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MYTRAH ENERGY LIMITED

AUDIT COMMITTEE'S
TERMS OF REFERENCE

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1. CONSTITUTION

The Committee was constituted at a full meeting of the Board of Directors held on 8 September 2010 in accordance with the Articles of Incorporation of the Company.

In these terms of reference, the "**Group**" means the Company and its subsidiaries from time to time, "**Board**" means the Company's board of directors and "**External Auditor**" means the external auditors of the Company from time to time.

2. MEMBERSHIP

2.1 Composition

- (a) The Committee shall be appointed by the Board from amongst the independent nonexecutive directors of the Company, based on the recommendations of the Nomination Committee and in consultation with the chairman of the Committee. The chairman of the Board shall not be a member of the Committee. Any member who is determined no longer to be independent shall resign from the Committee.
- (b) The Committee shall consist of no fewer than two members and at least one member should have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.

2.3 Appointment of chairman

The chairman of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee which will also determine their period of office. In the absence of the chairman of the Committee or any deputy appointed by the Board, the remaining members present at any meeting shall elect one of their number to chair the meeting.

2.4 Appointment of alternate members

If a regular member is unable to act due to absence, illness or other cause, the chairman of the Committee may, if there are any other independent non-executive directors, appoint another independent non-executive director of the Company to serve as an alternate member.

2.5 Term of appointment

The appointment of a member of the Committee shall be for a period of up to three years. The appointment of any member of the Committee may be extended for no more than two further three year periods if that member remains independent at the time of extension of the appointment.

3. **SECRETARY**

The secretary of the Committee shall be the Company Secretary (or his or her nominee).

4. **QUORUM AND LOCATION OF MEETINGS**

4.1 The quorum necessary for the transactions of the business of the Committee shall be any two members or their alternates present in person or by telephone/video link or other telephonic or electronic means of communication with the location of the meeting.

4.2 All meetings shall comply with the provisions of the Company's Articles of Incorporation and must be held outside the United Kingdom and India. No member may participate in a meeting or count in the quorum or be entitled to vote if they are physically present in India. No member may participate in a meeting or count in the quorum or be entitled to vote if they are physically present in the United Kingdom if this would result in a majority of members participating in the meeting being physically present in the United Kingdom.

5. **ATTENDANCE AT MEETINGS**

5.1 **Attendance**

The Committee shall have discretion to decide who, other than its members, shall attend its meetings. In particular, the Committee may ask the Chief Financial Officer to attend Committee meetings either regularly or by invitation. The Committee shall ask representatives of the External and Internal Auditors to attend meetings on a regular basis.

5.2 **Auditors' meeting**

At least once a year the Committee shall meet with the External and Internal Auditors without any executive member of the Board (or other members of the management team) being present.

6. **FREQUENCY OF MEETINGS AND NOTICE**

6.1 **Number of meetings**

Meetings shall be held not less than three times a year and shall be summoned by the secretary of the Committee at the request of the chairman of the Committee.

6.2 **Additional meetings**

In addition to the routine meetings of the Committee, either the chairman of the Committee, the Auditors or the Chief Financial Officer may at any time request the secretary of the Committee to summon a meeting if he or they consider it necessary. Further, the External and Internal Auditors and the Chief Financial Officer may have access to the chairman or any other member of the Committee as required in relation to any matter falling within the remit of the Committee.

6.3 **Notice of meetings**

- (a) Unless otherwise agreed in writing by all of the members of the Committee, notice of each meeting confirming the venue, time and date (together with an agenda of items to be discussed and supporting papers, as appropriate) shall be forwarded to each member of the Committee and any other person required to attend no fewer than 5 working days prior to the date of the meeting.
- (b) Except as otherwise provided in these terms of references, meetings of the Committee shall be conducted in accordance with the provisions of the Company's Articles of Incorporation governing the proceedings of Directors.

7. **VOTING ARRANGEMENTS**

- 7.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 7.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote with regards to that matter.
- 7.3 Save where he has a personal interest, the chairman of the Committee will have a casting vote.

8. **AUTHORITY**

8.1 **General authority**

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.

8.2 **Investigative powers**

The Committee is authorised to make such investigations and authorise such research as it considers desirable for the purposes of fulfilling its terms of reference.

8.3 **Request for information from employees**

The Committee is authorised to seek any information it requires from any employee of the Group in order to perform its duties and all employees are directed to cooperate with any request made by the Committee.

8.4 **Professional advice**

In connection with its duties, the Committee is authorised to obtain internal or external legal or other independent professional advice on any matters within its terms of reference (within any budgetary restraints imposed by the Board) and to secure the attendance of internal or external professional advisers at its meetings if it considers this necessary.

9. DUTIES

9.1 External audit

The duties of the Committee shall be:

- (a) to consider and make recommendations through the Board to the shareholders to consider at the annual general meeting regarding the appointment, reappointment and removal of the Auditors and any matters relating to their resignation or dismissal. If the Auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) to ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent Auditor with those of other audit firms and oversee the selection process and further ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- (c) to meet with the External Auditors at least twice a year, once at the planning stage, where the nature and scope of the audit will be considered, and once post audit at the reporting stage, and shall ensure that any management letters and management's responses are reviewed;
- (d) to review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- (e) to review the findings of the audit with the External Auditors, including discussing any major issues arising from the audit, any accounting and audit judgements and levels of any errors identified during the audit; and
- (f) review any representation letter requested by the External Auditor before they are approved and signed by the Board;
- (g) to keep under review the relationship with the External Auditors including (but not limited to):
 - (i) assessing the independence and objectivity of the External Auditors as well as their qualifications, expertise and resources, and the effectiveness of the audit process, including a report from the External Auditor on their own internal quality procedures;
 - (ii) the Committee satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the Auditor and the Company (other than the ordinary course of business) which could adversely affect the Auditor's independence and objectivity;
 - (iii) establishing a formal policy on the provision of non-audit services taking into account any relevant regulatory guidance and monitoring compliance with this policy;

- (iv) monitoring the External 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 their related requirements;
- (v) the consideration and approval of the terms of engagement and audit fees which should be paid as well as any other fees payable to the Auditors in respect of non-audit activities provided by them in accordance with the policy on the provision of non-audit services;
- (vi) discussions with the External Auditors concerning such issues as compliance with accounting standards and any proposals which the Auditors have made regarding the Company's internal auditing standards;
- (vii) agreeing a policy with the Board on employment of former employees of the Auditor and monitoring compliance with that policy;
- (viii) seeking to ensure co-ordination with the activities of the Company's internal audit function; and
- (ix) considering the risk of the withdrawal of the External Auditors from the market.

9.2 **Financial statements**

The duties of the Committee shall be:

- (a) to monitor the integrity of the financial statements of the Company (including its half-yearly reports, preliminary results' announcements and any other formal public announcements relating to its financial performance) reviewing significant financial reporting issues and judgements which they contain before submission to the Board.
- (b) To review an challenge where necessary:-
 - (i) The consistency of, and any changes to, accounting and treasury policies on an annual basis across the Company and the Group;
 - (ii) The methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) The going concern analysis and underlying assumptions used by management;
 - (iv) Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements taking into account the views of the External Auditor;
 - (v) The clarity and completeness of disclosures and the context in which statements are made;

- (vi) All material information presented with the financial statements, such as the corporate governance statements (insofar as they relate to the audit and risk management); and
 - (vii) Compliance with applicable Listing rules, legal requirements and applicable corporate governance guidance and standards.
- (c) to discuss whether the Committee should recommend that the financial statements and accompanying reports should be approved by the Board in the Board meeting following the Committee meeting and, if so, whether that approval should be granted subject to any matters discussed by the Committee;
 - (d) to review the annual financial statements of any pension funds (if applicable) where they are not reviewed by the Board as a whole; and
 - (e) to review, where requested by the Board, the content of the annual report and accounts and advise the Board 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.

9.3 **Internal control and risk assessment**

- a) The Committee shall review and approve the statements in the annual report regarding internal controls and risk management;
- b) The Committee shall keep under review the adequacy and effectiveness of the Company's internal financial control and risk management systems and in particular shall review:-
 - (i) The policies and overall process for identifying and assessing business risks and managing their impact on the Company;
 - (ii) Receive regular assurance reports from management, internal audit and External Audit and others on matters related to risk and control; and
 - (iii) The timeliness of, and reports on, the effectiveness of corrective action taken by management.

9.4 **Internal audit**

The duties of the Committee shall be:

- (a) to consider the appointment and removal of the head of the internal audit function and the outsourced internal audit firm;
- (b) to monitor and review the effectiveness of the Company's outsourced internal audit function in the context of the Company's overall risk management system;
- (c) to consider and approve the remit 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 relevant professional standards) and has appropriate standing and is free from management or other restrictions;

- (d) to review and approve the annual audit plan;
- (e) to review promptly all reports on the Company from the internal auditors and management's response to any findings and recommendations; and
- (f) to meet the head of internal audit (and/or senior representatives of the outsourced internal audit firm) at least once a year (without management being present) to discuss their remit and any issues arising from internal audits carried out. The head of internal audit shall have direct access to the Chairman of the Company and to the Committee.

9.5 **Reporting responsibilities**

The duties of the Committee shall be:

- (a) to meet (or its chairman shall meet) formally with the Board at least once a year to discuss matters such as the annual report and the relationship with Auditors;
- (b) its chairman shall report formally to the Board after each meeting on all matters within its duties and responsibilities; and
- (c) in light of its other duties, to make whatever recommendations to the Board it deems appropriate and to produce a report to shareholders to be included in the Company's annual report.

9.6 **Other matters**

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties and functions, 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 an ongoing basis for all members;
- (c) perform all its duties on the basis of the considerations required to be taken into account by the AIM Rules for Companies (and/or other applicable Listing Rules), all applicable codes of practice and regulatory guidance, laws and the Committee's view of good practice at the relevant time;
- (d) be responsible for co-ordination of the internal and external auditors;
- (e) keep under review the Company's procedures for handling allegations from whistleblowers and ensure that these procedures allow proportionate and independent investigation of such matters and appropriate follow up action;
- (f) keep under review the Company's procedures for detecting fraud and corruption;
- (g) be responsible for the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (h) oversee the establishment and maintenance, and review the operation of good business practices throughout the Group and investigate, at the request of any

member of management, any issues of concern to that person relating to the Group's management, reporting, control or business procedures;

- (i) address any other matters relating to its duties referred to the Committee by the Board;
- (j) ensure that its terms of reference are available on the Company's website and include an explanation of its role and the authority delegated to it by the Board;
- (k) ensure that its terms of reference, performance and composition are reviewed at least annually and, where necessary, that any changes are recommended to the Board for approval and ensure the company secretary facilitates any individual or committee training requirements identified by the annual assessment;
- (l) while carrying out its duties, have regard to their duties as directors of the Company;
- (m) monitor and/or make recommendations on the potential implications of legal actions being taken against the Company;
- (n) monitor and/or make recommendations on the adequacy of arrangements for managing conflicts of interest; and
- (o) monitor and/or make recommendations on management policies.

10. REPORTING TO SHAREHOLDERS

10.1 Annual general meeting

The chairman of the Committee shall make himself available to attend the annual general meeting and be prepared to respond to any shareholder questions on the Committee's activities.

10.2 Annual report

The Committee shall compile an annual report to be included in a separate section of the directors' report describing the Committee's role, how the Committee has addressed the effectiveness of the external audit process, the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed having regard to matters communicated to it by the Auditor, and any issues that cannot be resolved between the Committee and the Board.

11. MINUTES

11.1 Preparation of minutes

The secretary of the Committee shall cause minutes to be made of all resolutions and proceedings of all meetings of the Committee including the names of all those present and in attendance.

11.2 **Circulation of minutes**

The secretary of the Committee shall circulate the minutes of meetings of the Committee to all members of the Committee, all members of the Board (except where a conflict of interest exists) and to the External Auditors.