

ABAGOLD™

TERMS OF REFERENCE: AUDIT COMMITTEE OF ABAGOLD LIMITED

1. Constitution

The Audit Committee (the “Committee”) is to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and control processes, the adoption of appropriate accounting standards and the preparation of accurate financial reporting and statements.

The Committee holds management accountable to monitor, develop, and communicate the processes for managing financial risks and reporting, across the company and its subsidiaries. In this regard the Committee is to assist the Board in the discharge of its duties relating to corporate accountability and associated risk in terms of management, assurance and reporting.

The terms of reference of the Committee are summarised herein and should be reviewed at least annually by the Committee and may be amended from time to time, as required, subject to the approval of the Board.

2. Membership

- 2.1 The members of the Committee shall comprise not less than three directors elected by the shareholders, all of whom shall be non-executive directors who must act independently;
- 2.2 The shareholders shall, in every financial year, elect members to the Committee and the Board shall appoint a chairperson from the members of the Committee;
- 2.3 The Board shall have the power at any time to remove any member unsuitable to continue serving as a member of the Committee, from the Committee, and to fill any vacancies created by such removal or in any other manner; and
- 2.4 All members of the Committee shall have a working familiarity with financial accounting and reporting requirements, as well as with risk assessment and risk management. The members of the Committee shall be knowledgeable about the affairs of the company and, where appropriate, specific skills shall be represented on the Committee.

3. Responsibilities of the Committee

- 3.1 Auditors and external audit
 - 3.1.1 The Committee shall nominate for appointment a registered auditor who, in the opinion of the Committee, is independent of the company;
 - 3.1.2 The Committee shall ensure that the appointment of the auditor complies with prevailing legislation relating to the appointment of auditors;
 - 3.1.3 The appointment of a firm as auditor must specify, in addition to the name of the firm, the name of the individual registered auditor that undertakes the audit;

3.1.4 The Committee will:

- 3.1.4.1 evaluate the independence, effectiveness and performance of the external auditors and consider whether any non-audit services rendered by such auditors may substantively impair their independence;
- 3.1.4.2 consider and make recommendations on the appointment and retention of the external auditors, and any questions of resignation or dismissal of the auditors;
- 3.1.4.3 discuss and review, with the external auditors before the audit commences, the auditor's engagement letter, the terms, nature and scope of the audit function, procedure and engagement, the audit fee, and ensure co-ordination (where more than one audit firm are involved) and maintenance of a professional relationship between them;
- 3.1.4.4 if deemed necessary negotiate procedures, subject to agreement, beyond minimum statutory and professional duties;
- 3.1.4.5 agree to the timing and nature of reports from the external auditors;
- 3.1.4.6 consider any problems identified in going concern statement or statement of internal control;
- 3.1.4.7 make suggestions as to problem areas that the audit can address;
- 3.1.4.8 consider any accounting treatments, significant unusual transactions, or accounting judgments, that could be contentious;
- 3.1.4.9 identify key matters arising in the current year's management letter and satisfy itself that these are being properly followed up;
- 3.1.4.10 consider whether or not any significant ventures, investments or operations are or should be subject to external audit;
- 3.1.4.11 review the overall audit role, explore objectives, minimise duplication, discuss implications of new auditing standards and ensure that the external audit fee will sustain a proper audit and provide value for money;
- 3.1.4.12 obtain assurance from the external auditors that adequate accounting records are being maintained;
- 3.1.4.13 determine the nature and extent of any non-audit services which the auditor may provide to the company;
- 3.1.4.14 pre-approve any proposed contract with the auditor for the provision of non-audit services which the auditor may provide to the company;
- 3.1.4.15 insert in the financial statements a report describing how the Committee carried out its functions and that it is satisfied that the auditor was independent of the company;

3.1.4.16 perform the functions of the Audit Committee, where required, on behalf of subsidiaries; and

3.1.4.17 perform other functions determined by the Board.

3.2 Financial statements

The Committee will examine and review the annual financial statements, the interim and provisional results announcements, the accompanying reports to shareholders and any other announcement regarding the company's results or other financial information to be made public, prior to submission and approval by the Board, focusing particularly on:

- 3.2.1 the implementation of new systems;
- 3.2.2 tax and litigation matters involving uncertainty;
- 3.2.3 any changes in accounting policies and practices;
- 3.2.4 major judgmental areas;
- 3.2.5 significant adjustments resulting from the audit;
- 3.2.6 the basis on which the company has been determined a going concern;
- 3.2.7 capital adequacy;
- 3.2.8 internal control;
- 3.2.9 compliance with accounting standards, local and international compliance with stock exchange and legal requirements;
- 3.2.10 major adjustments processed at year end;
- 3.2.11 compliance with the financial conditions of loan covenants; and
- 3.2.12 reviewing special documents such as prospectuses as and when prepared.

3.3 Risks

The Committee will:

- 3.3.1 monitor external developments relating to corporate accountability, including but not limited to emerging and prospective risks;
- 3.3.2 assist with the disclosure reporting in annual report;
- 3.3.3 evaluate, at least once in every two years, the performance of the Committee by way of a self-evaluation, as part of the Board's review of the Committee's performance and effectiveness; and

3.4 Ethics

3.4.1 Although the overriding ethical review of the company, as a whole, will be managed within the scope of the Social and Ethics committee, this Committee will be responsible for:

3.4.1.1 monitoring the overall ethical conduct of the company, its executives and senior officials;

3.4.1.2 reviewing any statements on ethical standards or requirements for the company and assisting in developing such standards and requirements;

3.4.1.3 compliance with the requirements of the articles of association;

3.4.1.4 compliance with the law and regulations of any other applicable statute and of controlling bodies; and

3.4.1.5 environmental and social risks/issues.

3.5 The Committee will also give recommendations on any potential conflict of interest or questionable situations of a material nature.

4. **Reporting and accountability**

4.1 The chairperson of the Committee shall report to the Board on the Committee's activities and make recommendations to the Board concerning the adoption of the annual and interim financial statements and any other matters arising from the above responsibilities.

4.2 The chairperson (or, in his/her absence, an alternate member) of the Committee shall attend the annual general meeting to answer questions concerning matters falling within the ambit of the Committee.

5. **Activities of the Committee**

5.1 In discharging its responsibilities, the Committee will:

5.1.1 Financial statements

5.1.1.1 review the quality and adequacy of financial information, interim, provisional and financial statements and other public and regulatory reporting;

5.1.1.2 review the annual report and accounts taken as a whole, to ensure they present a balanced and understandable assessment of the financial position, performance and prospects of the company; and

5.1.1.3 review such significant transactions not directly related to the company's normal business as the Committee may deem appropriate.

5.1.2 Internal control

- 5.1.2.1 review the company's statement and policy on internal control systems prior to endorsement by the Board, and in particular to review:
 - 5.1.2.1.1 the procedures for identifying business risks and controlling their impact on the company;
 - 5.1.2.1.2 the company's policies for preventing or detecting fraud;
 - 5.1.2.1.3 the company's policies for ensuring that the company complies with relevant regulatory and legal requirements;
 - 5.1.2.1.4 the operational effectiveness of these policies and procedures;
- 5.1.2.2 consider whether or not the objectives, organisation, staffing plans, financial budgets and audit plans provide adequate support to enable the Committee to meet its objectives;
- 5.1.2.3 review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the company;
- 5.1.2.4 review the controls over significant risks; and
- 5.1.2.5 consider other relevant matters referred to it by the Board.
- 5.1.2.6 Receive and review the quarterly internal audit control document where all variances, issues and concerns are reported to the committee. This internal audit report will also be reviewed and verified by the external auditors as part of the audit process.

5.2 The Committee, in carrying out its duties, will have due regard for the principles of governance and code of best practice as contained in the King IV Report on Corporate Governance for South Africa.

6. Meetings

- 6.1 Meetings of the Committee will be held as frequently as the Committee considers appropriate, but it will meet not less than twice a year. The Board or any member thereof, including members of the Committee and the external auditors, may call further meetings;
- 6.2 The designated auditor must meet with the Committee not more than one month before the Board of directors meets to approve the financial statements of the company for any financial year;
- 6.3 Reasonable notice of meetings and the business to be conducted thereat shall be given to the members of the Committee, the chairperson of the Board, the chief executive and executives and managers responsible for finance to make proposals as necessary;
- 6.4 The quorum for decisions of the Committee shall be any two members of the Committee present throughout the meeting of the Committee, whether in person or via telephone or video conference link;

- 6.5 Decisions of the Committee shall be carried by vote of the majority of members present at meetings, and in the event of a voting deadlock the matter/resolution at issue shall be referred to the Board for a decision;
- 6.6 The financial manager and the appointed individual auditor in charge of the external audit shall attend at least one of the Committee's meetings per annum and shall have unrestricted access to the chairperson or any other member of the Committee as is required in relation to any matter falling within the remit of the Committee. The reciprocal arrangement will also be valid from the finance manager and internal audit team to the committee and the chairman of the audit committee;
- 6.7 The chairperson, at his/her discretion, may invite other executives and directors to attend and to be heard at meetings of the Committee;
- 6.8 No attendee not being a member of the Committee shall have a vote at meetings of the Committee; and
- 6.9 The minutes of all meetings of the Committee, or summaries thereof, shall be submitted or presented to the Board at the immediate following Board meeting and the agenda for each such Board meeting shall provide an opportunity for the chairperson of the Committee to report orally or in writing or otherwise on any matters of importance as well as on the Committee's findings and recommended actions.

7. Proceedings

- 7.1 Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the company's articles of association regulating the meetings and proceedings of directors and Committees; and
- 7.2 The chairperson of the Committee will ensure that minutes are taken at all meetings. These shall be reviewed and approved by the members of the Committee.

8. Authority of the Committee and resources available to it

The Committee, in carrying out its tasks under these terms of reference:

- 8.1 is authorised to investigate any activity within its terms of reference;
- 8.2 may require other employees of the company to attend meetings or parts of meetings;
- 8.3 may consult with and seek any information it requires from any employee and all employees shall be required to co-operate with any request made by the Committee in the course of its duties; and
- 8.4 shall at least once a year meet with the external auditors without any executive member of the Board in attendance.

9. Remuneration

- 9.1 Having regard to the functions performed by the members of the Committee in addition to their functions as directors and in relation to the activities of the Committee and pursuant to the specific power conferred upon the Board by the articles of association of the company, members of the

Committee may be paid such special remuneration in respect of their appointment as may be fixed by the Board from time to time.

- 9.2 The chairperson of the Committee may, in addition to his or her remuneration as a member, receive a further sum as may be determined by the Board from time to time.

10. General

- 10.1 The Board shall ensure that the Committee will have access to professional advice both inside and outside the company in order for it to perform its duties. The Committee may obtain such outside or other independent professional advice as it considers necessary to carry out its duties, at the expense of the company.
- 10.2 The Committee may, in carrying out its responsibilities in accordance with these terms of reference, obtain the views of the Managing Director of the company.
- 10.3 These terms of reference may be amended as required, subject to the approval of the Board.

8th December, 2017