



中廣核礦業有限公司*

CGN Mining Company Limited

(the “Company”)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Revised and effective on 15 March 2012

1. CONSTITUTION AND MEMBERSHIP

- 1.1 The board of the directors (the “Board”) of the Company has resolved to establish the Audit Committee (the “Audit Committee”).
- 1.2 The member of the Audit Committee (“Members”) shall comprise non-executive directors of the Company appointed by the Board and shall comprise of a minimum of three (3) Members.
- 1.3 The majority of the Members shall be independent non-executive directors and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial expertise as required under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).
- 1.4 The Chairman of the Audit Committee shall be an independent non-executive director nominated by the Board. A quorum shall be two (2) Members. Attendance at Audit Committee meetings by an alternate Member should not be counted as attendance by the Member himself.
- 1.5 The appointment of Members may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board and by the Audit Committee.
- 1.6 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member until one (1) year after the commencement of the later of the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm.
- 1.7 The Company Secretary (whom failing, a person nominated by the Chairman of the Audit Committee) or a duly appointed secretary with appropriate qualification and experience shall be appointed as secretary of the Audit Committee and shall attend all of its meetings.

* for identification purposes only

2. MEETINGS

- 2.1 The Finance Controller, the Head of Internal Audit (or any officer(s) assuming the relevant functions but having a different designation) and a representative 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 Audit Committee shall meet with the external auditors without executive Board members present.
- 2.2 Meeting shall be held at least twice annually or more frequently if circumstances require to consider the budget, revised budget and annual and interim reports prepared by the Board. The external auditors may request the Chairman of the Audit Committee to convene a meeting, if they consider that one is necessary.
- 2.3 Full minutes of the Audit Committee meeting shall be kept by the secretary of the Audit Committee as conclusive evidence of any such proceedings if they purport to be signed by the chairman of the meetings were held or by the chairman of the next succeeding meeting. Draft and final versions of minutes shall be circulated to all Members for their comment and records within a reasonable time after the meeting. Such minutes shall be open for the Board's inspection.
- 2.4 The articles of association of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Audit Committee.
- 2.5 The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules or if adopted by the Company, the Company's own code of corporate governance practices), amend, supplement and revoke these terms of reference and any resolution passed by the Audit Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Audit Committee shall invalidate any prior act and resolution of the Audit Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

3. RESPONSIBILITY

- 3.1 The function of the Audit Committee is to assist the Board to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Company and its subsidiaries (together, the "Group"), to oversee audit process and to perform other duties and responsibilities as assigned by the Board.
- 3.2 The Audit Committee shall serve as a focal point for communication among directors, the external auditors, and the management as regards their duties relating to financial and other reporting, internal controls, and the audits and such other matters as the Board determines from time to time.

4. AUTHORITY

4.1 The Audit Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Group and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend Audit Committee meetings and to supply information and address the questions raised by the Audit Committee;
- (b) to monitor whether the Group's management has, in the performance of their duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Listing Rules and other rules and regulations from time to time determined by the Board or a committee thereof);
- (c) to investigate all suspected fraudulent acts involving the Group and request the management to make investigation and submit reports;
- (d) to review the Group's internal control procedures and system;
- (e) to review the performance of the Group's employees in the accounting and internal audit department;
- (f) to make recommendations to the Board for the improvement of the Group's internal control procedures and system;
- (g) to request the Board to convene a shareholders' meeting for purposes of revoking the appointment of any director and to dismiss any employees if there is evidence showing that the relevant director and/or employee has failed to discharge his duties properly;
- (h) to request the Board to take all necessary actions, including convening an extraordinary general meeting, to replace and dismiss the auditors of the Group;
- (i) 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
- (j) to exercise such powers as the Audit Committee may consider necessary and expedient and be provided with sufficient resources so that the duties of the Audit Committee can be properly discharged.

5. DUTIES

5.1 The duties of the Audit Committee shall be:

Relationship with the Company's auditors

- (a) to be primarily responsible for making 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 to deal with any questions of its resignation or dismissal. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the corporate governance report a detailed explanation of the Audit Committee's view and the reasons for the Board to have taken such a different view;
- (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 Audit Committee shall 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 engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board and shall identify and make recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

- (d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall 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;
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

- (e) Regarding to paragraph (d) above:
 - (i) the Members shall liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

Oversight of the Company's financial reporting system and internal control procedures

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (h) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) 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 its effectiveness;
- (j) to review the financial and accounting policies and practices of the Group;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in the code provisions of Corporate Governance Code contained in Appendix 14 of the Listing Rules (as amended from time to time);
- (n) to consider other topics, as defined by the Board from time to time;

- (o) 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 shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (p) to act as the key representative body for overseeing the Company's relations with the external auditor.

6. REPORTING PROCEDURES

- 6.1 Full minutes of the Audit Committee meetings shall be kept by the Company Secretary and draft and final versions of minutes of the meeting shall be sent to all Members for their comments and records within a reasonable time after the meeting.
- 6.2 The Company Secretary shall circulate the minutes of Audit Committee meetings and relevant information to the Board.

The terms of reference will be posted on the Company's website and on the Stock Exchange's website.

The Chinese version of this document is for reference only. In case of any discrepancies or inconsistency between the English version and Chinese version, the English version prevails.