

Terms of Reference of the Audit Committee under the Board of Shandong Gold Mining Co., Ltd.

Chapter 1 General Provisions

Article 1 In order to strengthen the decision-making function of the Board, audit in advance, audit professionally, ensure effective supervision over the senior management by the Board, and perfect its corporate governance structure, the Company has set up the Audit Committee under the Board and formulated these implementation rules in accordance with the Company Law of the People's Republic of China, Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter the "Hong Kong Listing Rules"), the Articles of Association and other relevant requirements.

Article 2 The Audit Committee under the Board is a specific working body set up by the Board in accordance with a resolution at a general meeting. Its main responsibilities are to communicate with the internal and external auditors of the Company, supervise and review their job performance as well as review the effectiveness of the Company's internal control mechanism, and promote the Company to establish effective internal control as well as provide true, accurate and complete financial reports.

The Company as referred in these implementation rules refers to the Company's headquarters and its wholly-owned subsidiaries, controlling subsidiaries and the invested companies within the consolidation scope of the Company's financial and accounting reports.

Chapter 2 Composition

Article 3 The Audit Committee shall consist of three to seven directors, all of them shall be non-executive directors who are not senior management of the Company, of which more than half are independent non-executive directors. All members shall possess professional financial or legal knowledge and commercial experience necessary for the performance of their duties. At least one of the members shall have the appropriate accounting expertise as required by the Hong Kong Listing Rules in respect of the qualifications of financial professionals who are members within an audit committee.

Members of the Audit Committee shall be diligent and responsible, supervise and evaluate the internal and external audit of the Company in a practical and efficient way.

Article 4 Members of the Audit Committee shall be nominated by the Chairman of the Board, more than half of the independent non-executive directors, or by one-third of the Board members, and is subject to election by the Board.

Article 5 The Audit Committee shall have one chairman (convener) who shall be an independent non-executive director. The chairman (convener) should be an accounting professional and be responsible for the duties of the Committee. The chairman of the Committee shall be elected from the members, subject to the approval of the Board.

Article 6 The term of office of the Audit Committee shall be identical to that of the Board. A member may offer himself/herself for re-election upon the expiration of his/her term of office. During his/her term of office, if any member ceases to be a director, his/her membership in the Audit Committee shall lapse automatically, and the vacancy shall be filled by the person elected by the Committee in accordance with Articles 3 to 5 above.

Article 7 The internal audit department of the Company shall be accountable and report to the Audit Committee under the Board.

The Company shall provide the Audit Committee under the Board with necessary means and measures to perform their duties, and engage professionals to form an audit working unit as the routine operation arm of the Audit Committee, responsible for daily operation including liaison, organization of meetings, preparation of materials and documentation for the Audit Committee. When the Audit Committee performs its duties, the management and relevant departments of the Company shall cooperate with it.

If necessary, the Audit Committee may engage an intermediary institution to provide professional opinions at the costs of the Company.

Chapter 3 Responsibilities and Authorities

Article 8 The primary responsibilities and authorities of the Audit Committee include:

- (I) to make proposals to the Board regarding appointment, reappointment and dismissal of external auditors, make recommendations to the Board and approve the remuneration and terms of engagement of the external auditors, and deal with all matters of the resignation or dismissal of external auditors. The Audit Committee shall make recommendations to the Board on the appointment or replacement of the external audit institutions, review the audit fees and employment terms of the external audit institutions, and shall not be improperly influenced by the substantial shareholders, de facto controllers or directors, supervisors and senior management of the Company.
- (II) to review and monitor the independence and objectivity of external auditors and the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the external auditors the nature, scope and method of the audit and reporting requirements before the audit commences.

For the purpose of independent inspection of external auditors, the Committee shall perform the followings: to examine the relation between the Company and the auditors (including non-audit services); to examine the materials provided by the auditors once a year to understand the policies and procedures adopted by the auditors for maintaining its independence and effectiveness of such policies and procedures, including the rules for change of partners and executives of auditors; to meet the external auditors at least once a year without the presence of the management of the Company for the discussion of audit fees and related matters, any matters in connection with audit works and other matters raised by the auditors;

- (III) to formulate and implement policies relating to the engagement of external auditors for non-audit services. For the purpose of this clause, external auditors include any entity under common control, ownership or management with the auditors and any entity that a reasonable and informed third party would reasonably conclude to be part of the local or international operation of the auditors. The Committee shall advise the Board on necessary actions or improvements and measures to be taken;
- (IV) to supervise the establishment and implementation of the internal audit system of the Company; review the annual internal audit plan of the Company; supervise the implementation of the internal audit plan of the Company; guide the effective operation of the internal audit department, and any audit reports, plans for rectification of audit issues and rectification progress submitted to the management by the internal audit department shall be forwarded to the Audit Committee; report to the Board on the progress and quality of internal audit and any material issues identified; review financial and accounting reports and periodical reports of the Company, advise as to the truthfulness, completeness and accuracy of the financial and accounting reports, and focus on the major accounting and auditing issues in the financial and accounting reports of the Company. Special attention should be paid to the risk of any frauds, malpractices and major mistakes in relation to such reports. In terms of the major issues in the financial and accounting reports disclosed by the Company, the Audit Committee shall urge the relevant responsible departments of the Company to formulate rectification measures and the timing of rectification, conduct follow-up reviews, and supervise the implementation of the rectification measures and disclose the completion of the rectification in a timely manner. When reviewing the annual reports and accounts, half-yearly and quarterly reports of the Company before submission to the Board, the Committee shall focus on the following matters:
1. changes in accounting policies and practices;
 2. major judgment;
 3. significant adjustments resulting from audit;
 4. the on-going concern assumption and qualified opinions;
 5. compliance with accounting standards;
 6. compliance with the Hong Kong Listing Rules and other legal requirements in relation to financial reporting.

- (V) for the purpose of paragraph (IV):
1. the Committee members shall liaise with the Board and the senior management of the Company. The Committee shall meet with the external auditor of the Company at least twice a year;
 2. the Committee shall consider any significant and unusual items that are, or may need to be, reflected in such reports and accounts, and shall give consideration to the matters raised by the staff responsible for accounting and financial reporting function, compliance officer or the auditors of the Company;
- (VI) to liaise with the internal audit department and the external auditors so as to coordinate their works, to ensure that the internal audit function is provided with sufficient resources and has appropriate standing in the Company, and to review and supervise the effectiveness of internal audit function;
- (VII) to review financial information and its disclosure of the Company;
- (VIII) to review the financial control, internal control and risk management systems of the Company and conduct audits on material connected transactions;
- (IX) to discuss with the management on risk management and internal control system to ensure that the management has performed its duty to maintain an effective risk management and internal control system. Considerations should be given to, among others, the adequacy of resources, qualifications, experience and training of staff and budgets pertaining to the accounting and financial reporting functions; to supervise the effectiveness and self-assessment of internal control; to coordinate internal control and audit as well as the improvement of internal control and other related matters;
- (X) to review major investigation findings on risk management and internal control and the management's response to these findings on its own initiative or as delegated by the Board;
- (XI) to review the financial and accounting policies and practices of the Company;
- (XII) to review the external auditor's audit letter to the management, any major queries raised by the external auditors about accounting records, financial accounts or control systems and the response of the management;
- (XIII) to ensure that the Board will provide a timely response to the issues raised in the external auditor's audit letter to the management;
- (XIV) to review the following arrangements of the Company: the employees of the Company can, in confidence, raise concerns about possible irregularities in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for the Company to conduct fair and independent investigations and to take necessary actions accordingly;

- (XV) to liaise with the external auditors acting as the key representative of the Company, and to monitor the relationship between the Company and the external auditors;
- (XVI) to urge the external audit institutions to be honest, trustworthy, diligent and responsible, strictly abide by the business rules and industry discipline regulations, strictly implement the internal control system, check and verify the Company's financial and accounting reports, perform the special care obligations, and prudently express professional opinions;
- (XVII) to deal with other matters as authorized by the Board of the Company and other relevant requirements on the Committee's responsibilities and authorities as required by the relevant laws and regulations, the Hong Kong Listing Rules and the listing rules of the jurisdiction in which the securities of the Company are listed.

The Company shall disclose the annual performance of the Audit Committee under the Board while disclosing its annual report, mainly including its performance of duties and the convening of the Audit Committee meeting.

Article 9 The Audit Committee shall be accountable to the Board. The Audit Committee shall report to the Board on necessary measures or improvements, and make recommendations, and submit proposals to the Board for consideration and approval.

Where a review opinion on a matter within its terms of reference presented by the Audit Committee is not adopted by the Board of the Company, the Company shall make information disclosure on such matter and give full description on the reasons therefor.

The Audit Committee shall cooperate with the Supervisory Board to supervise audit activities.

Article 10 The following matters shall be submitted to the Board for review after being approved by more than half of all members of the Audit Committee:

- (I) to disclose financial information and internal control evaluation reports in financial accounting reports and periodic reports;
- (II) to appoint or dismiss accounting firms engaged in auditing the Company's financial accounting reports;
- (III) to appoint or dismiss the financial director of the Company (excluding subsidiaries);
- (IV) changes in accounting policies, accounting estimates or correction of significant accounting errors due to reasons other than changes in accounting standards;
- (V) other matters as prescribed by laws, administrative regulations, requirements of the regulatory authorities in place where the Company is listed and the Articles of Association.

Chapter 4 Decision-making Procedures

Article 11 The audit working unit is responsible for preliminary preparations and provision of the following written information of the Company for the Audit Committee to make decisions:

- (I) relevant financial reports of the Company;
- (II) working reports of internal and external auditors;
- (III) contracts audited externally and relevant working reports;
- (IV) disclosure of information by the Company;
- (V) audit reports on material connected transactions of the Company;
- (VI) other relevant matters.

Article 12 The Audit Committee shall convene meetings to consider the reports submitted by the audit working unit and submit relevant written resolutions to the Board for consideration with respect to:

- (I) evaluation on duty performance of external auditors and engagement and replacement of external auditor;
- (II) whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are comprehensive and truthful;
- (III) whether the financial reports and other information disclosed publicly by the Company is objective and truthful, and whether the material connected transactions of the Company are in compliance with the relevant laws and regulations;
- (IV) evaluation on duty performance of the Company's financial department and audit department, including their persons in charge;
- (V) other relevant matters.

Chapter 5 Procedural Rules

Article 13 Meetings of the Audit Committee are classified into regular meetings and extraordinary meetings. Regular meetings shall be held at least four times a year and once a quarter. The Audit Committee may convene an extraordinary meeting if necessary. When there are two members of the Audit Committee proposing or the convener of the Audit Committee consider it is necessary, an extraordinary may be convened. In principle, a notice of meeting shall be sent to all the members five days before the date of the meeting. A meeting of the Audit Committee shall be presided over by the chairman of the Committee. When the chairman is unable to attend the meeting, he/she may appoint another member of the Committee (an independent non-executive director) to preside over the meeting on his/her behalf.

Article 14 An Audit Committee meeting may only be convened with the presence of more than two-thirds of the members. Each member has one vote. Resolutions may only be passed by more than half of all the members of the Audit Committee voting in favor of such resolutions. In the event that a valid resolution cannot be reached in a meeting due to abstention of any member of the Audit Committee, the relevant matter shall be considered directly by the Board.

Article 15 Votes may be made by a show of hands or by poll in an Audit Committee meeting, while for voting at an extraordinary meeting of the Committee may also be by correspondence.

Article 16 Members of the Audit Committee shall attend meetings in person and deliver explicit opinions on matters under consideration. In the event that a member is unable to attend a meeting in person for any reason, the member may submit a power of attorney signed by him or her and authorize another member to attend the meeting and express opinions on his or her behalf. The power of attorney shall specify the scope and duration of authorization. Every member may accept authorization from only one member. A member who is an independent non-executive director cannot attend a meeting in person for any reason, the member shall authorize another independent non-executive director to attend the meeting on his or her behalf.

Members of audit working unit may present at meetings of the Audit Committee. Where necessary, the Audit Committee may also invite directors, supervisors and other senior management of the Company to present at its meetings.

Article 17 The Audit Committee may, if necessary, engage an intermediary to provide professional advice on its decision-making at the cost of the Company.

Article 18 The procedures for convening of an Audit Committee meeting, its voting methods and proposals passed at such meeting must comply with the provisions of relevant laws, regulations, the Articles of Association and these implementation rules. If a member is an interested party in any matter being considered by the Audit Committee, such member shall abstain from the discussion and voting of such matter.

Article 19 Minutes shall be kept for an Audit Committee meeting. The minutes shall be prepared by the audit department and shall contain the following information:

- (I) serial number, form, date, venue and name of the chairman of the meeting;
- (II) attendance and absence of members in person or by proxy;
- (III) name and title of each attendee;
- (IV) agenda of the meeting;
- (V) main points raised by any members and other relevant attendees;
- (VI) name of the person taking minutes;
- (VII) abstention of any interested member (if any), which shall be specified in the minutes or the relevant resolutions.

All Committee members present at the meeting shall sign the minutes. The minutes shall be delivered to all members of the Committee within a reasonable time after the meeting so that they can express their opinion on the content. The minutes, meeting summary, proxy forms, written opinion of the members of the Committee, and other meeting documents shall be kept by the Company for at least ten years.

Article 20 Any resolution passed at an Audit Committee meeting and the voting results must be reported in written form to the Board of the Company.

Article 21 Members present at such meeting are obliged to keep all matters discussed at such meeting confidential, and shall not disclose any relevant information without authorization.

Chapter 6 Addendum

Article 22 These implementation rules shall take effect from the date of review and approval by the Board.

Article 23 In case of matters not covered herein, the relevant state laws, administrative regulations, normative documents, the Hong Kong Listing Rules, and the Articles of Association shall apply. In case any of these implementation rules conflicts with the state laws, administrative regulations, normative documents, the Hong Kong Listing Rules promulgated in the future or the Articles of Association as legally modified, the relevant state laws, administrative regulations, normative documents, the Hong Kong Listing Rules, and the Articles of Association shall prevail. In such case, corresponding amendments shall be made to these implementation rules immediately and submitted to the Board for approval.

Article 24 These implementation rules shall be construed, interpreted, and amended by the Board of the Company.

Article 25 These implementation rules are in both Chinese and English versions. Should there be any inconsistency between the English and Chinese versions, the latter shall prevail.