

Savannah Energy PLC (the 'Company')
(formerly Savannah Petroleum PLC)

Audit and Risk Committee

Terms of Reference

Reviewed and approved by the Board on 18 September 2018

1. Constitution

The Audit and Risk Committee (the '**Committee**') was constituted as a Committee of the Board of Savannah Energy PLC in accordance with the articles of association of the Company at a full meeting of the Board of Directors held on 12 July 2014.

2. Duties of the Committee

Financial and Narrative Reporting

- 2.1. The Committee shall monitor the integrity of the financial statements of the Company and its subsidiaries (the '**Group**'), including its annual and half yearly reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain, having regard to the matters communicated by the external auditor.
- 2.2. The Committee shall review and challenge where necessary:
 - 2.2.1. the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Group;
 - 2.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;
 - 2.2.3. whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 2.2.4. the clarity of disclosure in the company's financial reports and the context in which statements are made; and
 - 2.2.5. all material information presented with the financial statements, such as the business review/operating and financial review and any corporate governance statement (insofar as it relates to the audit and risk management and the report by the Audit and Risk Committee).
- 2.3. If the Committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the Board of Directors.
- 2.4. 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.

Internal Control and Risk Management

- 2.5. The Committee shall:
- 2.5.1. keep under review the adequacy and effectiveness of the company's internal financial controls and internal control and risk management policies and systems;
 - 2.5.2. review the Group's processes and procedures for ensuring that material risks are properly identified, assessed, managed and reported and that appropriate systems of monitoring and control are in place; and
 - 2.5.3. review and approve the statements to be included in the Company's annual report concerning internal controls and risk management.

Fraud and Internal Audit

- 2.6. oversee the development and implementation of, and compliance with, a strategy and framework of policies, procedures, systems and controls to identify, assess, manage and report on compliance matters relating to:
- 2.6.1. The prevention and detection of financial and non-financial fraud; and
 - 2.6.2. The prevention of tax evasion and the facilitation of tax evasion.
- 2.7. The Committee shall review annually whether and in what form the Company will have an internal audit function and make an appropriate recommendation to the Board

External audit

- 2.8. The Committee shall:
- 2.8.1. 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. If the external auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
 - 2.8.2. 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 oversee the selection process and further ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process. The Committee shall also ensure that the Group complies with any statutory requirements regarding the mandatory rotation of auditors;
 - 2.8.3. oversee co-ordinate the activities of and the relationship with the external auditor including (but not limited to):
 - (i) negotiating and agreeing their terms of engagement and remuneration, considering at least annually the fees for audit and all non-audit services and ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary

course of business) which could adversely affect the auditor's independence and objectivity;

- (v) agreeing with the Board a policy on the employment of former employees of the company's auditor, and monitoring the implementation of and compliance with this policy;
 - (vi) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements;
 - (vii) 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;
 - (viii) seeking to ensure co-ordination with the activities of the internal audit function (if any); and
 - (ix) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market on that evaluation.
- 2.9. Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without the Chief Executive Officer, Chief Financial Officer or other management being present, to discuss their remit and any issues arising from the audit.
- 2.10. 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.
- 2.11. Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- 2.11.1. a discussion of any major issues which arose during the audit;
 - 2.11.2. key accounting and audit judgements;
 - 2.11.3. levels of errors identified during the audit; and
 - 2.11.4. the effectiveness of the audit.
- 2.12. Review any representation letter(s) requested by the external auditor before they are signed by management.
- 2.13. Review the management letter and management's response to the auditor's findings and recommendations.
- 2.14. Develop, implement and oversee a policy on the supply of non-audit services to the Group by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

Reporting responsibilities

- 2.15. The Chairman of the Committee shall report formally 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. The report shall include:
- 2.15.1. the significant issues that it had considered in relation to the financial statements and how these were addressed;

- 2.15.2. the assessment of the effectiveness of the external audit process and its recommendations on the appointment/reappointment of the external auditor.
- 2.16. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 2.17. The Committee shall compile a report to shareholders on its activities to be included in the company's annual report. The report shall include an explanation of 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 issues were addressed, having regard to matters communicated to it by the external auditor, and all other information requirements under the UK Corporate Governance Code that the Group chooses to disclose, having regard to its size and stage of development.

Other

- 2.18. The Committee shall:
 - 2.18.1. keep itself informed of any investigation of activities which are within its terms of reference and oversee such investigation when appropriate and review the findings;
- 2.19. make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
 - 2.19.1. consider such other matters as may be requested by the Board of Directors, working and liaising as necessary with all other Board Committees; and
 - 2.19.2. where there is an overlap of responsibilities between the Audit and Risk Committee, the Health, Safety, Security and Environment Committee and the Compliance Committee, the respective committee chairs shall have the discretion to agree the most appropriate committee to fulfil any obligation;
 - 2.19.3. give due consideration to applicable laws and regulations and good governance, including the general duties of directors set out in the Companies Act 2006, the provisions of the UK Corporate Governance Code, and the requirements of the London Stock Exchange's rules for AIM Companies as appropriate;
 - 2.19.4. 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.

3. Membership

- 3.1. The Board of Directors shall appoint the Committee Chairman who shall be an independent non-executive director (but not the Chairman of the Company). In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
- 3.2. The members of the Committee shall be appointed by the Board of Directors, in consultation with the Chairman of the Committee. All of the members of the Committee should be independent non-executive Directors.
- 3.3. The Committee shall have at least two members. At least one member should have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Group operates. The Chairman of the Board may be a member of the Committee, provided that he or she was considered independent on appointment as chairman.

- 3.4. It has been agreed that the members of the Committee will be Sir Stephen O'Brien, Michael Wachtel and the Committee shall be chaired by Mark Iannotti.
- 3.5. Only members of the Committee have the right to attend and vote at Committee meetings. Other Directors, individuals and representatives may be invited to attend all or part of any meeting as and when appropriate.
- 3.6. Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two additional periods of up to three years, provided the members continue to remain independent.
- 3.7. If a regular member of the Committee is unable to act due to absence, illness or any other cause, the Committee Chairman or in his absence the Board, may appoint another Director to serve as an alternate member provided that all of the members of the Committee are independent non-executive Directors.

4. Committee Meetings

Quorum

- 4.1. The quorum necessary for the transaction of business will be at least two members of the Committee. Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.
- 4.2. A duly convened meeting of the Committee 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.

Voting Arrangements

- 4.3. Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 4.4. If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 4.5. Save where he has a personal interest, the Chairman of the Committee will have a casting vote.

Frequency of meetings

- 4.6. The Committee will meet at least three times a year at appropriate intervals in the financial reporting and audit cycle. The Committee may meet at other times during the year as agreed between the members of the Committee or as required.
- 4.7. 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, Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and head of internal audit (if any).

Secretary

- 4.8. The Company Secretary or his or her nominee shall be the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to all issues.

Notice of Meetings

- 4.9. 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 auditors if they consider it necessary.
- 4.10. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than five working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee and to other attendees (as appropriate) at the same time.

Minutes

- 4.11. The proceedings and resolutions of meetings of the Committee, including the names of those present and in attendance, shall be minuted.
- 4.12. Draft minutes of each meeting will be circulated promptly to all members of the Committee. Once approved, the minutes of each meeting will be circulated to all other members of the Board of Directors unless it would be inappropriate to do so in the opinion of the Committee Chairman.

5. Authority

- 5.1. The Committee is authorised by the Board of Directors to:
 - 5.1.1. examine any activity within its terms of reference;
 - 5.1.2. have unrestricted access to the Company's external auditors;
 - 5.1.3. seek any information it requires from any Director of the Company, any employee of the Group or consultant or other provider of services to the Group, in order to perform its duties and all such persons or firms will be directed to co-operate with any request made by the Committee.
 - 5.1.4. call any employee to be questioned at a meeting of the Committee as and when required; and
 - 5.1.5. obtain, at the Company's expense, professional advice on any matter within its terms of reference provided that the Committee will have due regard to their fiduciary duty to the Company and will only incur such costs as are reasonable in the circumstances.

6. General Matters

- 6.1. The Chairman of the Committee should make himself or herself available at each Annual General Meeting of the Company to answer questions concerning the Committee's work.
- 6.2. The Committee shall:
 - 6.2.1. have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
 - 6.2.2. 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;