

**GRIFFIN MINING LTD**  
**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**CONSTITUTION**

- 1 The board hereby resolves to establish a committee of the board to be known as the audit committee (the "Audit Committee") to carry out duties in relation to financial reporting, internal controls and risk management for Griffin Mining Limited ("the Company") and its subsidiaries (together "the Group"):
  - (a) to increase shareholder confidence and the credibility and objectivity of published financial information;
  - (b) to assist the board in meeting their financial reporting responsibilities;
  - (c) to strengthen the independent position of the Company's external auditors by providing channels of communication between them and the non-executive directors; and
  - (d) to review the performance of the auditors.

**MEMBERSHIP**

- 2 The Audit Committee shall be appointed by the board and shall comprise at least three non-executive directors, two of whom shall be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. One of the members shall have recent and relevant financial experience, ideally with a professional qualification from one of the recognised accountancy bodies.
- 3 The Chair of the Audit Committee shall be appointed by the board. The membership of the Audit Committee shall be set out in the annual report of the Company. Appointment to the Audit Committee shall be for a period of up to 3 years, which may be extended for two further periods, provided the director remains independent.
- 4 A quorum of the Audit Committee shall be two members.

**ATTENDANCE AT MEETINGS**

- 5 Only members of the Audit Committee shall have a right to attend meetings. A representative of the external auditors shall normally attend meetings. Other board members may be invited to attend all or part of any meeting as and when appropriate. The Audit Committee may invite any outsiders to attend its meetings as it deems appropriate. However, at least once a year the Audit Committee shall meet with the external auditors without any executive board members present. The Chair of the Audit Committee shall act as, or appoint a, secretary of the Audit Committee.
- 6 The Chair of the Audit Committee shall maintain a dialogue with key individuals involved in the Company's governance including the Chair, the Finance Director, the external audit lead partner and any head of internal audit, if that function is established.

**FREQUENCY OF MEETINGS**

- 7 The committee shall meet at least twice a year, at appropriate intervals in the financial reporting and audit cycle and at such other times as the Chair of the Audit Committee shall deem necessary. The external auditors may request a meeting if they consider that one is necessary.

## **NOTICE OF MEETINGS**

- 8 Meetings of the Audit Committee shall be summoned 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.
- 9 Unless otherwise agreed 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 and any other person required to attend no later than 3 working days before the date of the meeting. Any supporting papers, in electronic form, shall be sent to each member of the Audit Committee (as appropriate) at the same time.

## **VOTING ARRANGEMENTS**

- 10 Each member of the Audit 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.
- 11 If a matter that is considered by the Audit Committee is one where a member of the Audit Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 12 Save where he has a personal interest, the Chair will have a casting vote.

## **AUTHORITY**

- 13 The Audit Committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Audit Committee.
- 14 The Audit Committee is authorised by the board to have unrestricted access to the Company's external auditors and, with the prior notification of the board, to obtain, at the Company's expense, outside legal 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.
- 15 As a sub-committee of the board, the Audit Committee is answerable to the board and shall report to it on a regular basis.
- 16 The Audit Committee shall 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. If the board has not accepted the committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the committee's recommendation and the reasons why the board has taken a different position.

## **DUTIES AND TERMS OF REFERENCE**

- 17 The Audit 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 announcement relating to its financial performance, and review and report to the board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.
- 18 The Audit Committee shall review and challenge where necessary:
  - (a) the application of significant accounting policies and any changes to them both on a year on year basis and across the company;
  - (b) the methods used to account for significant and unusual transactions where different approaches are possible;

- (c) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
- (d) the clarity and completeness of disclosures in the financial statements and the context in which statements are made; and
- (e) all material information presented with the financial statements, including the strategic review and the corporate governance statements relating to the audit and to risk management.
- (f) The committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to board approval would be practicable and consistent with any prompt reporting requirements under any law or regulatory requirement, such as the London Stock Exchange's Rules for AIM companies.
- (g) Where the committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the board.

## **19** Narrative reporting

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.

## **20** Internal controls and risk management systems

The Audit Committee shall:

- (a) keep under review the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management, including the assessment of principal risks and uncertainties;
- (c) The Audit Committee shall review the adequacy and security of the Group's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (d) review the Group's procedures for detecting fraud; and
- (e) review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance.

## **21** Internal audit

The Audit Committee shall consider annually and make recommendations to the board regarding the need for establishment of, and type of, internal audit function based on the growth of the company, the scale, diversity and complexity of the Group's activities and the number of employees as well as cost and benefit considerations. The views of the external auditor shall be sought and if an internal audit function is established, the committee shall:

- (a) monitor and assess the role and the effectiveness of the Group's internal audit function in the context of the company's overall risk management system and the work of finance and the external auditor;
- (b) approve the appointment and removal of the head of the internal audit function;

- (c) review and approve the role and mandate 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 Audit 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 to ensure it is aligned to the key risks of the business and receive regular reports on work carried out;
- (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 Chair of the Audit Committee, providing independence from the executive and accountability to the Committee.

## 22 External audit

The Audit 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, re- appointment and removal of the Company's external auditor. The Audit Committee shall oversee the selection process for new auditors and if an auditor resigns, the Audit Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) 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 auditor as a whole, any threats to the auditor's independence and the safeguards applied to mitigate those threats, 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 which could adversely affect the auditor's independence and objectivity (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, taking into account ethical standards and legal requirements then monitoring the implementation of this policy;
  - (vi) evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee;
  - (vii) 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

- (viii) 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.
- 23** The Audit 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 Audit 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.
- 24** The Audit Committee shall discuss with the external auditor the factors that could affect audit quality and 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.
- 25** The Audit 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) the auditor's explanation of how the risks to audit quality were addressed;
  - (c) the auditor's view of their interactions with senior management;
  - (d) any key accounting and audit judgements, and
  - (e) levels of errors identified during the audit.
- The Audit Committee shall also 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 questions from the committee.
- 26** The Audit Committee shall review any representation letter(s) requested by the external auditor before they are signed by management.
- 27** The Audit Committee shall review the management letter and management's response to the auditor's findings and recommendations.
- 28** The Audit Committee shall develop and implement a policy on the supply of non-audit services by the external auditor, including prior approval on non-audit services by the committee and specifying the types of non-audit service to be preapproved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements, taking into account any relevant ethical guidance on the matter.
- 29** The policy on non-audit services shall include consideration of threats to independence and objectivity of the external auditor and any safeguards in place; the nature of the non-audit services; whether the external audit firm is the most suitable supplier of the non-audit service; the fees for the non-audit services, both individually and in aggregate, relative to the audit fee and the criteria governing compensation.
- 30** The Audit Committee Chair shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the board on how it has discharged its responsibilities.
- 31** The report shall include the significant issues that it considered in relation to the financial statements and how these were addressed; its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans and any other issues on which the board has requested the committee's opinion.

- 32** The Audit Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 33** The Audit Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. The report should describe the work of the audit committee, including the significant issues that the committee considered in relation to the financial statements and how these issues were addressed; an explanation of how the committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans and an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements.
- 34** In compiling the reports to the board and shareholders, the committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the board's assessment of whether the company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-reference to that information.
- 35** The Audit 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) give due consideration to applicable laws and regulations, the provisions of the QCA Corporate Governance Code and the requirements of the London Stock Exchanges rules for AIM companies as appropriate;
  - (d) be responsible for oversight of the co-ordination of the external and, if applicable, internal auditors;
  - (e) oversee any investigation of activities which are within its terms of reference;
  - (f) work and liaise as necessary with all other board committees ensuring interaction between committees and the board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees;
  - (g) ensure that a periodic evaluation of the committee's performance is carried out; and
  - (h) at least once a year, 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.
- 36** The Audit Committee shall consider such other matters as may be requested by the board of directors.

## **REPORTING PROCEDURES**

- 37** The secretary shall circulate the minutes of meetings of the Audit Committee to all members of the board. The Audit Committee may, in addition, at any time request a full meeting of the board at which its conclusions shall be reported.

## **GENERAL**

- 38** The recommendations of the Audit Committee minutes must be approved by the board of directors before they can be implemented.
- 39** Finalised minutes of the meetings of the Audit Committee will be circulated to the members of the board of directors as part of the board papers for each full meeting of the board of directors.
- 40** The Chair of the Audit Committee should make himself available at each Annual General Meeting of the Company to answer questions concerning the Audit Committee's work during the preceding year. In addition, he shall seek engagement with shareholders on significant matters related to the committee's areas of responsibility.
- 41** The Audit Committee shall make available to the shareholders these terms of reference.

Date of review

July 2023