

PHOENIX GLOBAL RESOURCES PLC

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

Approved by the Board on 14 July 2017 subject to and with effect from Admission (as defined herein)

AUDIT COMMITTEE - TERMS OF REFERENCE

Note: References to “the Committee” shall mean the Audit Committee; references to “the Board” shall mean the Board of Directors; references to “the Company” shall mean Phoenix Global Resources plc; references to “the Group” shall mean the Company and its subsidiaries; and references to “the Directors” shall mean the Directors of the Company.

1. Purpose

- 1.1 The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of the financial information provided to shareholders, the Company’s system of internal controls and risk management, the internal and external audit process and appointment of external auditors, the process for compliance with laws, regulations and ethical codes of practice and the external asset valuation process.
- 1.2 These Terms of Reference have been produced to identify and formalise the roles, tasks and responsibilities of the Committee having regard to the UK Corporate Governance Code (the “Code”) and to assist the Committee in achieving best practice in corporate governance for the Company and the Group as a whole.

2. Membership

- 2.1 The Committee is established as a Committee of the Board and shall consist of a Chairman and at least two other members. Members of the Committee, a majority of whom will be independent Non-executive Directors, shall be appointed by the Board on the recommendation of the Nominations Committee in consultation with the Committee Chairman. The Chairman of the Board may be a Committee member (if he or she was considered independent when appointed as Chairman of the Board) but may not be the Chairman of the Committee. At least one member of the Committee shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies and experience of preparing financial statements under IFRS.
- 2.2 The Board shall appoint the Committee Chairman who shall be an independent Non-Executive Director. In the absence of the Committee Chairman and/or any appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 2.3 Appointments to the Committee shall be for an initial period of up to three years extendable by no more than two additional three-year periods, provided that the overall composition requirements referred to in paragraph 2.1 continue to be met.
- 2.4 The Board shall regularly review the membership of the Committee to ensure that membership is refreshed and undue reliance is not placed on particular individuals.

3. Secretary

- 3.1 The Company Secretary, or their nominee, shall act as the Secretary of the Committee (the “Secretary”).

4. Proceedings

- 4.1 No one other than the Chairman, and members, of the Committee is entitled to be present or vote at a meeting of the Committee. However, other individuals such as the Chief Financial Officer, the Chief Executive, any head of risk and compliance and/or internal

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audit representatives of the external auditors and other relevant or expert person(s) may be invited to attend all or part of any meeting by the Committee Chairman as and when appropriate and relevant.

- 4.2 The Committee shall meet at least four times a year. Meetings shall normally take place before the announcement of the Company's preliminary and interim results and at such other times as may be required, and may be called by any member of the Committee, by the Secretary or at the request of the internal or external auditor.
- 4.3 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including, but not limited to, the Board Chairman, the Chief Executive, the Chief Financial Officer and the External Audit lead partner.
- 4.4 At least once a year, without the presence of the Executive Directors or management, members of the Committee shall meet separately with the external auditors to discuss matters relating to its remit and any issues arising from the audit.
- 4.5 The Secretary shall ensure that agendas and relevant papers are circulated to all members of the Committee and, in whole or in part as appropriate, to any head of risk management and/or internal audit, the external auditors and to other invited attendees in good time in advance of each meeting.
- 4.6 Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the provisions of the Company's Articles of Association regarding the meetings and proceedings of directors.

5. Quorum

- 5.1 The quorum necessary for the transaction of business shall be two members present in person or by audio or video conference] including, wherever possible, at least one member with recent and relevant financial experience and competence in accounting and/or auditing.
- 5.2 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.

6. Minutes of meetings and records

- 6.1 The Secretary shall minute the proceedings and decisions of all Committee meetings.
- 6.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all other members of the Board, unless (as determined by the Committee Chairman) it would be inappropriate to do so.
- 6.4 The Secretary shall keep a record of:
 - 6.4.1 the membership, and the dates of any changes to the membership, of the Committee; and
 - 6.4.2 any non-audit services provided by the external auditor to enable the company to make the necessary statement in the annual report on safeguarding the auditor's objectivity and independence.

7. Annual General Meeting and accounts

- 7.1 The Chairman of the Committee shall attend the Annual General Meeting to respond to any shareholder questions on the Committee's activities.
- 7.2 The Chairman of the Committee, or as a minimum another member, of the Committee, shall attend the Board meeting at which the accounts are approved.

8. Duties

The Committee shall perform the duties set out below for the Company, major subsidiary undertakings and the group as a whole, as appropriate:

8.1 Financial and Narrative Reporting

8.1.1 Monitor the integrity of the financial statements of the Company including its annual and half-yearly reports and any other formal or informal report or announcement relating to its financial performance such as any preliminary statement of annual results and analyst presentations, and shall review and report to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the external auditor, including reporting its views to the Board if it is not satisfied with any aspect of the proposed financial reporting by the Company;

8.1.2 In particular, review and challenge where necessary:

- significant accounting policies both on a year- on-year basis and across the Group including the consistency of, and any changes to them and any significant estimates and judgements;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- significant adjustments resulting from the external audit;
- the assumptions or qualifications in support of the going concern statement (including any material uncertainties 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 Group looking forward over an appropriate and justified period);
- the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- compliance with financial reporting standards and other financial and governance reporting requirements; and
- all material information presented with the financial statements, such as the strategic report and the corporate governance statements relating to the audit and to risk management;

8.1.3 If requested to do so by the Board, 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 position, performance, business model and strategy;

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- 8.1.4 Whenever practicable, review any other statements containing financial information for which Board approval is required;
- 8.1.5 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Group, it shall report its views to the Board;

8.2 External Auditor

- 8.2.1 Oversee and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting as required, in relation to the appointment, reappointment, resignation or dismissal of the external auditor;
- 8.2.2 Put the audit services contract out to tender at least once every ten years and the Committee shall consider after five years and every year thereafter whether or not the external audit contract should be put out to tender (and report to the Board on the same) (and announce its intention to do so in advance of the commencement of the tendering process);
- 8.2.3 If and when the Company puts the external audit contract out to tender, oversee the selection process of a new external auditor, ensuring all tendering firms have the necessary access to information and individuals during the duration of the tendering process and compare the quality and effectiveness of the services provided by the external auditor with those of other audit firms;
- 8.2.4 If an external auditor resigns, investigate the issues leading to this and decide if any action is required;
- 8.2.5 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, in consultation with the Executive Directors, agree their remuneration (including fees for both audit and non-audit services) so as to ensure that the level of fees is appropriate to enable an effective and high quality audit to be undertaken;
- 8.2.6 On an annual basis, review and assess (and include in its assessment a recommendation on whether to propose to shareholders that the external auditor should be re-appointed):
 - the external auditor's independence and objectivity taking into account the relevant law, regulation, the FRC's Ethical Standard and other professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services and any threat to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services; and
 - 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;
- 8.2.7 Explain to shareholders in the Committee section of the annual report how the Committee assessed the effectiveness of the external auditor process and how it reached its recommendation to the Board on the appointment, reappointment or removal of the external auditors and include in the explanation supporting information on tendering frequency, the tenure of the incumbent external auditor, plans for audit tendering and any contractual obligations that acted to restrict the Committee's choice of external auditors;

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- 8.2.8 If the Board does not accept the Committee's recommendation on the appointment, reappointment or removal of the external auditors, to include in the annual report, and in any papers recommending appointment or reappointment, a statement from the Committee explaining its recommendation and setting out the reasons why the Board has taken a different position;
- 8.2.9 Develop and approve a policy on engaging the external auditor to perform non-audit services (taking into account any relevant ethical guidance on the matter) and monitoring the implementation of this policy, including reviewing the level of non-audit fees on a regular basis in order to ensure that the provision of such services does not impair the external auditor's independence or objectivity and reporting to the Board on the implementation of the policy. The policy shall include the types of audit service:
- for which the use of the external auditor is pre-approved, including setting materiality thresholds;
 - for which specific approval from the Committee is required; and
 - from which the external auditor is excluded;
- 8.2.10 Satisfy itself that there are no relationships between the external auditor and the Company outside the ordinary course of business (including the level of non-audit fees) that could adversely affect the external auditor's independence and objectivity, or the audit process, and report the results of this review to the Board;
- 8.2.11 In relation to the provision of non-audit services, the Committee in particular shall consider:
- whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit services;
 - whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the external audit resulting from the provision of such services by the external auditor;
 - the nature and extent of the non-audit services;
 - the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee; and
 - the criteria which govern the compensation of the individuals performing the audit;
- 8.2.12 The Committee shall ensure that, if the external auditor provides non-audit services, an explanation is provided for the shareholders in the annual report on how the external auditor's objectivity and independence is safeguarded, setting out the Committee's policy on the provision of non-audit services and disclosing the details set out in the FRC Guidance on Committee in relation to each significant engagement;
- 8.2.13 Agree with the Board a policy on the employment of former employees of the Company's external auditor, taking into account the FRC's Ethical Standard and legal requirements and monitoring the implementation of this policy;
- 8.2.14 Seek information from the external auditor on its policies and procedures and monitor the external auditor's compliance with relevant ethical and professional guidance on the rotation of the audit partner and staff, the level of fees paid by

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the Company compared to the overall fee income of the firm, office and partner and other related requirements and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the FRC's Ethical Standard;

- 8.2.15 Approve the choice of, and ensure the rotation of the lead audit partner and audit review partner as required by law and regulation;
- 8.2.16 Be responsible for the co-ordination between the activities of the external auditor and the internal audit function;
- 8.2.17 Evaluate the risks to the quality and effectiveness of the financial reporting process and consideration of (i) the need to include the risk of the withdrawal of the auditor from the market in that evaluation; and (ii) where appropriate, whether there might be any benefit in using services from more than one audit firm;
- 8.2.18 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;
- 8.2.19 Review and approve the annual audit plan and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 8.2.20 Review, prior to 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;
- 8.2.21 Review any representation letter(s) requested by the external auditor before they are signed by management and give particular consideration to matters where representation has been requested that relate to non-standard issues;
- 8.2.22 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 the findings of the audit including (but not limited to) any major issues which arose during the audit, key accounting and audit judgements; levels of errors identified during the audit and the effectiveness of the audit process;
- 8.2.23 Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - a discussion of any major issues which arose during the audit;
 - the auditor's explanation of how the 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;
- 8.2.24 Review 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 the questions from the Committee;

8.3 Reserves Auditor

- 8.3.1 Oversee and make recommendations to the Board in relation to the appointment, reappointment, resignation or dismissal of the external reserves auditor (being a

firm or firms with suitable professional qualifications to perform such a role which is independent of the Company, its directors, senior management and without any material interest in the relevant assets to be reported on by the firm (the "Reserves Auditor")) to evaluate and report on the evaluation and reporting of the Company's material oil and gas assets, including:

- whether one or more than one Reserves Auditor should be appointed;
- which assets should be reported on;
- whether any update to any previous report is required from time to time; and
- the suitability of the potential Reserves Auditor to prepare the relevant report including satisfying itself as to the experience and independence of the Reserves Auditor in relation to the proposed work;

8.3.2 Oversee the relationship with the Reserves Auditor and negotiate and agree their terms of engagement, including any engagement letter and, in consultation with the Executive Directors, agree their remuneration so as to ensure that the level of fees and manner of remuneration is appropriate to enable an effective, high quality independent and objective evaluation of the relevant assets and liability to be undertaken;

8.3.3 Review, prior to its consideration by the Board, any report of the Reserves Auditor, including management's response thereto, if applicable;

8.4 Internal Controls and Risk Management Systems

8.4.1 Keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;

8.4.2 Review and monitor the Company's internal financial controls and its internal quality control and risk management systems and, where applicable, its internal audit. In doing so, the Committee shall assist the Board in monitoring the Company's risk management and internal control systems (including its financial, operational and compliance controls) and draw on the results of the on-going monitoring process to obtain sound, appropriately documented evidence to support the relevant statements and confirmations required from the Board in the annual report (and, as applicable, the half-yearly financial statements) including:

- that the Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity and the Board's description of those risks and its explanation of how they are being managed or mitigated;
- taking into account the Company's current position and principal risks, how the Board has assessed the prospects of the Company, over what period it has done so and why it considers that period to be appropriate;
- whether the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment drawing attention to any qualifications or assumptions as necessary;
- that the Board has reviewed the effectiveness, at least annually, of the Company's risk management and internal control systems (including its financial, operational and compliance controls) and the Board's report on that review; and

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- the appropriateness of adopting the going concern basis of accounting in the financial statements and whether there are any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of the approval of the financial statements.
- 8.4.3 Review the Company's annual statement on internal control and risk management prior to consideration by the Board; and in particular to review:
- the main features of the Company's internal control and risk management systems
 - in relation to the financial reporting process;
 - the policies and overall process for identifying and assessing the principal risks of the business and managing their impact on the Company;
 - the assurance reports from management, internal audit, the external auditor and others on the operational effectiveness of matters related to risk and control; and
 - the timeliness of, and reports on, the effectiveness of corrective action taken by management;
- 8.4.4 Consider any necessary disclosure implications of the process that has been applied by the Board to deal with any significant failings or weaknesses disclosed in the Annual Report and Accounts;
- 8.4.5 Review reports received from the Company's management on the effectiveness of the internal control and risk management systems established and the conclusions of any testing carried out by the internal or external auditors;
- 8.4.6 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;

8.5 Risk Management and Internal Audit

- 8.5.1 The Company does not currently have an internal audit function. The decision on whether or not to set up an internal audit function will be made by the Board, on the recommendation of the Committee, which shall consider annually whether there is a need for an internal audit, taking into account whether there are any trends or current factors relevant to the Company's activities, markets or other aspects of its external environment that have increased, or are expected to increase, the risks faced by the Company;
- 8.5.2 If such functions are established within the Company, the Committee shall:
- Consider the appointment, resignation or dismissal of the head of risk management and/or internal audit;
 - Review, monitor and assess the effectiveness of the risk management and internal audit function, including the scope of its audit plans and work, the results and issues identified in the periodic output reports and management's response to the internal auditor's findings and recommendations;

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- Review and approve the charter of the risk management and internal audit function(s) and ensure that it is/they are adequately resourced with appropriate authority and standing within the organisation and that the internal audit team equipped to perform in accordance with appropriate professional standards for internal auditors;
- Review co-ordination between the internal audit function (and if appropriate the internal risk function) and the external auditor;
- Meet with head(s) of risk management and 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;
- Monitor and review the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system and the work of compliance, finance and the external auditor;
- Carry out an annual assessment of the effectiveness of the internal audit function, and as part of this assessment:
 - (i) meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
 - (ii) review and assess the annual internal audit work plan;
 - (iii) receive a report on the results of the internal auditor's work;
 - (iv) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
 - (v) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;
- Consider whether an independent, third party review of process is appropriate;
- Ensure the head(s) of risk management and internal audit have direct access to the Board Chairman and Committee Chairman, and are accountable to the Committee;

8.6 Ethics, Fraud and Whistle-blowing

- 8.6.1 Consider the Company's policies and procedures in relation to (i) preventing or detecting fraud and bribery, (ii) identifying money laundering, (iv) ensuring compliance with similar relevant legal and regulatory requirements, (v) the code of conduct and business ethics and anti-corruption;
- 8.6.2 Consider the major findings of any relevant internal investigations into control weaknesses, fraud, bribery, misconduct or money laundering and management's response (without management being present); and
- 8.6.3 Review the adequacy and security of the Company's arrangements for employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and put arrangements in place for proportionate and independent investigation of such matters and for appropriate follow up action.

9. Reporting Responsibilities

- 9.1 The Committee Chairman shall report formally to the Board (i) on its proceedings after each formal meeting on all matters within its duties and responsibilities and (ii) on how it has discharged its responsibilities including the significant issues it considered in relation to the financial statements and how these were addressed; its assessment of the effectiveness of the external audit process and its recommendation on the appointment or re-appointment of the external auditor; and any other issues on which the Board has requested the Committee's opinion.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall compile a report to shareholders, for approval by the Board, on its activities to be included in the Company's Annual Report and Accounts. The report shall include:
- a summary of the role of the Committee;
 - the names and qualifications of all members of the Committee during the period;
 - the number of Committee meetings an explanation of how the Committee has assessed the effectiveness of the
 - external audit process and the approach taken to the appointment or reappointment of the external auditor including information on the length of the current firm tenure, when a tender was last conducted, and any contractual obligations that restrict the Committee's choice of external auditor;
 - the significant issues that the Committee considered in relation to the financial statements (at least in relation to the going concern and longer term viability statements), and how these issues were addressed, having regard to matters communicated to it by the external auditor;
 - an explanation of how the Committee has assessed the effectiveness of the external audit process;
 - if the external auditor provides non-audit services, how auditor objectivity and independence is safeguarded;
 - if applicable, a statement of compliance with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ("CMA Order");
 - all other disclosure information requirements in accordance with regulations and with the Code; and
 - the report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.
- 9.4 In compiling the reports referred to in this paragraph 9, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should at least include those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.
- 9.5 The Committee terms of reference shall be made available on the Company's website in accordance with the Code.

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9.6 The Company shall maintain a dialogue with shareholders about the work of the Committee.

10. Other Matters

The Committee shall:

- 10.1 on an annual basis, review the qualification, expertise and resources, effectiveness and independence of the Reserves Auditor or any other external valuers who may be appointed and report the results of this review to the Board;
- 10.2 consider other topics and review other disclosures or documents as determined by the Board;
- 10.3 consider the disclosures relating to the role of the Committee included in the Annual Report and Accounts;
- 10.4 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 10.5 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;
- 10.6 oversee any investigation of activities which are within its Terms of Reference and to make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 10.7 give due consideration to and ensure compliance with all relevant laws and regulations (including, but not limited to, (to the extent applicable) reporting standards, the provisions of the Code and the requirements of the AIM Rules, the Market Abuse Regulation, the UK Listing Authority's Listing Rules and Transparency Rules, the provisions of the FRC's Guidance on Audit Committees and the CMA Order) and, as deemed appropriate, institutional investor and other guidelines;
- 10.8 on an annual basis, review and, if necessary, update its own Terms of Reference requesting Board approval for all proposed changes;
- 10.9 on an annual basis, review its membership and evaluate its own performance against its Terms of Reference and best practice, using external evaluators where appropriate, to ensure it is operating at maximum effectiveness and report the results of such review to the Board and recommend any changes it considers necessary; and
- 10.10 work and liaise as necessary with all other Board committees.

11. Authority

- 11.1 The Committee is authorised by the Board (subject only to any specific limit or restraint which may be imposed from time to time by the Board) in the performance of its duties to:
 - 11.1.1 investigate any activity within its Terms of Reference;
 - 11.1.2 seek any information that it requires from any employee or director;
 - 11.1.3 obtain outside legal or other independent professional advice at the Company's expense as necessary;
 - 11.1.4 secure the attendance of employees or external advisers at its meetings if it considers this appropriate;
 - 11.1.5 delegate any of its powers to one or more of its members or the Secretary; and
 - 11.1.6 have the right to publish in the Company's Annual Report and Accounts details of any issues that cannot be resolved between the Committee and the Board.

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11.2 These terms of reference may be amended from time to time by the Board.