

TEXCHEM RESOURCES BERHAD AND ITS SUBSIDIARIES

INTERNAL AUDIT CHARTER

MISSION

The mission of the Internal Audit function is to undertake independent and objective assurance and consulting engagements that add value and improve the operations of Texchem Resources Bhd (TRB) and its subsidiaries, herein referred to as, the "Group".

It assists the Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Group's governance, risk management and control.

An assurance engagement is an objective examination of evidence to provide an independent assessment on governance, risk management and control processes of the Group such as financial, performance, compliance, system security, and due diligence audits.

Consulting engagements are advisory and related service activities, the nature and scope of which are agreed upon with the Management and which are intended to add value and improve an organisation's operations such as conducting training, providing advice to management on governance, risk management and control, drafting policies, and participating in quality teams.

ROLE

The Internal Audit function is established by the Board of Directors herein referred to as the "Board" under the purview of the TRB's Audit Committee.

The responsibilities of the Internal Audit function are defined by the Board as part of their oversight role.

PROFESSIONALISM

The Internal Audit function shall govern itself by adherence to The Institute of Internal Auditors' (US) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics (as set out on Appendix 1), and the *International Standards for the Professional Practice of Internal Auditing*, herein referred to as, the “Standards”.

This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of the Internal Audit function's performance.

The Institute of Internal Auditors' (US) Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the Internal Audit activity shall adhere to the Group's relevant policies and procedures and the Internal Audit function's standard operating procedures manual.

AUTHORITY

The Internal Audit function with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the TRB Group's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to provide assistance and support to the Internal Audit function in fulfilling its roles and responsibilities. The Internal Audit function will also have free and unrestricted access to the Audit Committee and Board.

ORGANISATION

The Chief Audit Executive shall report functionally to the Chairman of the Audit Committee and administratively (i.e. day to day operations) to the Group's President/Chief Executive Officer.

The Audit Committee shall:

- Review the Internal Audit Charter for the Board's approval
- Approve the Annual Internal Audit Plan
- Approve the Annual Internal Audit Budget and Resource Plan

- Receive communication from the Chief Audit Executive on the Internal Audit function's performance relative to its plan and other matters
- Make appropriate enquiries of Management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations

The Audit Committee shall, in conjunction with the Group's President/Chief Executive Officer, approve all decisions regarding the performance evaluation, appointment, or removal of the Chief Audit Executive as well as the Chief Audit Executive's annual compensation and salary adjustment.

The Chief Audit Executive shall communicate and interact directly with the Audit Committee, including in executive sessions and between Board meetings as appropriate.

INDEPENDENCE AND OBJECTIVITY

The Internal Audit function shall remain free from any interference in the Group including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors shall have no direct operational responsibility or authority over any of the activities audited. Accordingly, they shall not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

Internal auditors shall exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors shall make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive shall confirm to the Audit Committee, at least annually, the independence of the Internal Audit function.

RESPONSIBILITY

The scope of Internal Auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Group's governance, risk management, and control as well as the quality of performance in carrying out assigned responsibilities to achieve the Group's stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the Group's strategic objectives
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the Group
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets
- Evaluating the effectiveness and efficiency with which resources are employed
- Evaluating operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned
- Monitoring and evaluating governance processes
- Monitoring and evaluating the effectiveness of the Group's risk management processes
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the Group
- Reporting periodically on the Internal Audit function's purpose, authority, responsibility, and performance relative to its plan
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee or Board
- Evaluating specific operations at the request of the Audit Committee or Board or Management, as appropriate

INTERNAL AUDIT PLAN

At least annually, the Chief Audit Executive shall submit to the Audit Committee an Internal Audit Plan for its review and approval. The Internal Audit Plan shall comprise a work schedule as well as budget and resource requirements for the next fiscal/calendar year.

The Chief Audit Executive shall communicate the impact of resource limitations and significant interim changes to the Audit Committee.

The Internal Audit Plan shall be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior Management, Audit Committee and the Board.

The Chief Audit Executive shall review and adjust the Plan, as necessary, in response to changes in the Group's business, risks, operations, programmes, systems and controls. Any significant deviation from the approved Internal Audit Plan shall be communicated to the Audit Committee and the Board through periodic activity reports.

REPORTING AND MONITORING

A written Report shall be prepared and issued to management by the Chief Audit Executive or designee within 10 working days following the conclusion of each Internal Audit engagement.

The final Internal Audit Report shall be issued within 3 working days after receipt of the management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. The management's response, whether included within the original audit report or provided thereafter by management should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that shall not be implemented. An Executive Summary of the Internal Audit findings and results shall also be communicated by email to the Audit Committee and Board.

The Internal Audit function shall be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings shall remain in an open issues file until cleared.

The Chief Audit Executive shall periodically report to senior Management, Audit Committee and the Board on the Internal Audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior Management, Audit Committee and the board.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The Internal Audit function shall maintain a Quality Assurance and Improvement Programme that covers all aspects of the internal audit activity.

The programme shall include an evaluation of the Internal Audit function's conformance with the definition of Internal Auditing and the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics.

The Programme also assesses the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement.

The Chief Audit Executive shall communicate to senior Management, Audit Committee and the Board on the Internal Audit function's Quality Assurance and Improvement Programme, including results of ongoing internal and external assessments conducted at least every five years.

Approved on 27 October 2016

Chief Audit Executive

Chief Executive Officer

Chairman of the Audit Committee

TEXCHEM RESOURCES BHD AND ITS SUBSIDIARIES (The "Group")
APPENDIX I - INTERNAL AUDIT CODE OF ETHICS

Principles

The Chief Audit Executive and all staff of the Internal Audit function are expected to apply and uphold the following principles:

- Integrity - The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment
- Objectivity - Exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgment
- Confidentiality - Respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so
- Competency - Apply the knowledge, skills, and experience needed in the performance of internal auditing services.

Rules of Conduct

The Chief Audit Executive and all staff of the Internal Audit function shall:

A).Integrity

- A.1. Perform their work with honesty, diligence, and responsibility.
- A.2. Observe the law and make disclosures expected by the law and the profession.
- A.3. Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the Group.
- A.4. Respect and contribute to the legitimate and ethical objectives of the Group.

B)Objectivity

- B.1. Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the Group.
- B.2 Not accept anything that may impair or be presumed to impair their professional judgment.
- B.3 Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

C)Confidentiality

C.1 Be prudent in the use and protection of information acquired in the course of their duties.

C.2 Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Group.

D)Competency

D.1. Engage only in those services for which they have the necessary knowledge, skills, and experience.

D.2 Perform internal auditing services in accordance with the *International Standards for the Professional Practice of Internal Auditing*. (the "Standards")

D.3 Continually improve their proficiency and the effectiveness and quality of their services.