

## JKX OIL & GAS PLC

### AUDIT COMMITTEE- TERMS OF REFERENCE

#### **Constitution**

- 1.1 The Audit Committee (the Committee) is a committee comprising at least two members made up from independent non-executive directors of the Company, The Chairman of the Board should not be a member. .
- 1.2 The Committee's primary role is to assist the Board in fulfilling its oversight responsibilities, by reviewing the financial information which will be provided to shareholders and others, the system of internal controls which management and the Board of Directors have established and the audit process.

#### **Membership & Quorum**

- 2.1 The Committee shall be appointed by the Board from amongst the independent non-executive Directors of the Company and shall consist of at least 2 members. The Chairman of the Company shall not be a member of the Committee.
- 2.2 A quorum shall be two members.
- 2.3 The Chairman of the Committee shall be appointed by the Board.
- 2.4 At least one member of the Committee should have recent and relevant financial experience and the Committee as a whole should have competence relevant to the sector in which the Company operates

#### **Secretary**

- 3.1 The Company Secretary shall provide services to the Committee on all Committee matters.

#### **Attendance at Meetings**

- 4.1 The Chief Financial Officer shall normally attend meetings. A representative of the external auditors shall attend when invited by the Committee.
- 4.2 At least once a year the Committee shall meet in private session with the external auditors without executive board members present.
- 4.3 It is for the Committee to decide if non-members should attend any Committee meeting or for a particular agenda item.

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#### **Frequency of Meetings**

- 5.1 Meetings shall be held as and when required and no less than three times a year.
- 5.2 The external auditors or the Chief Financial Officer may request a meeting if they consider one to be necessary.

#### **Authority**

- 6.1 The Committee is authorised by the JKX Board to:
- i) investigate any activity within its terms of reference.
  - ii) seek any information it requires from any employee or consultant of the JKX Group of companies and all employees and consultants are directed to co-operate with any request made by the Committee.
  - iii) obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it is considered necessary.
  - iv) 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.

#### **Duties**

- 7.1 The duties of the Committee shall be:
- a) To provide an independent overview of the Company's and the Group's systems of internal control, risk management and financial reporting through the co-ordination and supervision of the quality, independence and effectiveness of the internal and external auditors and reviewing the Company's financial reporting.
  - b) To advise the Board as to whether the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the group's performance, business model and strategy. Any review by the Committee will need to assess whether the narrative in the front of the Annual Report is consistent with the financial statements.

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- c) To review with the Chief Financial Officer , the internal audit function and the external auditors the state and effectiveness of the financial reporting and internal control systems used throughout the JKX Group.
- d) To consider and make recommendations to the Board as regards the appointment of the external auditor, the audit fee and any questions of resignation or dismissal.
- e) Prior to the start of each audit, the Committee is responsible for ensuring that appropriate plans are in place for the audit across the JKX Group, reviewing the scope of the audit plan with the auditor and ensuring it is consistent with the terms of engagement.
- f) To review the interim and final financial statements, including the interim report, annual report and accounts and results' press announcements, prior to presentation to Board for approval, focusing particularly on:
  - i) whether the Company has adopted appropriate accounting policies and applied them consistently both on a year-on-year basis and across the Company/Group
  - ii) the appropriateness of any significant estimates and judgements, taking into account the views of the external auditor
  - iii) the clarity of disclosures and whether they are set properly in context
  - iv) the methods used to account for significant or unusual transactions where different approaches are possible
  - v) significant adjustments resulting from the audit
  - vi) the going concern assumption
  - vii) compliance with stock exchange UK Listing Authority Listing Rules and legal requirements
  - viii) compliance with best practice and corporate governance.
- g) To discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss, without management being present.
- h) To review the external auditor's report and management letter (or equivalent) and management's response.
- i) To review the Company's statement on internal control systems prior to endorsement by the Board and in particular to review:
  - i) The procedures for identifying business risks and controlling their financial impact on the company.

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- ii) The company's policies for preventing or detecting fraud.
  - iii) The company's policies for ensuring that the company complies with the relevant regulatory and legal requirements.
  - iv) The operational effectiveness of the policies and procedures.
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- j) To assess annually the independence and objectivity of the Company's external auditors, taking into consideration relevant UK law, regulatory and professional requirements, reviewing and monitoring the effectiveness of the audit process, reviewing the findings of the audit, reporting to the Board any matters in respect of which the Committee considers that action or improvement is needed and making recommendations as to any steps to be taken.
  - k) To satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business).
  - l) To assess annually the external auditor's 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.
  - m) To consider the risk of the withdrawal of the Company's present auditor from the market.
  - n) To review any representation letter(s) requested by the external auditor before they are signed by management.
  - o) To seek to ensure co-ordination with the activities of the internal audit function.
  - p) To review the effectiveness of the audit at the end of the audit cycle, including, but not limited to, a discussion of any major issues which arose during the audit, any accounting and audit judgements and levels of errors identified during the audit.
  - q) To consider the major findings of internal investigations and management's response.
  - r) To consider other topics, as defined by the Board.

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#### **8. Internal Audit**

- 8.1 No appointment or termination of the appointment of the Head of Internal Audit may be made without the Committee's prior approval.
- 8.2 The Head of Internal Audit shall have the right of direct access to the Group Chairman and the Chairman of the Committee.
- 8.3 The Committee shall ensure that the internal audit function has the necessary resources and access to information to enable it to fulfil its mandate and that it is equipped to perform in accordance with appropriate professional standards for internal auditors. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions.
- 8.4 The Committee shall review and approve the internal audit function's remit, review and assess the annual internal audit work plan, receive a report upon and review the work of the internal audit function on a periodic basis, review and monitor management's responsiveness to the internal auditor's findings and recommendations and monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's and the Group's risk management system.

#### **9. Other Matters**

- 9.1 The Committee shall, annually, review its performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any necessary changes to the Board.
- 9.2 The Committee shall 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.
- 9.3 The Committee shall give due consideration to laws and regulations, the provisions of the UK Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, the Market Abuse Regulations and other applicable laws and regulations as appropriate.
- 9.4 The Committee shall review any proposed changes to accounting policies and practices.
- 9.5 The Chairman of the Committee shall be available to any member of the senior management to discuss any matters of concern, in relation to

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financial reporting matters, internal controls or compliance with the Group's legal and regulatory obligations.

- 9.6 The Committee shall advise the Board each year, as part of the budget and plan process, of the resources that the Committee and the internal audit function will require to undertake their duties.

#### **10. Minutes**

- 10.1 Minutes must be prepared by the Secretary to the Committee to record fully all decisions and matters dealt with by the Committee and tabled to the Board of the Company for noting. A record of the attendance at each meeting shall be maintained.

#### **11 Reporting to the Board**

- 11.1 The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.
- 11.1 The Committee shall report to the Board as to how it has discharged its responsibilities.
- 11.2 The Committee shall report to the Board its assessment of the external auditors' effectiveness, and its recommendation on the appointment or reappointment of the auditor.
- 11.3 The Committee shall advise the Board as to whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and parent company's position and performance, business model and strategy.