's independence and objectivity and any safeguards in place to eliminate or reduce threats;
 - (b) the nature of the non-audit services;
 - (c) in light of the external audit firm's skills and experience, whether it is the most suitable supplier of the non-audit service;
 - (d) the fees for the non-audit services, both for individual services and in aggregate, relative to the audit fee, including special terms and conditions; and



- (e) the criteria governing compensation of the individuals performing the audit;
 - (ii) ensure that the provision of the non-audit services does not impair the external auditor's independence or objectivity, satisfying itself that there are no relationships between the auditor and the Company outside the ordinary course of business (including the level of non-audit fees) that could adversely affect the auditor's independence and objectivity, or the audit process; and
 - (iii) keep the policy for the provision of non-audit services under review;
 - (iv) ensure the policy for the provision of non-audit services is in compliance with the Ethical Standard and applicable laws and regulations;
 - (v) monitoring the Company's status to determine whether it is or becomes a "public interest entity" or "other entity of public interest" (as defined by the FRC) for the purposes of the Ethical Standard and ensuring that appropriate changes are made to its audit and non-audit arrangements and policies to reflect that status.
- (f) **Audit cycle**
- (i) review and approve the annual audit plan at the start of the audit cycle and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
 - (ii) meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without the executive directors or management being present, to review and discuss the auditor's remit and the findings of the audit including (but not limited to) any major resolved or unresolved issues that arose during the audit, the auditor's explanation of how risks to audit quality were addressed, key accounting and audit judgements, the auditor's view of their interactions with senior management and levels of errors identified during the audit;
 - (iii) consider communications from the external auditor on audit planning and findings on material weaknesses in accounting and internal control systems that come to the auditor's attention, including a review of material items of correspondence between the Company and the external auditor;
 - (iv) review any representation letter(s) requested by the external auditor before they are signed by management and consider whether, based on its knowledge, the information provided is complete and appropriate;
 - (v) review, before its consideration by the Board, the external auditor's report to the directors and their management letter, including management's response to the auditor's findings and recommendations;
 - (vi) at the end of the audit cycle, assess the effectiveness of the audit process including:



- (a) reviewing whether the auditor has met the agreed audit plan and whether the external auditor identified any risks to audit quality and, if so, how these were addressed;
 - (b) understanding reasons for changes to the audit plan;
 - (c) considering the external auditor's robustness and perceptiveness in handling key accounting and audit judgements and responding to the Committee's questions;
 - (d) obtaining feedback from key people on the conduct of the audit; and
 - (e) reviewing and monitoring the content of the external auditor's management letter and reporting to the Board on the effectiveness of the audit process;
- (g) **Other matters**
- (i) be responsible for the co-ordination between the activities of the external auditor and the internal audit function.

3.6 Whistleblowing

The Committee shall review the effectiveness, adequacy and security of the Company's arrangements for its workforce to raise concerns, in confidence, about possible wrongdoing in financial reporting and other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

3.7 Fraud

The Committee shall annually review the Company's procedures for detecting fraud.

3.8 Compliance

The Committee shall:

- (a) review the Company's systems and controls for ethical behaviour and the prevention of bribery and modern slavery and receive reports on non-compliance;
- (b) review the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- (c) keep under review the adequacy and effectiveness of the Company's compliance function.

4. MEMBERSHIP

4.1 The Committee shall comprise a chair and a minimum of one, and where possible two, other members.

4.2 Each Committee member shall be an independent non-executive director as determined by the Board (in accordance with the principles of the QCA Corporate Governance Code), at



least one of whom shall have recent and relevant experience working with financial and accounting matters.

- 4.3 The Board shall appoint members of the Committee, in consultation with the Committee chair. 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 members (other than the chairperson of the Board if a member) continue to be independent.
- 4.4 The chair of the Board shall not be a Committee member unless exceptional circumstances apply such as when there is a vacancy among the non-executive directors but may be invited to attend its meetings.
- 4.5 The Board shall appoint the chair of the Committee from among the independent non-executive directors. In the absence of the Committee chair and/or an appointed deputy, the remaining members present at a Committee meeting shall elect one of their number present to chair the meeting.
- 4.6 The Committee chair shall review membership of the Committee annually.
- 4.7 The company secretary, or their nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

5. ATTENDANCE AT MEETINGS

- 5.1 The Committee shall meet at least three times a year at appropriate times in the Company's financial reporting and audit cycle.
- 5.2 Outside of the formal meeting programme, the Committee chair shall maintain a dialogue with key individuals involved in the Company's governance, including the Board chair, the chief executive officer and the external audit lead partner.
- 5.3 Only members of the Committee have the right to attend Committee meetings, but other directors and external advisers may be invited to attend all or part of any meeting as and when appropriate.
- 5.4 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 5.5 Meetings of the Committee may be conducted when the members are physically present together or in the form of video or audio conference.



6. NOTICE OF MEETINGS

- 6.1 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 Chief Executive Officer, external audit lead partner or head of internal audit (if any).
- 6.2 Unless the Committee otherwise agrees, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members at the same time, but Committee papers may be forwarded at shorter notice with the approval of the Committee chair. Papers shall also be provided to other attendees where appropriate.

7. QUORUM

- 7.1 The quorum necessary for the transaction of business at a Committee meeting shall be two members (including, whenever possible, at least one member with recent and relevant financial experience), present in person or by audio or video conference.
- 7.2 A duly convened Committee meeting 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.

8. VOTING ARRANGEMENTS

- 8.1 Subject to Paragraph 8.2 and **Error! Bookmark not defined.Error! Reference source not found.**, each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting.
- 8.2 If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 8.3 The Committee chair shall not have a casting vote.
- 8.4 The Committee chair may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

9. MINUTES OF MEETINGS

- 9.1 The secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 9.2 Draft minutes of Committee meetings shall be agreed with the Committee chair and then be circulated promptly to all Committee members, unless in the Committee chair's opinion it



would be inappropriate to do so. Once approved, minutes shall be circulated to all other board members unless in Committee chair's opinion it would be inappropriate to do so.

- 9.3 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting.

10. ANNUAL GENERAL MEETING

The Committee chair (or another appropriate member) shall attend the Annual General Meeting and be available to respond to any shareholder questions on the Committee's activities.

11. REPORTING RESPONSIBILITIES

The Committee shall:

- 11.1 Report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2 Prepare a formal report on its activities and how the Committee has discharged its responsibilities to be included in the Company's annual report (which may cross reference other appropriate parts of the annual report e.g. the corporate governance and risk disclosures), which shall include:
- (a) a summary of its role;
 - (b) the names of the Committee members and their qualifications;
 - (c) the number of meetings held and members' attendance record;
 - (d) a summary of the significant issues considered in relation to the annual report and accounts and how they were dealt with, including significant estimates, judgements and risks;
 - (e) how the effectiveness of the external audit process was assessed, and the approach taken to the appointment/reappointment of the external auditor;
 - (f) how objectivity and independence are safe-guarded if the external auditor provides non-audit services;
 - (g) the Company's policy on auditor rotation, together with the tenure of the current auditors and date of last tender and advance notice of any retendering plans;
 - (h) details of any contractual restrictions on auditor choice;
 - (i) where relevant, an explanation of the circumstances where the Board has not accepted the Committee's recommendation regarding the appointment of an auditor;
 - (j) what steps the Committee has taken to satisfy itself that the risk and control framework and processes are suitable to the business and operating properly;
 - (k) where applicable, how the effectiveness of the Company's internal audit function has been monitored and reviewed. Where there is not an internal audit



function, the Committee should provide an explanation and details of how internal assurance is received, along with how this affects the work of the external auditors;

- (l) how the Committee's performance evaluation has been conducted;
 - (m) confirmation that the Board has carried out a robust assessment of the principal and emerging risks facing the Company, a description of those risks and an explanation as to how they are being managed and mitigated; and
 - (n) all other information requirements set out in the QCA Corporate Governance Code; and
 - (o) any other issues on which the Board has requested the Committee's opinion.
- 11.3 In compiling the report referred to in Paragraph 11.2, exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but include at least those matters that have informed the Board 's assessment of whether the Company is a going concern and the longer term viability statement.
- 11.4 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.5 Where disagreements between the Committee and the Board cannot be resolved, report the issue to the shareholders as part of the report on the Committee's activities in the annual report referred to in Paragraph 11.2.
- 11.6 Make available to shareholders these terms of reference by placing them on the Company's website.

12. GENERAL MATTERS

The Committee shall:

- 12.1 Consider other duties determined by the Board from time to time.
- 12.2 Have access to significant resources to carry out its duties, including access to the company secretary for assistance, as required.
- 12.3 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.
- 12.4 Give due consideration to all applicable laws and regulations, in particular the directors duties contained in the Companies Act 2006, the QCA Corporate Governance Code, the QCA Audit Committee Guide and the requirements of the London Stock Exchange's rules for AIM, as appropriate.



12.5 Work and liaise as necessary with all other board committees, taking particular account of any delegation of the impact of risk management and internal controls to different committees.

12.6 At least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

13. AUTHORITY

The Board authorises the Committee to:

13.1 Carry out all duties set out in these terms of reference, to have unrestricted access to the Company's documents and information and to obtain, at the Company's expense, appropriate independent legal or professional advice on any matter within its terms of reference as it considers necessary.

13.2 Seek any information it requires from any employee of the Group to perform its duties.

13.3 Secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense.

13.4 Call any employee of the Group to be questioned at a Committee meeting as and when required, and all such employees are directed to co-operate with any request made by the Committee.

13.5 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.

13.6 Commission, at the Company's expense, any reports or surveys which it deems necessary to help it fulfil its obligations.

13.7 Collectively and individually have direct access to the chief executive officer and the Company's external auditors.

Adopted by resolution of the Board on 18 January 2022.