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# **BROCKMAN**

## **BROCKMAN MINING LIMITED**

**布萊克萬礦業有限公司\***

*(incorporated in Bermuda with limited liability)*

**(SEHK Stock Code: 159)**

**(ASX Stock Code: BCK)**

### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

The following is the text the terms of reference of the Audit Committee of the Company.

By order of the board of directors of  
**Brockman Mining Limited**  
**Chan Kam Kwan, Jason**  
*Company Secretary*

Hong Kong, 4 January 2016

*As at the date of this announcement, the board of directors of the Company comprises Mr. Kwai Sze Hoi (Chairman), Mr. Liu Zhengui (Vice Chairman) and Mr. Ross Stewart Norgard as non-executive directors; Mr. Chan Kam Kwan, Jason (Company Secretary), Mr. Kwai Kwun Lawrence and Mr. Colin Paterson as executive directors; Mr. Yap Fat Suan, Henry, Mr. Uwe Henke Von Parpart and Mr. Choi Yue Chun, Eugene as independent non-executive directors.*

\* *For identification purpose only*

# **Brockman Mining Limited**

(the "Company")

## **AUDIT COMMITTEE - TERMS OF REFERENCE**

*(as amended on 31 December 2015)*

### **1. Constitution**

The Audit Committee ("Committee") is a committee of the board of Directors ("Board").

This Terms of Reference is made in compliance with Appendix 14 of the HKEx Listing Rules and the Australian Corporate Governance Principles and Recommendations as established by the ASX Corporate Governance Council.

### **2. Membership**

The Committee shall be appointed by the Board from amongst the non-executive Directors of the Company and shall consist of not less than three members, a majority of whom should be Independent Non-Executive Directors ("INEDs").

The Chairman of the Committee shall be appointed by the Board from amongst the INEDs.

A former partner of the Company's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of 1 year from the date of his ceasing:

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm,

whichever is later.

### **3. Attendance at meetings**

A quorum shall be two members of the Committee, both of whom must be INEDs.

The Chairman of the Board, the Chief Executive Officer, the Head of Internal Audit and the representative(s) of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least once a year the Committee shall meet with the external auditors without executive Board members present.

The Company Secretary shall be the secretary of the Committee.

### **4. Frequency of meetings**

Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

### **5. Authority**

The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any

employee or executive Director, and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board, and at reasonable expense of the Company, to obtain outside legal or other independent professional advice and, having ensured the Company's interests are protected, to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **6. Access**

The Committee shall have unlimited access to internal audit and the external auditors, senior management and other employees of the Company and its subsidiaries. The Committee shall also have the ability to consult independent experts and retain persons having particular skills and expertise where it considers it necessary to carry out its duties. The Committee does not have executive powers but advises the Board of its recommendations.

## **7. Duties**

The duties of the Committee shall be:

### **7.1 Relationship with external auditors**

- (a) to consider and make recommendations to the Board on the appointment, reappointment and removal of the external auditor (and to approve the remuneration and terms of engagement of the external auditor) and any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, "external auditor" shall include any entity that is under common control, ownership or management with the audit firm, or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

### **7.2 Review of financial information of the Company**

- (a) to monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-yearly report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-yearly report and, if prepared for publication, quarterly reports before submission to the Board, the Committee should focus particularly on:-
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;

- (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the HKEx Listing Rules, the ASX Listing Rules and other legal requirements in relation to financial reporting;
- (b) In regard to section (a) above:-
- (i) members of the Committee must liaise with the Board, senior management and the Financial Controller, and the Committee must meet at least twice a year with the Company's auditors; and
  - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's Financial Controller, compliance officer or auditors and make appropriate recommendations to the Board;

### **7.3 Oversight of the Company's financial reporting system, risk management and internal control systems**

- (a) to evaluate the adequacy of the Company's accounting control system by reviewing written reports from the external auditors, and monitor management's responses and actions to correct any noted deficiencies;
- (b) to review the adequacy and effectiveness of the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's internal control and risk management systems through active communication with management, internal audit and the external auditors;
- (c) to discuss with management the system of internal control and risk management and ensure that management has discharged its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (d) to consider any findings of major investigations of risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (e) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- (f) where an internal audit function exists, to assess the performance and objectivity of the internal audit function and to make recommendations for the appointment and dismissal of the Head of Internal Audit;
- (g) to review the Group's financial and accounting policies and practices;

- (h) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (i) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (j) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (k) to act as the key representative body for overseeing the issuer's relations with the external auditor.

#### **7.4 Others**

- (a) to report to the Board on the matters set out in the code provisions as stated in Appendix 14 of the HKEx Listing Rules; and
- (b) to consider other topics, as defined by the Board.

### **8. Reporting procedures**

Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records, within a reasonable time after the meeting.

#### **Appointment of external auditors**

##### **8.1 Responsibility**

The Committee is directly responsible for making recommendations to the Board on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification) and remuneration of, and monitoring the effectiveness of, and independence of, external auditors, including resolution of disagreements between management and the auditor regarding financial reporting.

The Committee shall pre-approve all audit and non-audit services provided by the external auditors and shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.

##### **8.2 Selection criteria**

- (a) Mandatory criteria

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further, the successful candidate must have arrangements in place for

the rotation of the audit engagement partner and review partner on a regular basis.

(b) **Other criteria**

Other than the mandatory criteria mentioned above, the Committee may select an external auditor based on criteria relevant to the business of the Company, such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Committee.

### **8.3 Review**

The Board annually reviews the external auditor to determine its adequacy and effectiveness for current circumstances. The Committee may make recommendations to the Board in relation to the external auditor's purpose and responsibilities.

## **9. Assessment of the external audit**

The Committee annually obtains and reviews a report by the external auditors describing (or meets, discusses and documents the following with them):

- (a) the audit firm's internal quality control procedures;
- (b) any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
- (c) all relationships between the external auditor and the Company (to assess the auditor's independence).

## **10. No rights created**

This Terms of Reference is a statement of broad policies and is intended as a component of the flexible governance framework within which the committees of the Board assist the Board in directing the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations, the ASX Listing Rules and the HKEx Listing Rules, as well as in the context of the Company's Bye-laws, it is not intended to establish any legally binding obligations.

## **11. Review**

The Board annually reviews the membership and Terms of Reference of the Committee to determine its adequacy and effectiveness for current circumstances. The Committee may make recommendations to the Board in relation to the Committee's membership, purpose and responsibilities.