

**ANDRADA MINING LIMITED**  
(“the Company” or “Andrada”)



**Audit and Risk Committee**

**Terms of Reference**

## **1. CONSTITUTION OF THE COMMITTEE**

- 1.1 The Audit and Risk Committee (“the Committee”) is constituted as a committee of the board of directors of Andrada Mining Limited (“the Board”) in respect of all duties assigned to it by the Board from time to time.<sup>1</sup>
- 1.2 The duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities they have as members of the Board.
- 1.3 The deliberations of the Committee do not reduce the individual and collective responsibilities of the Board in regard to their fiduciary duties and responsibilities and they must continue to exercise due care and judgement in accordance with their legal obligations.
- 1.4 The Terms of Reference is subject to the provisions of the Companies (Guernsey) Law, 2008, as amended (“Companies Law”), the Company’s Articles of Incorporation (“the AOI”)<sup>2</sup>, the AIM Rules for Companies (“AIM Rules”)<sup>3</sup> and any other applicable law or regulatory provision. Guidance is also taken from the principles and relevant recommendations of the Quoted Companies Alliance Corporate Governance Code for Smaller Companies 2018 (“the QCA Code”)<sup>4</sup>, as well as the Audit Committee Guide 2019 (“the QCA Guide”)<sup>5</sup>.
- 1.5 In this Terms of Reference, “Group” shall refer to the Company and its subsidiaries, as contemplated in section 531 of the Companies Law.
- 1.6 In this Terms of Reference, unless inconsistent with the content, words importing any one gender include the other two genders; the singular include the plural and vice versa; and natural persons include created entities (corporate or non-corporate) and vice versa.

## **2. PURPOSE OF THIS DOCUMENT**

The purpose of this Terms of Reference is to formally set out the nature and extent of the responsibilities delegated, decision-making authority, membership, meeting and reporting procedures of the Committee.<sup>6</sup>

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<sup>1</sup> Clause 7.1 Board Charter September 2022, page 9.

<sup>2</sup> Registered on 1 September 2017 and updated by special resolution on 29 September 2017.

<sup>3</sup> The Alternative Investment Market, a specialised unit of the London Stock Exchange - Effective 1 January 2021.

<sup>4</sup> © Quoted Companies Alliance 2018.

<sup>5</sup> © Quoted Companies Alliance 2019.

<sup>6</sup> Clause 7.2 Board Charter September 2022, page 9.

### **3. ROLE**

- 3.1 Based on the specific duties of the Committee as set out in clause 7 (seven) hereunder, the main role of the Committee is to support the Board by providing independent oversight of, *inter alia*:
- 3.1.1 the effectiveness of the assurance functions and services of the Group with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance function.
  - 3.1.2 the integrity of any financial reporting done by the Group and such other external reporting as delegated by the Board to the Committee.
  - 3.1.3 the relationship with as well as the performance and independence of the external audit firm; and
  - 3.1.4 the management of risk, including compliance, and risk governance.
- 3.2 The Committee does not assume the functions of management, which remain the responsibility of the members of the executive team and other members of senior management, nor does it assume accountability for the functions performed by other committees of the Board.

### **4. MEMBERSHIP**

- 4.1 The Committee shall comprise at least 3 (three) members (“Committee Members”) appointed by the Board on the recommendation of the Remuneration & Nomination Committee, of whom at least 2 (two) shall be independent non-executive directors who are able to understand the risks facing the Group, are knowledgeable, robust and challenging in their reviews of its financial position and performance, making recommendations to the Board as appropriate.<sup>7</sup>
- 4.2 The Chairperson of the Committee shall be appointed annually by the Board.
- 4.3 The Committee Members, as a whole, must have recent and relevant financial experience, but also overall:
- 4.3.1 extensive business experience.
  - 4.3.2 knowledge of financial markets.
  - 4.3.3 an understanding of management practices including risk management activities, both generally and in the Group’s industry sector; and
  - 4.3.4 knowledge of any relevant specialist regulatory or legal requirements.<sup>8</sup>
- 4.4 Membership of the Committee shall automatically terminate in the event that a member cease, for whatsoever reason, to be a director of the Company.
- 4.5 Notwithstanding the agreed tenure, the Board may at any time remove a Committee Member and fill the vacancy as the Board deems fit in its sole discretion. In the event of the number of Committee Members being reduced below the number as specified in clause 4.1, the Committee shall continue to function until such time as the vacancies have been filled by the Board.

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<sup>7</sup> QCA Guide page 4.

<sup>8</sup> The QCA Guide 2019, page 4.

## **5. ATTENDANCE AT MEETINGS**

- 5.1 Committee Members are expected to attend all meetings of the Committee unless an apology with reasons has been submitted to the Chairperson of the Committee and the Company Secretary.
- 5.2 Every Board Member who is not a Committee Member is entitled to attend any meetings of the Committee as an observer but shall not be entitled to participate without the consent of the Chairperson of the Committee, does not have a vote and is not entitled to fees for such attendance unless otherwise approved by the Board.<sup>9</sup>
- 5.3 The Chief Financial Officer and representatives of the external and internal auditors shall be required to attend each meeting of the Committee unless otherwise indicated by the Committee. Other members of management, external consultants and service providers may be invited to attend meetings of the Committee from time to time in consultation with the Chairperson.
- 5.4 If the Chairperson of the Committee is absent from the meeting, any other Committee Member may act as chairperson for that meeting as agreed by those present or as nominated by the Chairperson of the Committee.
- 5.5 The Company Secretary (or duly authorised representative) shall attend each meeting of the Committee to act as secretary of the Committee (“Committee secretary”).

## **6. MEETINGS OF THE COMMITTEE**

### *6.1 Frequency*

- 6.1.1 The Committee will hold sufficient scheduled meetings to discharge all its duties as set out in this Terms of Reference, subject to a minimum of 2 (two) meetings per year.
- 6.1.2 Any Committee Member or the Chief Financial Officer may, in consultation with the Chairperson of the Committee, request additional (special) Committee meetings to be held when deemed appropriate. The Chairperson of the Committee may call a special meeting in response to such a request and shall call such a meeting if the request is formally made by at least 2 (two) Committee Members.

### *6.2 Quorum*

- 6.2.1 The quorum necessary to transact business will be a majority (50% plus 1) of Committee Members present in person or linked by telephone or video conference facility. For the avoidance of doubt, where three members are present, two (2) members shall constitute a quorum.
- 6.2.2 A duly convened meeting at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 6.2.3 In the absence of a quorum and subject to the discretion of the Chairperson of the Committee, the meeting can either be postponed to a later date or can proceed as an informal meeting with all resolutions required to be taken at the meeting being formally approved by way of a written resolution.

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<sup>9</sup> Article 25.1 of the AOI, page 38.

6.2.4 No resolutions tabled for approval by the Committee at a meeting which is not quorate shall be implemented or given effect until formally approved at the postponed meeting or via written resolution as contemplated in clause 6.2.3.

6.2.5 The written resolution circulated in terms of clause 6.2.3 requires unanimous approval, in the absence of which a special meeting of the Committee shall be convened for the matter to be discussed and formally approved during such special meeting.

### 6.3 *Adjournment*<sup>10</sup>

6.3.1 Any meeting of the Committee may be adjourned from time to time by the Chairperson of the Committee or other individual acting as chairperson of the meeting, with the consent of the meeting, to a fixed time and place.

6.3.2 Any adjourned meeting shall be duly constituted if held in accordance with the terms of the adjournment and a quorum is present thereat. The Committee Members who formed a quorum at the original meeting are not required to form the quorum at the adjourned meeting.

6.3.3 If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment. Any business may be brought before or dealt with at any adjourned meeting, which might have been brought before or dealt with at the original meeting in accordance with the notice calling the original meeting.

6.3.4 All Committee Members shall be provided with notice of the date, time and place of the adjourned meeting.

### 6.4 *Meeting Procedures*

6.4.1 The meetings of the Committee may be held in person, or by electronic communication as circumstances may require, provided that the required quorum is met and that the Committee Members can speak and hear one another during the meeting.

6.4.2 The Chairperson of the Committee or individual acting as chairperson of the meeting shall endeavour to reach consensus on any matter tabled for formal approval by the Committee. In the event of this not being achievable, the Chairperson of the Committee may call for a formal vote on the matter.

6.4.3 Decisions of the Committee will be taken by a simple majority vote (50% plus 1), and the Chairperson will have a casting vote.<sup>11</sup> For the avoidance of doubt, where three members are present, two (2) members shall constitute a quorum.

6.4.4 A Committee Member who is present at a meeting of the Committee, whether the Committee Member abstains from voting on a resolution or an action to be taken at the meeting or remains silent, is deemed to have consented to any resolution passed or action taken at the meeting, unless:

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<sup>10</sup> Article 31.11 of the AOI, page 47.

<sup>11</sup> Article 31.11 of the AOI, page 47.

- a) the Committee Member formally tables the dissent; and
- b) requests that the dissent be entered in the minutes of the meeting, or a dissent is so entered.

6.4.5 A Committee Member who votes in favour of or expressly consents to a resolution is not entitled to thereafter table a dissent.

6.4.6 Committee Members are expected to be well prepared for meetings, to participate fully, frankly and constructively in Committee discussions and other activities and to bring the benefit of their knowledge, skills and abilities to the table.

#### 6.5 *Annual Work Plan and Agenda*

6.5.1 An annual work plan, based on the duties of the Committee, shall be implemented and approved by the Committee and shall be annually reviewed together with this Terms of Reference. The annual work plan shall provide guidance on the number, timing and duration of Committee meetings in an annual cycle.

6.5.2 The agenda of Committee meetings is governed by the above-mentioned annual work plan to ensure all relevant matters are covered.

6.5.3 The annual work plan must ensure proper coverage of matters laid out in the Committee's Terms of Reference.

6.5.4 A detailed agenda, approved by the Chairperson of the Committee, together with supporting documentation shall, barring exceptional circumstances, be circulated a minimum of 5 (five) working days prior to the meeting of the Committee so as to enable Committee Members to be properly prepared for the meeting.

#### 6.6 *Minutes*

6.6.1 The Committee is required to keep minutes of all meetings. The Committee secretary will therefore attend and minute all meetings and record the proceedings and decisions taken, the details of which will remain confidential.

6.6.2 The minutes of the meeting must be completed as soon as reasonably possible and circulated to Committee Members not later than 10 (ten) working days after the meeting. The minutes shall be confirmed as a true record by the Committee at its next scheduled meeting or via electronic communication, if necessary, where after it shall be signed by the Chairperson of the Committee or acting chair of the meeting.

#### 6.7 *Written Resolutions*

6.7.1 Subject to clause 6.2.1 & 6.2.5, a written resolution, consented to in writing by a majority (50% plus 1) of the Committee Members shall be valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted (provided, for the avoidance of doubt, such resolution may be signed in counterparts and any electronically transmitted copies of resolutions signed in counterparts shall be valid resolutions) and provided further that all Committee Members who are able to receive notice of the intended resolution has been given reasonable notice.

6.7.2 It is the policy of the Committee to limit the use of written resolutions to instances where the resolution is a mere formality or where the matter requiring decision by written resolution is of such an urgent nature that it cannot be deferred until the next Committee meeting.

## 6.8 *In-committee meetings*

- 6.8.1 In-committee meetings of the Committee, where only Committee Members are present, may be held as and when deemed appropriate by the Chairperson of the Committee.
- 6.8.2 The Committee secretary (or duly authorised representative) shall be in attendance at in-committee meetings for minute purposes. In the event that the Committee secretary (or duly authorised representative) is also excused from the meeting, the Chairperson shall nominate a Committee Member to keep notes of the discussions and/or decisions for record purposes and shall furthermore circulate same to all Committee Members that were present.
- 6.8.3 Separate minutes shall be prepared for in-committee meetings and shall be circulated to Committee Members for confirmation via electronic communication where after it shall be signed by the Chairperson of the Committee.

## 7. DUTIES AND RESPONSIBILITIES

The Committee has the following duties and responsibilities:

### 7.1 **External Auditors:**<sup>12</sup>

- 7.1.1 Nominate, for appointment or reappointment<sup>13</sup> as external auditor of the Company, a registered auditor who, in the opinion of the Committee, is a member of an appropriate body, or for the time being authorised by the Department<sup>14</sup> to audit the accounts of companies as having similar qualifications obtained outside the United Kingdom.<sup>15</sup>
- 7.1.2 Determine and approve the fees to be paid to the auditor and the auditor's terms of engagement.<sup>16</sup>
- 7.1.3 Meeting with the external auditor to discuss the scope of the audit, issues arising from the audit and any matters the external auditor wishes to raise.
- 7.1.4 Review the external audit plan to ensure that it is consistent with the scope of the audit engagement, that it effectively addresses the Group's critical risk areas and efforts across assurance providers are minimized.
- 7.1.5 Review the external audit report and management letter as well as management's response to the auditors' findings and recommendations.
- 7.1.6 Report key audit findings to the Board.
- 7.1.7 Determine the nature and extent of any non-audit services that the auditor may provide (or not provide) to the Group and pre-approve any proposed agreement with the auditor for the provision of non-audit services.
- 7.1.8 Manage the contractual relationship with external auditors to ensure that the annual audit is effective, objective, independent, appropriately priced and of a high quality.

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<sup>12</sup> Part XVI of the Companies Law page 282 - 304.

<sup>13</sup> The QCA Guide page 20.

<sup>14</sup> States of Guernsey Commerce and Employment Department.

<sup>15</sup> Section 260 of the Companies Law page 287.

<sup>16</sup> Section 259 of the Companies Law page 286.

## 7.2 **Internal audit:**

- 7.2.1 Review the need for an internal audit and, where required, make the appointment of a head of internal audit.<sup>17</sup>
- 7.2.2 Agree on the internal audit plan and resource requirements (where an internal audit function exists) or other monitoring and oversight work plan, including how assurance on risk management and internal control will be obtained.

## 7.3 **Risk management:**

- 7.3.1 Obtain a clear understanding of threats and opportunities, their potential impact, who is responsible for monitoring each risk, how they achieve this and with what frequency.
- 7.3.2 Undertake a formal review of the Group's risk universe and register at least annually. In addition, time should be allowed at each Committee meeting to consider whether new risks have arisen, or if changes to the potential impact of risks require changes to the way these are monitored or mitigated.
- 7.3.3 Assess any material uncertainties in relation to the Group's ability to continue to adopt the going concern basis of accounting

## 7.4 **Reporting:**

- 7.4.1 Examine and review the annual financial statements, the interim and preliminary announcements, the accompanying reports to shareholders and any other announcement regarding the Group's results or other financial or price-sensitive information to be made public, prior to submission and approval by the Board.
- 7.4.2 Approve management's determination of the reporting frameworks (including reporting standards) to be used and oversee that an annual report is issued annually.
- 7.4.3 Ensure that the Group's corporate reporting and risk management processes address relevant non-financial matters, as well as financial matters.
- 7.4.4 Prepare a report, to be included in the Group's annual financial statements and/or annual report that addresses the items as required by the Companies Law, AIM Listing Requirements and those additional items recommended in the QCA Code.<sup>18</sup>
- 7.4.5 Advise the Board, independently from the executive directors and the external auditors, whether it considers the Group's corporate reporting, including the annual report and accounts, to be fair, balanced, and understandable.
- 7.4.6 Report to the Board on any significant reporting and risk issues, including estimates and judgements made in connection with the preparation of the Group's annual report and accounts.

## 7.5 **Whistleblowing**<sup>19</sup>:

- 7.5.1 Ensure that employees of the Group (and customers and suppliers) have access to a confidential forum in which it is possible to raise concerns about potential and

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<sup>17</sup> The QCA Guide, page 16.

<sup>18</sup> The QCA Code, P10, page 16.

<sup>19</sup> QCA Guide page 17.



perceived improprieties – whether such impropriety be in respect of financial reporting or non-compliance with laws or regulations, grievances or otherwise.

7.5.2 The Committee (in conjunction with the Group’s human resources and company secretarial functions) shall maintain the policy on whistleblowing and monitor its effectiveness and compliance.

7.5.3 As part of this process, the Committee shall actively protect the whistleblower.<sup>20</sup>

7.5.4 The Committee shall regularly review the utilisation of this facility and the quality, timelines and outcome of investigations into any reports.

7.5.5 Where this facility is not utilised, the Committee should consider the reasons and whether there are cultural or other factors that discourage whistleblowing, which should be addressed.

7.6 **General:**

7.6.1 Receive and deal appropriately with any concerns or complaints, whether from within or outside the Group, or on its own initiative, in relation to:

- a) the accounting practices and internal audit of the Group.
- b) content or auditing of the Group’s financial statements.
- c) internal financial controls of the Group; or
- d) any proposed related-party transaction.

7.6.2 Make submissions to the Board on any matter concerning the Group’s accounting policies, financial controls, records and reporting.

**8. DISCLOSURE AND REPORTING**

8.1 The Chairperson will report on the Committee’s proceedings, recommendations and decisions at every subsequent Board meeting by preparing a written memorandum on the material matters discussed and recommendations made as well as providing verbal feedback if required by the Board Chairperson to ensure that decisions taken are duly reported to the Board.

8.2 The Committee will account to the Board for all decisions made by the Committee in terms of such matters where the Committee has been granted decision-making authority and ensure that such decisions are duly reported to the Board.

8.3 The Committee will furthermore account to the Board for its activities and make recommendations to the Board on all matters within its duties and responsibilities, particularly those where the Committee considers action or improvement is needed, including recommendations on steps to be taken.

8.4 The Committee will always be available to advise the Chairperson of the Board on queries about the affairs and internal controls relating to the Committee’s activities. Such engagement will be undertaken via the Chairperson of the Committee.

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<sup>20</sup> Group Anti-Bribery and Corruption Policy (November 2021) page 10.

- 8.5 The Committee Chairperson, or in his/her absence another member of the Committee nominated by the Chairperson, shall attend the annual general meeting to answer questions on matters falling within the ambit of the Committee.

## **9. AUTHORITY**

- 9.1 The Committee shall have decision-making power in respect of such duties, if any, where decision-making power has been specifically delegated by the Board to the Committee in these Terms of Reference. In respect of all other duties as contained herein, the Committee shall only have the power to make recommendations to the Board.
- 9.2 The Committee is authorised by the Board to investigate any activity within its mandate. It is authorised, in consultation with the CEO, to seek any information it requires from any employee and all such employees are directed to co-operate with any request made by the Committee.
- 9.3 The Committee is authorised by the Board, subject to the approved process or policy, to obtain outside legal or other independent professional advice and to secure the attendance at meetings of the Committee of outsiders with relevant experience and expertise if deemed necessary.
- 9.4 The Committee may establish and delegate authority to any Committee Member or sub-committee to assist it in carrying out certain of its functions. Such delegation, and the extent thereof, shall be properly recorded in a formal resolution of the Committee passed at a meeting of the Committee or via written resolution.
- 9.5 The Company shall meet all expenses reasonably incurred by the Committee in the fulfilling of its duties.

## **10. EVALUATION OF THE COMMITTEE**

The performance of the Committee shall be formally evaluated every 2 (two) years and the Committee shall review the outcome of the evaluation process and ensure that remedial action is taken based on recommendations.

## **11. REVIEW OF TERMS OF REFERENCE**

This Terms of Reference may, from time to time, be amended as required and as recommended by the Committee, subject to the approval of the Board.