

## FIRESTONE DIAMONDS PLC

(the *Company*)

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Approved by the Board of the Company on 17 July 2012

#### 1. **Membership**

- 1.1 The members of the Audit Committee (the *Committee*) shall be appointed by the Board of Directors (the *Board*). The Committee shall consist of at least two members. All of the members of the Committee shall be non-executive directors.
- 1.2 The Board shall appoint the Committee Chairman who shall be a non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their numbers to chair the meeting.

#### 2. **The Secretary**

- 2.1 The Company Secretary or their nominee shall act as the Secretary of the Committee.

#### 3. **Quorum**

- 3.1 The quorum necessary for the transaction of business shall be any two members present throughout the meeting.

#### 4. **Frequency of Meetings**

- 4.1 The Committee shall meet at least two a year and at such other times as the Chairman of the Committee shall require.

#### 5. **Attendance at Meetings**

- 5.1 No one other than the Committee Chairman and members are entitled to attend and vote at a meeting of the Audit Committee
- 5.2 However, other individuals such as the Chairman of the Company, Finance Director, other Directors, senior management and external advisers may be invited to attend by the Committee Chairman for all or part of the meeting as and when appropriate. The Company's external auditors will be required to attend meetings as and when necessary.

## **6. Notice of Meetings**

- 6.1 Notice of meetings may be given in writing, by email or verbally by the Secretary or their nominee at the request of any of its members.
- 6.2 Unless otherwise agreed, notice of each meeting together with an agenda of the matters to be discussed at the meeting and supporting papers shall be forwarded to each member and any other person required to attend in advance of the meeting.

## **7. Minutes of Meetings**

- 7.1 The Secretary or their nominee shall minute the proceedings and resolutions of all Committee meetings.
- 7.2 Minutes of the Committee meetings shall be circulated promptly to all members of the committee and the Chairman of the Board.

## **8. Annual General Meeting**

- 8.1 The Chairman of the Committee shall attend the annual general meeting of the Company prepared to respond to any shareholder questions on the Committee's activities.

## **8. Duties**

- 8.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half year reports, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- 8.2 The Committee shall review and challenge where necessary:
  - (a) any changes to, and consistency of, accounting policies;
  - (b) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - (d) the going concern assumption; and
  - (e) all material information presented with the financial statements, such as the business review and any corporate governance statement (insofar as it relates to the audit and risk management).
- 8.3 The Committee shall:
  - (a) keep under review the effectiveness of the Company's internal controls and risk management systems; and

- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management.
- 8.4 The Committee shall regularly assess the need for an internal audit function, and where it determines that an internal audit function is required within the Company ensure that it has appropriate status and resources in order to function effectively.
- 8.5 The Committee shall:
  - 8.5.1 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. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
  - 8.5.2 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 adequate 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;
    - (c) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- 8.6 The Committee shall meet the external auditor at least once a year without management being present, to discuss their remit and any issues arising from the audit as appropriate.
- 8.7 Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- 8.8 Review the findings of the audit with the external auditor.
- 8.9 Review any representation letter(s) requested by the external auditor before they are signed by management.
- 8.10 Review the management letter and management's response to the auditor's findings and recommendations.
- 8.11 The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.12 The Committee shall give due consideration to applicable laws and regulations, the provisions of the UK Corporate Governance Code, the QCA Corporate Governance Guidelines for AIM companies and the requirements of the London Stock Exchange's rules for AIM companies as appropriate;

**9. Reporting**

9.1 The Chairman of the Committee will report to the Board on the proceedings of the Committee at the Board meeting next following a meeting of the Committee.

9.2 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.

**10. Authority**

10.1 The Committee is authorised by the Board to examine any activity within its terms of reference and is authorised to have unrestricted access to the Company's external auditors and to obtain, at the Company's expense, professional advice on any matter within its terms of reference.

10.2 The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee.

**11. Other**

11.1 The Committee shall, have access to sufficient resources in order to carry out its duties.