



PETROPAVLOVSK PLC

Audit Committee

TERMS OF REFERENCE

1. Purpose

In order to assist the Board in discharging its duty to ensure that the financial statements presented by the Company to its shareholders conform with all legal requirements and that the Group's system of financial controls are adequate, the Committee shall keep such matters under review and shall from time to time make appropriate recommendations to the Board.

2. Membership

- 2.1 The Committee shall be appointed by the Board on the recommendation of the Company's Nomination Committee in consultation with the Chairman of the Audit Committee and shall be made up of at least two members, each of whom shall be independent non-executive directors of the Company and at least one member shall have recent and relevant financial experience.
- 2.2 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent.
- 2.3 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 2.4 Only members of the Committee shall have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, the Chief Executive, Chief Financial Officer, Head of Internal Audit and representatives from the Group Finance function may be invited to attend all or part of any meeting as and when appropriate.

The external auditor will be invited to attend the meetings of the Committee on a regular basis. At least on one occasion in each financial year, the Committee shall meet with the external auditor without any executive directors present.

3. Secretary

- 3.1 The Company Secretary or their nominee shall act as the secretary of the Committee. Minutes shall be taken of all meetings of the Committee, copies of which shall be circulated to all members of the Board.



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4. Quorum

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

5. Frequency of Meetings

- 5.1 Meetings of the Committee shall be held not less than four times a year at appropriate times in the reporting and audit cycle and otherwise as any member of the Committee may require.
- 5.2 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the Head of Internal Audit.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the external or internal auditors if they consider it necessary.
- 6.2 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 of the Company, no fewer than five working days prior to the date of the meeting.

7. Minutes of Meetings

- 7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

8. Annual General Meeting

- 8.1 The Chairman of the Committee (or in his absence another member of the Audit Committee) shall attend the Company's Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.



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9. Duties

9.1 Financial Reporting

9.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-year reports, annual results' announcements, dividend proposals and any other formal announcement relating to its financial performance before submission to the Board.

9.1.2 The Committee shall review and challenge where necessary:

- a) the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company and the Group;
- b) the methods used to account for significant or unusual transactions where different approaches are possible;
- c) whether the Group has followed appropriate accounting standards, and made appropriate estimates and judgements, taking into account the views of the external auditor;
- d) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- e) all material information presented with the financial statements, such as the business review and the corporate governance statements in so far as they relate to the audit and financial risk management; and
- f) the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Company and the Group looking forward over an appropriate and justified period.

9.1.3 Where the Committee is not satisfied with any aspect of the proposed reporting by the Company, it shall report its views to the Board.

9.2 Narrative Reporting

Where requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and



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understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

9.3 Internal Controls

The Committee shall:

- 9.3.1 keep under review the effectiveness of the Group's financial internal controls systems;
- 9.3.2 review financial and tax risks and report any identified issues to the Board on a regular basis;
- 9.3.3 in conjunction with the Board ensure that key risk areas identified are incorporated into the Internal Audit plan; and
- 9.3.5 review and approve the statements to be included in the Annual Report concerning internal controls prior to endorsement by the Board.

9.4 On-going viability

Where requested by the Board, provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary.

9.5 Speak-up Policy

The Committee shall review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. These arrangements have been developed and are monitored by the Executive Committee. The Chairman of the Executive Committee will report formally to the Committee on an annual basis and will alert the Committee and the Board immediately in the event that any significant issues of concern arise. The Committee, with the assistance of the Executive Committee, shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up and action.

9.6 Internal Audit

The Committee shall:

- 9.6.1 monitor and review the effectiveness of the Group Internal Audit function in the context of the Company's overall risk management system;



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- 9.6.2 approve the appointment and removal of the Head of Internal Audit;
- 9.6.3 review and approve the remit of Internal Audit and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 9.6.4 review and assess the annual plan of proposed activities for the Group prepared by the Head of Internal Audit ensuring co-ordination between the Internal Audit function and the External Auditor;
- 9.6.5 review promptly all reports from Internal Audit;
- 9.6.6 review and monitor management's responsiveness to the findings and recommendations of Internal Audit; and
- 9.6.7 ensure that the Head of Internal Audit is given direct access to the Chairman of the Board and to the Committee Chairman and is accountable to the Committee.

9.7 External Audit

The Committee shall:

- 9.7.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting if so required, in relation to the appointment, re-appointment and removal of the External Auditor of the Company.
- 9.7.2 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 in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- 9.7.3 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 9.7.4 oversee the relationship with the External Auditor including (but not limited to):
 - a) approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;



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- c) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the External Auditor as a whole, including provision of any non-audit services;
 - d) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the External Auditor and the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - e) monitoring the Auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements; and
 - f) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - g) seeking to ensure co-ordination with the activities of the internal audit function; and
 - h) evaluating the risks to the quality and effectiveness of the financial reporting process and considering whether this should include an assessment of the risk of the Company's external audit firm withdrawing the provision of their audit services from the market.
- 9.7.5 meet regularly with the external auditor, including after the audit at the reporting stages and at interim. The Committee shall meet the External Auditors at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- 9.7.6 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- 9.7.7 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- a) a discussion of any major issues which arose during the audit;
 - b) key accounting and audit judgements;
 - c) levels of audit adjustments identified during the audit; and
 - d) the effectiveness of the audit process.



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- 9.7.8 review any representation letter(s) requested by the External Auditor before they are signed by management;
- 9.7.9 review the management letter and management's response to the External Auditor's findings and recommendations.; and
- 9.7.10 review the supply of non audit services by the External Auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

9.8 Reporting Responsibilities

- 9.8.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
 - a) the significant issues that it considered in relation to the financial statements (required under paragraph 9.1.1) and how these were addressed;
 - b) its assessment of the effectiveness of the external audit process (required under paragraph 9.5.4e) and its recommendation on the appointment or reappointment of the external auditor; and
 - c) any other issues on which the Board has requested the Committee's opinion.
- 9.8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.8.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation on 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 were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the Code.
- 9.8.4 In the compiling of the reports referred to in 9.7.1 and 9.7.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern.

9.9 Other matters

The Committee shall:



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- 9.9.1 have access to sufficient resources in order to carry out its duties;
- 9.9.2 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;
- 9.9.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 9.9.4 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort to the extent applicable;
- 9.9.5 work and liaise as necessary with all other Board Committees;
- 9.9.6 at least once a year, review its own performance, 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; and
- 9.9.7 ensure that these Terms of Reference shall be supplied to the External Auditor.

10. Authority

The Committee is authorised:

- 10.1 to seek any information it requires from any employee in order to perform its duties;
- 10.2 to obtain, at the Group's expense, outside legal or other professional advice on any matter within its terms of reference;
- 10.3 In the event that any director of the Company or any of its subsidiaries shall indicate to the Committee that he requires, or has obtained, independent legal or other professional advice in relation to his duties as such director, the Committee may authorise the obtaining at the Company's expense of such advice by such director on such terms as the Committee may think fit.
- 10.4 The Committee shall inform the Chairman of the Board or the Chief Financial Officer of any expenses of the kind referred to in paragraphs 10.2 and 10.3 above which it has incurred or approved as soon as it is appropriate in the particular circumstances for the Committee to do so.

Approved and adopted by the Board on 1 February 2016