

Anglo Pacific Group PLC

Terms of Reference of the Audit Committee

Membership and Appointment

- The Committee shall consist of not less than three directors appointed by the Board, all of whom shall be non-executive directors. At least one member of the Committee shall have significant, recent and relevant financial experience.
- Appointments to the Committee shall be for a period of up to three years, which may be extended for further three-year periods, provided the director still meets the membership criteria.
- Only members of the Committee shall have the right to attend Committee meetings. However, other individuals may be invited to attend for all or part of any meeting as and when appropriate. The external auditors shall be invited to attend meetings of the Committee on a regular basis.
- The Chairman of the Committee shall be appointed by the Board. In the absence of the Chairman or an appointed deputy, the Committee shall elect one of the members present to chair the meeting.
- The Company Secretary or its nominee shall be Secretary of the Committee.

Proceedings of the Committee

- The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle.
- Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of the external auditors if they consider it necessary.
- Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers, shall be circulated to each member of the Committee no later than one week before the date of the meeting. Notice shall also be provided to any other person required to attend the meeting and the other non-executive directors.
- The quorum necessary for the transaction of business of the Committee shall be two.
- The Secretary of the Committee shall minute the proceedings and, once agreed, shall circulate the minutes to all members of the Board, unless it would be inappropriate to do so.
- All or any of the members of the Committee may participate in a meeting of the Committee by means of any communication equipment that allows all

persons participating in the meeting to speak to and hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

- Except as outlined above, meetings of the Committee shall be conducted in accordance with the provisions of the company's Articles of Association governing the proceedings of directors.

Duties

The Committee shall (for the parent company, major subsidiary undertakings and the group as a whole, as appropriate):

- Monitor the integrity of the financial statements of the company, including its annual and interim reports, preliminary results' announcements, interim management statements, financial returns to regulators and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- Review and challenge where necessary:
 - The consistency of, and any changes to, accounting policies, methods and standards.
 - The clarity of disclosure in the financial reports and the context in which such statements are made.
 - All material information presented with the financial statements, including the operating and financial review and the corporate governance statement (insofar as it relates to the audit and/or risk management).
- Monitor and review the adequacy and effectiveness of the company's internal financial controls and internal audit function in the context of the company's overall risk management system.
- Review and approve the statements to be included in the annual report concerning internal controls and risk management.
- Consider annually whether an internal audit function is required and make a recommendation to the Board accordingly.
- Consider the adequacy of arrangements for the statutory audit and supporting the independence and objectivity of the external auditor by:
 - Making appropriate recommendations in respect of the appointment, re-appointment and removal of the company's external auditor.
 - Overseeing the selection process for a new auditor and, if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
 - Making recommendations on the remuneration of the external auditor and review their terms of engagement, including the scope of the audit.
 - 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).

- Reviewing the extent of non-audit services provided by the external auditor.
 - Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements.
 - 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.
 - Seeking to ensure co-ordination with the activities of the company's internal audit function (if any).
 - Meeting regularly with the external auditor (at least once a year without management being present), to discuss the auditor's remit, any issues arising from the audit, any accounting and audit judgments, the levels of errors identified during the audit and the effectiveness of the audit.
 - Reviewing any representation letter(s) requested by the external auditor before they are signed by management, together with the management letter and any response to the auditor's findings and recommendations.
- Review and monitor the environmental and social impact of the company's activities.
 - Review and monitor the arrangements for employees to raise concerns, in confidence, about possible wrongdoing in the business and any matters that fall short of the highest standards of integrity and honesty.
 - Review the company's systems and controls for the prevention of bribery and receive reports on non-compliance.

In carrying out its duties, the Committee shall:

- Have access to sufficient resources and personnel in order to carry out its duties.
- Be authorised to obtain, at the company's expense, outside legal or other professional advice, in order to better perform its duties.
- Be authorised to seek any information it requires, in order to perform its duties, from any employee of the company and to call any employee to be questioned at a meeting of the Committee as and when required.
- Give due regard to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate.

Reporting

- The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- The Chairman of the Committee should attend the Annual General Meeting to answer any shareholder questions on the activities of the Committee.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- The Committee shall produce an annual report, which will form part of the company's Annual Report. The Committee is authorised to 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.

Other Matters

- The Committee shall arrange for periodic reviews of its own performance and, at least annually, review its 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.
- The Committee shall oversee any investigation of activities that are within its terms of reference.