

Important note: The Terms of Reference was originally drafted in Chinese and the English translation is not an official version and for your reference only. In case of any inconsistencies and discrepancies between the Chinese and the English versions, the Chinese version shall prevail.

Lingbao Gold Company Ltd. (“the Company”)

(A joint stock company incorporated in the People's Republic of China with limited liability)

Terms of Reference of the Audit Committee of the Board of Directors (“the Audit Committee”)

Chapter I General Provisions

1. The Nomination Committee is established pursuant to the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd.(“Listing Rule”), the articles of association of the Company and other relevant stipulations in order to standardize the procedures for appointment of the management personnel, optimize the composition of the Board of Directors (“the Board”) and enhance the corporate governance structure of the Company.

2. The Audit Committee of the Board is a body specifically set up by the Board according to the resolutions of general meetings and shall mainly be responsible for the communication, supervision and inspection of internal and external audit.

Chapter II Membership

3. The Audit Committee shall comprise of five board members, in which a majority of whom shall be independent non-executive directors, at least one independent non-executive must have the background in professional accounting

in accordance with the Rule 3.10(2) of the Listing Rules.

4. The members of the Audit Committee shall be nominated by the chairman of the Board, more than half of the independent non-executive directors or more than one-thirds of all the directors, and shall be elected by the Board thereon.

5. The Audit Committee shall be chaired by an independent non-executive director who has the background in professional accounting and responsible for the operation of the meeting.

6. The term of the Audit Committee shall be the same as that of the Board. A member may continue to serve his/her post if he/she is re-elected upon the expiration of his/her term. A member shall lose his/her status of the Audit Committee automatically if he/she does not serve as director of the Company. The Audit Committee shall make up the difference thereon in compliance with the stipulations of the foresaid Article 3 to Article 5.

7. The Audit Committee shall establish an audit working group, which is responsible for day-to-day liaison and organize meeting.

Chapter III Duties and Authorities

8. The duties and authorities of the Audit Committee shall include:

Relationship with the Company's external auditors

(1) to make recommendations to the Board on the appointment, re-appointment, removal and change of the external auditor, and to approve the

remuneration and terms of engagement of the external auditor, and any resignation or dismissal;

(2) 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 should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

(3) to develop and implement the policy on external auditor to supply non-audit service. The Audit Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Review of the Company's financial information

(4) 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 should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major matters needed making decisions;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules in relation to financial reporting and other legal rules;

Regarding (4) above: (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's external auditors; and (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should 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;

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

(5) to supervise the Company's financial controls, internal control, risk management systems and the implementation, and to audit the material connected transactions;

(6) to discuss the internal control system with the management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the information of the accounting and

financial report function, staff qualifications and experience, training programmes and the adequacy budget of the Company's;

(7) to research on the results of the internal control matters or management responses to the investigation as delegated by the Board or on its own initiative;

(8) be responsible for the communication and coordination between external and internal 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;

(9) to review group's financial and accounting policies and practices;

(10) 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;

(11) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(12) to review the following matters: 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;

(13) to act as key representative body for overseeing the Company's relations with the external auditor;

(14) to report to the Board on the matters in this terms of reference; and

(15) to research and undertake other matters as delegated by the Board.

9. The Audit Committee shall be responsible to the Board, the resolution of which shall be submitted to the Board for approval. The Audit Committee shall cooperate with the Board of Supervisors for audit activities.

Chapter IV Procedures of Decision-making

10. The audit working group shall be responsible for the pre-work of the Audit Committee in its decision making, and providing relevant materials that is due, true and complete to the Company in written:

(1) relevant financial report of the Company; (2) internal and external auditor's working report and audit report; (3) external audit contract and relevant working report; (4) periodical and special financial budget report and final account report; (5) audit report, evaluation report, capital verification report and independent financial advisor report on major acquisition, sale of assets and material connected transactions; (6) information disclosure and other related matters of the Company.

11. The Audit Committee meeting shall assess the report by the audit working group, and submit relevant resolutions to the Board in written: (1) evaluating the

external auditor's work, recruiting or changing of the external auditor; (2) whether the Company's internal audit policies has been effectively implemented, and whether the financial report is comprehensive and true; (3) whether the information includes the financial report disclosed is objective and true, and the material connected transactions is in compliance with the relevant laws and rules; (4) evaluation of the performance of the financial department, audit department and the responsible persons of the Company; (5) other relevant matters.

Chapter V Rules of Procedure

12. The meetings of the Audit Committee shall consist of periodical meetings and temporary meetings. The periodical meeting shall be held at least twice a year, and the temporary meeting shall be held when it is proposed by the Audit Committee. Notice shall be given to all members five days in advance. The meeting shall be chaired by chairman of the Audit Committee. Where the chairman is unable to attend the meeting, he/she may delegate another member (independent non-executive director) to perform his/her role.

13. The Audit Committee meeting shall be held only when more than 2/3 of all members can attend the meeting. Each member is entitled to one vote. Resolutions of a meeting must be adopted by the affirmative votes of more than half of its members.

14. The Audit Committee shall adopt voting by show of hands or on a poll in its meeting; and a meeting may also be convened in the form of communication in

case of emergency.

15. Directors, supervisors and other manager of the Company may be invited to attend meetings of the Nomination and Remuneration Committee, if necessary.

16. The Audit Committee may, as it considers necessary, hire intermediaries for their decision to provide professional advice, the relevant expenses will be borne by the Company.

17. The procedures and voting methods of meetings of the Audit Committee as well as the resolutions passed at the meetings must comply with relevant laws, regulations, the Company's articles of association and these rules.

18. The Audit Committee shall keep minutes of its meetings. Members present at a meeting shall sign the minutes of the meeting which shall be kept by the secretary to the Board of the Company.

19. Any resolution passed or the results of a poll taken at a meeting of the Nomination Committee shall be reported in writing to the Board.

20. All members attending meetings of the Audit Committee shall be obliged to keep all items discussed at the meetings confidential and shall not disclose the relevant information.

Chapter VI Supplementary Provisions

21. These Rules shall come into effect on the date of approval by the Board.

22. Any matters not covered by these Rules shall be implemented in accordance with relevant laws and regulations of the State and the Company's Articles of

Association. Where there is a conflict between these Rules and future laws and regulations to be promulgated by the State or the Company's Articles of Association as amended in accordance

with legitimate procedures, these Rules shall be implemented in accordance with relevant laws and regulations of the State and the Company's Articles of Association and corresponding amendments to these Rules must be submitted to the Board for consideration and approval in a timely manner.

23. The right to interpret these Rules shall be vested in the Board of the Company.