

PHAUNOS TIMBER FUND LIMITED
and its subsidiary companies
(the "Company") - (Registered Number 45564)

Terms of Reference of the Audit Committee

Adopted 11 November 2015

Function

1. The function of the Audit Committee is to ensure that the Company maintains high standards of integrity, financial reporting and internal controls.

Membership

2. The Audit Committee shall be appointed by the Board and shall consist of Sir Henry Studholme, Ian Burns William Vanderfelt and Jane Lewis. A quorum shall be two members. Members of the Committee will have no links with the Company's external auditors
3. The Chairman of the Audit Committee shall be Ian Burns from 12 April 2012. The identity of the Chairman of the Audit Committee will be reviewed on an annual basis by the Chairman of the Company.

Meetings

4. The Audit Committee shall meet at least twice a year when the Company's interim and final reports to shareholders are to be considered by the Board and, where possible, shall precede such a Board meeting. The Audit Committee will meet the external auditors at least once a year. Meetings may be held by telephone..
5. Meetings may be held more frequently if the Audit Committee deem necessary or if requested by the Company's auditors.
6. Meetings of the Audit Committee shall be held prior to any consideration by the Board of the interim and annual reports.
7. The Company's auditors shall be advised of the timing of Audit Committee meetings to consider the Company's annual accounts and at any meeting the Audit Committee shall have access to the auditors if it so requires. The Audit Committee shall also have direct access to the compliance officers of the Company's administrator.
8. The Company Secretary shall be the Secretary of the Audit Committee and attend all meetings.
9. The Secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board.
10. The Chairman of the Committee shall attend the Annual General Meeting, prepared to respond to any shareholder questions on the Committee's activities.

Authority

- 11 The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise as it considers necessary.

Duties

11. The duties of the Audit Committee shall be:-

- a. to review and make recommendations on the appointment of the Company's auditors, the scope of the audit, the audit fee, the independence and objectivity of the auditors and any questions of resignation or dismissal;
- b. to receive and review the annual report from the Company's auditors and discuss any matters arising from the audit and recommendations made by the auditors;
- c. to review the Company's interim and annual accounts and any other financial information published by the Company, in each case before issue or publication to ensure that information published is fair, balanced and understandable.;
- d. To prepare an annual report to shareholders which will include:
 - i. information on the significant issues that the audit committee considered in relation to the financial statements and how these issues were addressed;
 - ii. an explanation as to how the audit committee addressed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor;
 - iii. information on the length of tenure of the current audit firm and when the tender was last conducted;
- e. to monitor the Company's accounting, risk management and internal control systems and to make recommendations on any improvement to such systems;
- f. to review significant issues in relation to the Company's interim and annual accounts and any other financial information published by the Company
- g. to monitor the Company's procedures for ensuring compliance with statutory, regulatory and other financial reporting requirements and its relationship with the relevant regulatory authority;
- h. to review significant transactions outside the Company's normal business;
- i. to review proposed changes in the Company's accounting policies;
- j. To encourage and monitor compliance with relevant codes of best practice in corporate governance
- k. to review the risks facing the Company and controls thereon; and
- l. to review the management accounts and to monitor the level of expenses paid by the Company.
- m. to establish, review, and improve the valuation policies and procedures to be executed by the Company's management, including policies and practices related to both external and internal valuations.
- n. to review the procedures and standards by which the company's independent valuers are retained and managed, and to make recommendations on any improvement to such procedures;

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- o. to review the calculations and procedures in relation to valuations based on share transactions.
 - p. to consider any other topics referred to it by the Board;