



Petro Matad Limited Audit Committee

The Audit Committee meets at least three times a year and has an agenda linked to events in the Group's financial calendar, including a review of the Company's annual and half yearly results, the review of the internal controls of the Group and ensuring that the financial performance of the Group is properly reported and monitored. The Audit Committee is responsible, inter alia, for:

- (a) considering the appointment of the auditors of the Group, their fees, any questions of or relating to their resignation or removal and their objectivity and independence in the conduct of the audit, and reviewing the nature and extent of non-auditing services provided by the auditors, seeking to balance the maintenance of objectivity and value for money;
- (b) discussing with the auditors before the audit commences the nature and scope of the audit and reviewing the audit process;
- (c) monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgments contained in them, including reviewing the half-yearly and annual financial statements before submission to the Board;
- (d) reviewing the Company's internal control systems; and
- (e) considering such other matters as the Board may from time to time refer to it.

The Audit Committee is required to report its findings to the Board and to identify any matters in respect of which it considers that action or improvement is needed.

The detailed duties of the Audit Committee and the authority delegated to them by the Board from the terms of reference of the Committee are extracted and listed as follows:

1 Duties of the Audit Committee

The Committee should carry out the duties below for the Company and all of its subsidiaries and the Group as a whole, as appropriate:

1.1 Financial Reporting

1.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

1.1.2 The Committee shall review and challenge where necessary:

- (a) the consistency of, and changes to, accounting policies both on a year-to-year basis and across the Group;
- (b) the methods used to account for significant or unusual transactions;

- (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 clarity 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 operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);
- (f) review the annual financial statements of the pension funds where not reviewed by the Board as a whole;
- (g) the reporting of related-party transactions;
- (h) the going concern assumption; and
- (i) compliance with stock exchange and other reporting requirements.

1.2 Internal Control and Risk Management Systems

The Committee shall:

- 1.2.1 keep under review the Company's strategy with regard to risk and the effectiveness of the Company's internal financial reporting, internal controls and risk management systems;
- 1.2.2 monitor the management's internal financial reporting and reporting of risk;
- 1.2.3 review and approve any findings and recommendations of the external auditors, internal auditors and/or other parties in relation to internal controls and risk management and monitor progress in implementing any such findings and recommendations;
- 1.2.4 review and approve the statement to be included in the Annual Report concerning internal controls and risk management; and
- 1.2.5 review the Company's insurance arrangements.

1.3 Whistleblowing and fraud

The Committee shall:

- 1.3.1 review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting on other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- 1.3.2 review the Company's procedures for detecting fraud.

1.4 Internal Audit (if applicable)

The Committee shall:

- 1.4.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- 1.4.2 consider and approve the terms of reference of the internal audit function [and the extent to which it should be fulfilled by internal appointments and/or by external consultants];
- 1.4.3 review and approve the annual internal audit plan and budget [and be advised of any delay in implementing the internal audit plan];
- 1.4.4 approve the appointment and removal of any internal appointment of the head of the internal audit function and the terms of any engagement of any external consultants for the purposes of internal audit;

- 1.4.5 ensure that the internal audit function has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards and ensure the function has adequate standing and is free from management or other restrictions;
- 1.4.6 review promptly all reports on the Company from the internal auditors;
- 1.4.7 review and monitor management's response to the findings and recommendations of the internal auditors; and
- 1.4.8 meet the head of internal audit and any external consultants at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board and to the Committee.

1.5 External Audit

- 1.5.1 The Committee shall consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, as regards the appointment and re-appointment of the Company's external auditors, as well as any questions relating to their resignation or removal. 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.
- 1.5.2 The Committee shall 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 the relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - (d) 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);
 - (e) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
 - (f) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - (g) 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; and
 - (h) seeking to ensure co-ordination with the activities of the internal audit function.
- 1.5.3 The Committee shall 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 management being present, to discuss the remit and any issues arising from the audit.
- 1.5.4 The Committee shall review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- 1.5.5 The Committee shall also review the effectiveness of the audit:
- (a) review any representation letter(s) requested by the external auditor before they are signed by management;
 - (b) review the management letter and management's response to the auditor's findings and recommendation;

- (c) develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
- (d) The Committee shall hold timely discussions with the external auditors to review the audit. The review shall include, but not be limited to, the following:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) any accounting and audit judgments;
 - (iii) levels of errors identified during the audit;
 - (iv) [all critical accounting policies and practices;
 - (v) all alternative treatments of financial information within the financial reporting standards, ramifications of the use of such alternative treatments, and the treatment preferred by the external auditors;
 - (vi) other material written communication between the external auditors and management, including, but not limited to, the management letter, schedule of unadjusted differences and management response to the auditor's findings and recommendations; and
 - (vii) any problems or difficulties reported by the external auditors and management's response.

1.6 Reporting Responsibilities

- 1.6.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 1.6.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 1.6.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report.

1.7 Other Matters

The Committee shall:

- 1.7.1 review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoings in financial reporting and other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 1.7.2 have access to sufficient resources in order to carry out its duties, including access to the any officers of the Company for assistance as required;
- 1.7.3 be responsible for co-ordination of the internal and external auditors;
- 1.7.4 oversee any investigation of activities, which are within its terms of reference and act as a court of the last resort;
- 1.7.5 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;
- 1.7.6 give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the London Stock Exchange's AIM Rules for Companies as appropriate;
- 1.7.7 review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements;
- 1.7.8 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

1.7.9 perform any other activities consistent with these Terms of Reference that the Committee or the Board deem appropriate.

2 Authority

The Committee is authorised:

- 2.1 to seek information it requires from any employee of the Company in order to perform its duties and all employees shall be directed to co-operate with any request made by the Committee;
- 2.2 to call any employee to be questioned at a meeting of the Committee as and when required;
- 2.3 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 2.4 to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary; and
- 2.5 to authorise the obtaining at the Company's expense of independent legal or other professional advice by any Director on such terms as the Committee may think fit if a Director of the Company or any of its subsidiaries indicates to the Committee that he requires, independent legal or other professional advice in relation to his duties

Approved by the Board of Directors of the Company on 24th April 2008.