

## **MANGANESE BRONZE HOLDINGS PLC (THE *COMPANY*)**

### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE (THE *COMMITTEE*) OF THE BOARD OF DIRECTORS OF THE COMPANY (THE *BOARD*)**

**Adopted by the Board on 15 April 2008**

#### **1. CONSTITUTION**

- 1.1 The Committee has been established by resolution of the Board in accordance with article 116 of the Company's articles of association and is known as the Audit Committee.

#### **2. AUTHORITY**

- 2.1 The Committee is authorised to undertake any activity within these terms of reference. In the performance of its duties, the Committee has the right of access to the employees of the Company or any subsidiary of the Company through the executive directors.
- 2.2 The Committee shall meet regularly with the external auditors, 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 the management being present, to discuss their remit and any issues arising from the audit.

#### **3. MEMBERSHIP**

- 3.1 The Board will appoint the Committee Chairman (the *Committee Chairman*, who will be an independent non-executive director) and not less than two further members of the Committee. All members of the Committee shall be independent non-executive directors and at least one shall have recent and relevant financial experience. Appointments to the Committee shall be for a period of up to three years, which may be extended for up to two further three year periods provided that the majority of Committee members remain independent.
- 3.2 Only members of the Committee shall have the right to attend Committee meetings. However, executive directors and other members of management of the Company, together with other relevant or expert persons or representatives of the external auditors, may attend meetings of the Committee at the invitation of the Committee Chairman and may speak but not vote as members of the Committee.

#### **4. INDEPENDENT EXTERNAL ADVICE**

- 4.1 If necessary, the Committee may obtain appropriate external advice to assist it in the performance of its duties and invite advisers to attend its meetings. The cost of obtaining any advice or services shall be paid by the Company within the limits as set by the Board from time to time.

#### **5. SECRETARY AND MINUTES**

- 5.1 The Committee shall appoint the Company Secretary or another person to act as secretary to the Committee (the *Committee Secretary*) and all meetings of the Committee will be minuted. Minutes of Committee meetings shall be first approved by the Committee Chairman before being circulated to all members of the Committee. Once agreed by the Committee, minutes shall be circulated to all members of the Board, other than any such members in respect of whom a conflict of interest exists for regulatory or legal reasons in respect of any matter contained in those minutes; in that case a copy of the minutes omitting the relevant text shall be made available to the relevant director.

## **6. MEETINGS**

- 6.1 The Committee shall meet at least twice a year and at such other times as the Chairman of the Committee shall require.
- 6.2 Meetings of the Committee shall be convened by the Committee Secretary at the request of the Committee Chairman.
- 6.3 A proposed agenda shall be prepared by the Committee Secretary for approval by the Committee Chairman and those responsible for preparing reports alerted as to the requirements for the Committee meeting.
- 6.4 Completed papers shall be sent to each member of the Committee and any other person attending no less than seven days prior to the meeting.
- 6.5 The quorum for any meeting of the Committee shall be two, both of whom should be independent non-executive Directors.
- 6.6 In the absence of the Committee Chairman and / or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

## **7. DUTIES**

- 7.1 The Committee shall when requested by the Board:

### ***External Audit***

- (a) consider and make recommendations to the Board concerning the appointment, re-appointment, resignation or dismissal of the external auditor. 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 if any action is required;
- (b) review the independence and objectivity of the auditors, taking into account UK professional and regulatory requirements and taking into consideration all relationships between the Company and its subsidiaries and the auditors as a whole, including the provision of non-audit services;
- (c) monitor the auditor's compliance with its own policies and internal quality control procedures and with the relevant applicable UK ethical guidance relating to the rotation of partners and staff, and UK regulatory requirements;
- (d) develop the Company's policy in relation to the provision of non-audit services by the auditor taking into account the relevant applicable UK ethical guidance;
- (e) agree a policy on the employment of former employees of the Company's auditor, and monitor the implementation of this policy taking into account the relevant applicable UK ethical guidance;
- (f) discuss with the external auditor the nature and scope of the audit (including the scope of review of any significant ventures, investments or operations which are not subject to audit), review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement and approve the terms of engagement for the audit at the start of each audit;
- (g) approve the remuneration of the auditor to ensure that the level of fees is competitive and appropriate to enable an adequate audit to be conducted;

- (h) consider communications from the external auditors on audit planning and findings and on material weaknesses in accounting and internal control systems that came to the auditors' attention;
- (i) review the audit representation letters prior to approval by the Board, giving particular consideration to matters where representation has been requested relating to non-standard issues;
- (j) review the management letter or equivalent and review management's responsiveness to the external auditor's findings and recommendations;
- (k) assess the overall effectiveness of the audit both in terms of cost and delivery;

### ***Financial Reporting***

- (l) monitor the integrity of the financial statements, enhanced business review and corporate governance disclosures of the Company, including its annual and interim reports, preliminary and half-year results announcements and any other formal announcement relating to its financial performance, other than the interim management statements, reviewing significant financial reporting issues and judgements which they may contain. The Committee shall also review summary financial statements, if such documentation is prepared;
- (m) review and discuss with management and the external auditors the preliminary results, half-year information and annual financial statements before submission to the Board, focusing particularly on:
  - (i) the consistency, quality and acceptability of the accounting policies and practices, financial reporting disclosures and changes to any of them;
  - (ii) whether the Company has followed appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditors;
  - (iii) the clarity of disclosure in the Company's financial reports and the context in which statements are made;
  - (iv) the methods used to account for significant or unusual transactions where different approaches may be possible;
  - (v) material misstatements detected by the auditors that individually or in aggregate have not been corrected and management's explanations as to why they have not been adjusted;
  - (vi) the basis for the going-concern assumption; and
  - (vii) compliance with applicable financial reporting standards and relevant financial and governance reporting requirements;

### ***Risk Management and Internal Control***

- (n) review the Company's internal controls and risk management strategy and systems (that is, the systems established to identify, assess, manage and monitor risks). For the avoidance of doubt, the Company's management is responsible for the identification, assessment, management and monitoring of risks and for developing, monitoring and operating the system of internal control;

- (o) receive reports from management on the effectiveness of the systems they have established and the conclusions of any testing carried out;
- (p) review the Company's annual statement on internal control systems and consider any necessary disclosure implications of the process that has been applied by the Board to deal with material internal control aspects of any significant problems disclosed in the annual report and accounts;
- (q) consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response;

### ***Internal Audit***

- (r) review annually the necessity for an internal audit function in the context of the Company's overall risk management system;

### ***Whistleblowing***

- (s) The Committee shall review the Company's arrangements whereby its employees may raise concerns, in confidence, about possible wrongdoing in financial reporting and other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

## **8. REPORTING AND OTHER RESPONSIBILITIES**

- 8.1 The Committee Chairman or his nominated replacement shall report on its proceedings to the meeting of the Board next following a meeting of the Committee.
- 8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3 The Committee shall produce a report of its activities to be included within the Annual Report each year which explains how the Committee has discharged its responsibilities as set out in these Terms of Reference.
- 8.4 The Committee Chairman, or his nominated replacement (who will be a member of the Committee), shall attend each annual general meeting of the Company in order to answer questions from shareholders concerning the financial statements and the Committee's activities.
- 8.5 The Committee should periodically review and update its own terms of reference requesting Board approval for all proposed changes and, at appropriate intervals, evaluate its own performance against its terms of reference and best practice.