

ZOLTAV RESOURCES INC
(the “Company”)
TERMS OF REFERENCE OF THE AUDIT COMMITTEE
(the “Committee”)

Approved by the Company’s Board of Directors on 19 October 2018

1. INTRODUCTION

- 1.1 The QCA Corporate Governance Code (the “Code”) summarises the purpose of the audit committee as follows: it “ *provides confidence to shareholders on the integrity of the financial results of the company expressed in the annual report and accounts and other relevant public announcements of the company. The audit committee should challenge both the external auditors and the management of the company..... [it] also has a key role in the oversight of the effectiveness of the risk management and internal control systems of the company.*”
- 1.2 Should members of the Committee need or want to consult the Code, copies can be obtained from the company secretary and/or NOMAD.

2. TERMS OF REFERENCE TO BE MADE AVAILABLE

- 2.1 The Committee shall make available these terms of reference, explaining its role and the authority delegated to it by the Board.
- 2.2 The requirement to make this information available would be met by making such information available on request and including the terms of reference and such explanation on the Company’s website.

3. MEMBERSHIP

- 3.1 Members of the Committee shall be appointed by the Board, on the recommendation of the nomination and remuneration committee of the Company (as the case may be) and in consultation with the chairman of the Committee (the “**Committee Chairman**”).
- 3.2 The Committee shall comprise at least one independent non-executive director (provided that the independent non-executive directors shall either comprise a majority of the Committee or be equal to the number of non-executive director(s) representing majority shareholder(s)), at least one of whom shall have relevant financial experience. Any former executive director of the Company shall not be a member of the Committee.
- 3.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the chairman of the Board (if not on the Committee), Chief Executive, Finance Director, other directors, the heads of risk, compliance and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 3.4 The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 3.5 In deciding chairmanship and membership of the Committee, the value of ensuring that Committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account.
- 3.6 All appointments to the Committee shall be for a period of one year.

3.7 The Committee Chairman shall be appointed by the Board and must be an independent non- executive director.

3.8 If any member of the Committee is unable to act for any reason, the Committee Chairman may appoint any other independent non- executive director of the Company to act as his alternate.

4. SECRETARY

The company secretary or their nominee shall act as the secretary of the Committee and shall attend all of its meetings and shall prepare and circulate to members and all other non- executive directors (and invitees as appropriate) all information and papers in a timely manner to enable them to be give full and proper consideration to the issues.

5. QUORUM

The quorum necessary for the transaction of business shall be two members. 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. All reasonable efforts shall be made to give notice of meetings of the Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend.

6. FREQUENCY OF MEETINGS

6.1 The Committee shall meet as frequently as the Committee Chairman shall require and also at regular intervals to deal with routine matters and, in any event, not less than three times in each financial year. Any member of the Committee or the Company's auditors may request a meeting if he/she considers that one is necessary or expedient.

6.2 Meetings shall be arranged to coincide with key dates within the Company's financial reporting and audit cycle where appropriate.

7. NOTICE OF MEETINGS

7.1 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 external auditors if they consider it necessary.

7.2 Unless otherwise agreed, 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, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

8. COMMITTEE CHAIRMAN

8.1 In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Committee Chairman (or chairman of the relevant meeting) shall have a casting vote on all matters in the event of an equality of votes.

9. MINUTES OF MEETINGS

9.1 The company secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

- 9.2 The company secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 9.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed and finalised, to all members of the Board unless it would be inappropriate to do so.

10. ANNUAL GENERAL MEETING

The Committee Chairman shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

11. DUTIES

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the group as a whole, as appropriate. In carrying out these duties, members of the Committee may also choose to consult the Code.

11.1 Financial Reporting

- (a) The Committee shall (provided that such monitoring and review is not inconsistent with any requirement for prompt reporting under the DTRs) monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgments 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.
- (b) The Committee shall review and challenge where necessary:
- (i) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/group;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
 - (iv) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
 - (v) significant adjustments resulting from the audit;
 - (vi) the going concern assumption;
 - (vii) compliance with accounting standards taking into account the view of the Company's auditor;
 - (viii) compliance relevant and other legal and regulatory requirements;

- (ix) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management); and
 - (x) reviewing the policies and processes for identifying and assessing business risk and the management of those risks by the Company.
- (c) The Committee shall review the annual financial statements of the pension funds, where not reviewed by the Board as a whole.

11.2 Internal Controls and Risk Management Systems

The Committee shall:

- (a) keep under review the effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management where not reviewed by the Board as a whole.

11.3 Compliance, whistle-blowing and fraud

The Committee shall:

- (a) 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, suggesting amendments to the Whistle-blowing Policy where appropriate. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (b) review the Company's procedures for detecting fraud;
- (c) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (d) review regular reports from the Chief Financial Officer on the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- (e) review regular reports from the Chief Financial Officer and keep under review the adequacy and effectiveness of the Company's compliance function.

11.4 External Audit

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. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

- (b) consider and make recommendations to the Board on the periodic tender of audit services;
- (c) 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 adequate 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 UK professional and regulatory requirements and the relationship with the 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 auditor and the Company (other than in the ordinary course of business);
 - (v) agreeing with the Board a policy on the employment of former employees of the Company's 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 compared to the overall fee income of the firm, office and partner and other related requirements;
 - (vii) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and
 - (viii) considering the risk of the withdrawal of the Company's present auditor from the market;
- (d) 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;
- (e) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- (f) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) any accounting and audit judgments;
 - (iii) levels of errors identified during the audit; and
 - (iv) the effectiveness of the audit;

- (g) obtain from the external auditor a memorandum describing such “relevant audit information” as may be required by the external auditor from time to time for the purposes of any statutory directors’ statement in connection therewith, and institute such procedures as it sees fit to enable the directors to provide such statement; and
- (h) consider and review the finding of any external tax advisor to the Company or any of its subsidiaries.

The Company shall also review the effectiveness of the audit and shall:

- (i) review any representation letter(s) requested by the external auditor before they are signed by management;
- (j) review the management letter and management’s response to the auditor’s findings and recommendations;
- (k) 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; and
- (l) keep under review and report to the Board on the nature and extent of non- audit services supplied by the external auditors, identifying any matters in respect of which action or improvement needed and making recommendations as to the steps to be taken.

12. REPORTING RESPONSIBILITIES

- 12.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting of the Committee on all matters within its duties and responsibilities.
- 12.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 12.3 The Committee shall compile a report to shareholders on its activities to be included in the Company’s annual report.

13. OTHER MATTERS

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 program for new members and on an ongoing basis for all members;
- (c) give due consideration to laws and regulations, including the general duties of directors set out in the Companies Act 2006, the provisions of the Code and the requirements of the Prospectus, Disclosure and Transparency Rules as appropriate;
- (d) be responsible for coordination of the internal and external auditors;
- (e) supervise the Company’s policy in respect of tax planning;
- (f) supervise the Company’s policy in respect of the financing of the Company;

- (g) oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort;
- (h) at least once a year, 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; and
- (i) make publicly available its terms of reference explaining clearly its role and the authority delegated to it by the Board.

14. AUTHORITY

The Committee is authorised:

- 14.1 by the Board to investigate any activity within its terms of reference;
- 14.2 to seek any information it requires from any employee or director of the Company, or any consultant or other provider of services to the Company in order to perform its duties. All employees, directors, consultants and other service providers of services are directed to cooperate with requests for information made by the Committee including requests to attend meetings of the Committee;
- 14.3 to obtain, at the Company's expense, outside legal or other independent professional advice on any matter within its terms of reference;
- 14.4 to call any employee to be questioned at a meeting of the Committee as and when required; and
- 14.5 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.

Although the Committee can seek the advice and assistance of the executive management, it must ensure that this role is clearly separated from their role within the business.