



**AUDIT COMMITTEE TERMS OF REFERENCE FOR
HAYDALE GRAPHENE INDUSTRIES PLC
(THE "COMPANY")**

The following terms of reference were approved and adopted by Company's board in April 2014 known as the Audit Committee (Committee)

1. Constitution

The committee has been established by a resolution of the board of directors of the Company (the "Board") and is to be known as the Audit Committee (the "Committee").

2. Membership

The members of the Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than two members. Where possible a majority of the members of the Committee shall be independent non-executive directors of the Company. A quorum shall be two members.

3. Attendance at meetings

3.1 The financial director (where he is not already a member of the Committee) and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance.

3.2 The Committee may at each meeting appoint one of their number to be the secretary of the Committee.

4. Frequency of meetings

4.1 Meetings shall be held at least twice a year. The external auditors may request a meeting if they consider that one is necessary.

4.2 Any member of the Committee or a member of the Board may call meeting of the Committee by giving no fewer than 14 days' notice of the meeting to the members of the Committee, or fewer if all members agree.

4.3 Notice of any meeting of the Committee must indicate:

- (a) its proposed date and time;
- (b) where it is to take place; and
- (c) if it is anticipated that members of the Committee participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

4.4 Notice of a meeting of the Committee must be given to each Committee member, but need not be in writing.

5. Authority



- 5.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It shall have unrestricted access to the auditors, is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 5.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

6. Duties

The duties of the Committee are to:

- (a) consider the appointment and terms of engagement of the external auditors, the auditors' remuneration and any question of resignation or dismissal of the auditors and to make recommendations to the Board on the same;
- (b) discuss with the auditors before the audit starts the nature and scope of the audit and ensure co-ordination where more than one firm of auditors is involved;
- (c) keep under review the scope and results of the audit and its cost effectiveness;
- (d) keep under review the independence and objectivity of the auditors and the effectiveness of the audit process, taking into consideration relevant United Kingdom professional and regulatory requirements;
- (e) keep under review the nature and extent of non-audit services supplied by the auditors (where they supply a substantial volume of such services to the Company), seeking to balance the maintenance of objectivity and value for money;
- (f) develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditors; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (g) review the half-year financial statements and annual accounts and reports to shareholders and any other public announcement concerning the Company's financial position which has not previously been reviewed by the Board or a committee of the Board before submission to the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) any important areas where judgment must be exercised;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption;
 - (v) compliance with accounting standards; and
 - (vi) compliance with stock exchange and legal requirements;



-
- (h) discuss problems and reservations arising from audits and any matters the auditors may wish to discuss (in the absence of executive directors, where necessary);
 - (i) to submit the documents referred to in paragraph 6(g) to the Board for its approval and to determine what information should be brought to the Board's attention in connection with that submission;
 - (j) to review the external auditors' management letter and response;
 - (k) to review the effectiveness of the Company's internal control system and to review any statement on internal control to be included in the directors' report before submission to the Board for its approval;
 - (l) to review the internal audit programme (or where there is no internal audit function, consider annually whether there is a need for an internal audit function and make recommendations to the Board), ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;
 - (m) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters with appropriate follow-up action;
 - (n) to consider the major findings of internal investigations and management's response;
 - (o) to maintain and review regularly the Company's risk register and to share the register and any material updates thereto with the Board without delay; and
 - (p) to consider other topics, as requested by the Board.

7. Reporting procedures

The secretary of the Committee shall circulate the minutes of meetings of the Committee to all members of the Board.