

JAKS RESOURCES BERHAD
Company No. 585648-T

AUDIT COMMITTEE - TERMS OF REFERENCE

1. *Composition of Audit Committee*

The Audit Committee (“the Committee”) shall be appointed by the Board of Directors (“the Board”) from amongst the Directors and shall consist of not less than three members, a majority of whom shall be Independent Non-Executive Directors.

The Board shall, within three (3) months of a vacancy occurring in the Audit committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The members of the Committee shall elect a chairman from among their members who shall be an Independent Non-Executive Director. An alternate Director or Executive Director must not be appointed as a member of the Committee.

2. *Membership*

At least one member of the Committee:-

- Must be a member of the Malaysian Institute of Accountants; or
- If not a member of the Malaysian Institute of Accountants, that member must have at least 3 years’ working experience and; must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or must be a member of one of the associations of the accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
- Must have a degree/masters/doctorate in accounting or finance and at least 3 years’ post qualification in accounting or finance; or
- Must have at least 7 years’ experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
- Fulfills such other requirements as prescribed or approved by the Exchange.

3. *Authority*

The Committee is authorised by the Board to investigate any activity of the Company and its subsidiaries within its terms of reference or otherwise directed by the Board. It shall have:-

- i. The authority to investigate any matter within its terms of reference;

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Terms of Reference for Audit Committee [Cont'd]

- ii. The resources which are required to perform its duties;
- iii. Full and unrestricted access to any information pertaining to the Company
- iv. Direct communication channels with the external auditors and internal auditors;
- v. The right to obtain independent professional or other advice;
- vi. The rights to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the executive members of the committee, other directors and employees of the listed issuer, whenever deemed necessary. The Committee should meet with the external auditors without executive board members present at least twice a year.

The Committee is also authorized 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 and reasonable for the performance of its duties.

4. *Meetings and Minutes*

The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.

In addition to the Committee members, the meetings will normally be attended by the representatives of the departments in the Company and of the external auditors as and when required.

The Committee may invite any person to be in attendance to assist it in its deliberations.

A quorum shall consist of a majority of Independent Non-Executive Directors and shall not be less than two.

The decision of the Audit Committee shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote, provided that where two (2) members form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question in issue, the Chairman shall not have a casting vote.

The Committee shall be reporting to the full Board from time to time its recommendation for consideration and implementation and the actual decision shall be the responsibility of the Board of Director after considering the recommendation of the Committee.

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Terms of Reference for Audit Committee [Cont'd]

The Company Secretary shall act as Secretary of the Committee and shall be responsible for drawing up the agenda with the concurrence of the chairman and circulating it, supported by explanatory documentation to Committee members prior to each meeting.

The Secretary shall also be responsible for recording the proceedings of the Audit Committee and the minutes of meetings tabled at Board meetings.

5. Duties

The duties of the Committee should include the following:

- To consider the appointment of the External Auditor, the audit fee and any questions of resignation or dismissal;
- To discuss with the External Auditor before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Company, focusing particularly on:-
 - Any changes in or implementation of major accounting policies and practices;
 - Significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are address;
 - The going concern assumption;
 - Compliance with accounting standards and other legal requirements;
- To discuss problems and reservations arising from the interim and final audits, and any matter the Auditor may wish to discuss (in the absence of management where necessary)
- To review the External Auditor's management letter and management's response.
- To consider any related party transactions that may arise within the Company or group.
- To consider the major findings of internal investigations and management's response.

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- To do the following in relation to the internal audit function :
 - Identify the head of internal audit
 - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and the necessary authority to carry out its work;
 - Review the internal audit programme and results of the internal audit programme and the results of the internal audit process and where necessary ensure that appropriate actions taken on the commendations of the internal audit function;
 - Review any appraisal or assessment of the performance of members of the internal audit functions;
 - Approve any appointment or termination of senior staff members of the internal audit function;
 - Inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
 - To consider other topics as defined by the Board.