

Herencia Resources plc (the “Company”) Audit Committee Terms of Reference

1. Membership

- 1.1. Appointments to the Audit Committee (the “Committee”) are made by the Board of the
- 1.2. Company (the “Board”). Appointments shall be for a period of up to 3 years, which may be extended for further periods of up to 3 years, provided the appointed director continues to meet the criteria for membership of the committee.
- 1.3. The Committee shall consist of not less than two members all of whom are directors.
- 1.4. Only members of the Committee have the right to attend meetings of the Committee. However, the Financial Director will be invited to attend the meetings on a regular basis. Other individuals may be invited to attend of all or part of any meeting as and when appropriate and necessary.
- 1.5. The Board shall appoint the Chairman of the Committee. The Chairman of the Committee should have appropriate financial experience and competence in accounting and/or auditing. In the absence of the Committee Chairman, the remaining members shall elect one of themselves to chair the meeting.

2. Secretary

- 2.1. The Company Secretary or his nominee shall act as secretary of the Committee.

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be two.

4. Frequency of Meetings

- 4.1. The Committee will meet at least two times per year at appropriate intervals in the financial and reporting cycle and otherwise as required.
- 4.2. A meeting may be requested at any time by the Chairman of the Board, by any member of the Committee who considers that a meeting is necessary and by any member of the board if approval is given by the Chairman of the board.

5. Notice of Meetings

- 5.1. 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.

6. Minutes of meetings

- 6.1. The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.

- 6.2. Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the committee chairman it would be inappropriate to do so.

7. Annual general meeting

- 7.1. The committee chairman should attend the Company annual general meeting to answer any shareholder questions on the committee's activities.

8. Duties

The Committee should carry out the duties below for the Company and subsidiaries as appropriate.

8.1. Financial Reporting

- 8.1.1. The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements, preliminary announcements and any other formal statements 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.

- 8.1.2. In particular, the committee shall review and challenge where necessary:

- 8.1.2.1. the application of significant accounting policies and any changes to them;

- 8.1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;

- 8.1.2.3. 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; and

- 8.1.2.4. all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

- 8.1.3. The committee shall review any other statements requiring Board approval which contain financial information where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

- 8.1.4. 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.

8.2. 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 and whether it informs the Board's statement in the annual report on these matters that is required under the Code.

8.3. Internal controls and risk management systems

The committee shall:

- 8.3.1. keep under review the company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems; and
- 8.3.2. review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement.
- 8.3.3. annually, consider the requirement for an internal audit function.

8.4. *Compliance, whistleblowing and fraud*

The committee shall:

- 8.4.1. review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 8.4.2. review the Company's procedures for detecting fraud;
- 8.4.3. review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

8.5. *External audit*

- 8.5.1. 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;
- 8.5.2. develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 8.5.3. if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.5.4. oversee the relationship with the external auditor. In this context the committee shall:
 - 8.5.4.1. approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and
 - 8.5.4.2. approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 8.5.5. assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- 8.5.6. satisfy itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 8.5.7. agree with the board a policy on the employment of former employees of the

company's auditor, taking into account the Ethical Standard legal requirements, and monitor the application of this policy;

- 8.5.8. monitor the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard including the guidance on the rotation of audit partner and staff;
- 8.5.9. monitor the level of fees paid by the company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- 8.5.10. assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 8.5.11. seek to ensure coordination of the external audit with the activities of the internal audit function;
- 8.5.12. 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;
- 8.5.13. develop and recommend to the board the company's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements including:
 - 8.5.13.1. threats to the independence and objectivity of the external auditor and any safeguards in place;
 - 8.5.13.2. the nature of the non-audit services;
 - 8.5.13.3. whether the external audit firm is the most suitable supplier of the non-audit service;
 - 8.5.13.4. the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - 8.5.13.5. the criteria governing compensation;
- 8.5.14. meet regularly with the external auditor (including once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 8.5.15. discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 8.5.16. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 8.5.16.1. a discussion of any major issues which arose during the audit;
 - 8.5.16.2. the auditor's explanation of how the risks to audit quality were addressed;

- 8.5.16.3. key accounting and audit judgements;
 - 8.5.16.4. the auditor's view of their interactions with senior management; and
 - 8.5.16.5. levels of errors identified during the audit.
- 8.5.17. review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.5.18. review the management letter and management's response to the auditor's findings and recommendations; and
- 8.5.19. review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgments by the auditor, and the auditor's response to questions from the committee.
- 8.6. *Material Contracts*
- The committee shall review and consider for approval material contracts. Contracts shall be considered material if they are either require public announcement under AIM guidelines or cover multiple financial years or are in relation to a country which is deemed to have a higher than normal risk profile.

9. Reporting responsibilities

- 9.1. the committee chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 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 report to shareholders in the Company's Annual Report in compliance with the Code.
- 9.4. the committee shall produce a report to be included in the company's annual report about its activities in compliance with the Code.
- 9.5. through the chairman of the Board, ensure that the company maintains contact as required with its shareholders regarding remuneration.

10. Other matters

The committee shall:

- 10.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required
- 10.2. 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
- 10.3. give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate
- 10.4. arrange for periodic reviews of its own performance and, at least annually, 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.

11. Authority

The committee is authorised by the Board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.