

**Audit Committee Terms of Reference for
HAYDALE GRAPHENE INDUSTRIES PLC
(The “Company”)**

1. Introduction

- 1.1 The following terms of reference for the Audit Committee (the “Committee”) were approved and adopted by the Company’s board of Directors (“Board”) in April 2014 and amended and adopted by the board on 28 September 2021 and 30 October 2023.

2. Membership

- 2.1 Members of the Committee (“Members”) shall be appointed by the Board on the recommendation of the nomination committee in consultation with the chair of the Committee (“Chair”). Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided Members continue to be independent.
- 2.2 The Committee shall consist of not less than two Members, all of whom shall be independent non-executive directors of the Company. At least one Member shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 2.3 Only Members have the right to attend Committee meetings (“Meetings”). However, the Finance Director/Chief Financial Officer and external audit lead partner will be invited to attend Meetings on a regular basis and other individuals may be invited to attend all or part of any Meeting, as and when appropriate.
- 2.4 The Board shall appoint the Chair. In the absence of the Chair and/or an appointed deputy at a Meeting, the remaining Members present shall elect one of themselves to be Chair.

3. Secretary

- 3.1 The Company Secretary, or their nominee, shall act as the secretary of the Committee (“Secretary”). Alternatively, the Committee may, at each Meeting, appoint one of their number to be the Secretary.

4. Quorum

- 4.1 A quorum for a meeting of the Committee (“Meeting”) shall be two members.

5. Frequency of meetings

- 5.1 Meetings shall be held at least three times a year at appropriate intervals in the Company’s financial reporting and audit cycle, and otherwise as required.

6. Notice of Meetings

- 6.1 Meetings shall be called by the Chair or the Secretary, at the request of any of its members, or at the request of the Company’s external audit lead partner.
- 6.2 Unless otherwise agreed, notice of each Meeting confirming its venue (including how it is proposed that they should communicate with each other during the Meeting, if it is anticipated that Members participating in the Meeting will not be in the same place), time and date, together

with an agenda of items to be discussed, 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. Supporting papers shall be sent to Members and to other attendees, as appropriate, at the same time.

7. Minutes of Meetings

7.1 The Secretary shall minute the proceedings and decisions of all Meetings, including recording the names of those present and in attendance.

7.2 Draft minutes of Meetings shall be circulated to all Members. Once approved by the Members, minutes should be circulated to all other members of the Board and the Company Secretary unless, under exceptional circumstances, it would be inappropriate to do so.

8. Engagement with shareholders

8.1 The Chair should attend the Company's annual general meeting ("AGM") to answer any shareholder questions on the Committee's activities.

9. Duties

9.1 The Committee should have oversight of the group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company and the group as whole, as appropriate:

9.2 Financial Reporting

9.2.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain, having regard to matters communicated to it by the auditor.

9.2.2 In particular, the Committee shall review and challenge where necessary:

9.2.2.1 the application of significant accounting policies and any changes to them;

9.2.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

9.2.2.3 whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;

9.2.2.4 the clarity and completeness of disclosures in the financial statements and the context in which statements are made; and

9.2.2.5 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

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

9.2.4 The Committee shall review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks.

9.3 Internal controls and risk management systems

9.3.1 The Committee shall:

- 9.3.1.1 keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- 9.3.1.2 consider annually whether there should be an internal audit function and make a recommendation to the Board accordingly;
- 9.3.1.3 monitor and review the effectiveness of the Company's risk management and internal control systems, including reviewing regularly the Company's risk register;
- 9.3.1.4 review the Company's procedures to manage or mitigate principal risks and to identify emerging risks, to assist in the Board's assessment of principal and emerging risks;
- 9.3.1.5 evaluate the Company's principal risks, to be taken into account by the Board when assessing the Company's prospects.

9.3.2 The Committee shall oversee and seek suitable assurance regarding:

- 9.3.2.1 the adequacy and effectiveness of the Company's processes and procedures to identify and manage risk and the internal control framework, including the design, implementation and effectiveness of those systems.
the appropriateness of the Company's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the Company.

9.4 Compliance, speaking-up and fraud

9.4.1 The Committee shall:

- 9.4.1.1 review the adequacy and security of the arrangements for the group's employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;
- 9.4.1.2 review the Company's procedures for whistleblowing and detecting fraud
- 9.4.1.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

9.5 Risk appetite, tolerance and strategy

- 9.5.1 The Committee shall review and assess the Company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take in order to achieve its long-term strategic objectives.
- 9.5.2 The Committee should seek assurance on the risks the Company identifies as those to which the business may be exposed.
- 9.5.3 Advise the Board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on implications for the risk appetite, tolerance and strategy of the Company, and taking independent external advice where appropriate and available.

9.6 External audit

- 9.6.1 The Committee shall:
- 9.6.1.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor.
 - 9.6.1.2 develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
 - 9.6.1.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
 - 9.6.1.4 oversee the relationship with the external auditor. In this context the committee shall approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 9.6.1.5 approve their remuneration, including both fees for audit and non-audit services;
 - 9.6.1.6 assess annually the external auditor's independence and objectivity and the group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats, including the provision of any non-audit services;
 - 9.6.1.7 assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - 9.6.1.8 develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee.
 - 9.6.1.9 meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present; and
 - 9.6.1.10 discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement.
- 9.6.2 The Committee shall review the findings of the audit with the external auditor. This shall include but not be limited to:
- 9.6.2.1 a discussion of any major issues which arose during the audit;
 - 9.6.2.2 The auditor's explanation of how the risks to audit quality were addressed;
 - 9.6.2.3 key accounting and audit judgements;
 - 9.6.2.4 the auditor's view of their interactions with senior management;
 - 9.6.2.5 levels of errors identified during the audit;
 - 9.6.2.6 review any representation letter(s) requested by the external auditor before it is (they are) signed by management; and
 - 9.6.2.7 review the management letter and management's response to the auditor's findings and recommendations.

10. Reporting responsibilities

- 10.1 The Chair 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.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed; and
- 10.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should describe the work of the audit committee, including:
- 10.3.1 an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor;
 - 10.3.2 information on the length of tenure of the current audit firm; and
 - 10.3.3 when a tender was last conducted and advance notice of any retendering plans.

11. Other Matters

- 11.1 The committee shall give due consideration to all relevant laws and regulations, the provisions of the QCA Corporate Governance Code and published guidance, the requirements of the AIM Rules for Companies and any other applicable rules, as appropriate.
- 11.2 The Committee shall oversee any investigation of activities which are within its terms of reference.
- 11.3 The Committee shall ensure that a periodic evaluation of the Committee's performance is carried out.
- 11.4 The Committee shall, 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.

12. Authority

- 12.1 The Committee is authorised to:
- 12.1.1 request the attendance of any group employee at a Meeting and/or seek any information it requires from any employee of the group in order to perform its duties;
 - 12.1.2 Delegate any matter or matters to another committee of the Board or person(s) as it deems appropriate; and
 - 12.1.3 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so.