

MINMETALS RESOURCES LIMITED
(the “Company”)

TERMS OF REFERENCE

OF

THE AUDIT COMMITTEE

(Approved by the board of directors of the Company at a meeting held on 2 July 1999, and were amended on 31 August 1999, 14 June 2002, 18 August 2004, 25 August 2005, 9 March 2009 and 15 February 2011 respectively)

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CONSTITUTION

1. The board of directors (“**Board**”) resolved to establish a committee known as Audit Committee (“**Committee**”) on 2 July 1999. The Committee shall report directly to the Board.

COMMITTEE MEMBERS

2. The Committee members shall be appointed by the Board from amongst the non-executive directors of the Company. The Committee shall consist of not less than three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) to the Rules Governing the Listing of Securities (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited. The majority of the Committee members must be independent non-executive directors. The Committee must be chaired by an independent non-executive director. A quorum shall be three members.

ATTENDANCE AT MEETINGS

3. The CFO, head of the internal audit and representative(s) of the external auditors shall normally attend meetings. The Committee may invite other Board members to be present at meetings and the Board members shall have the right of attendance.

SECRETARY

4. The company secretary or his or her delegate, shall be the secretary of the Committee.

FREQUENCY OF MEETINGS

5. Meetings shall be held not less than twice a year, at the time prior to the approval of the interim results and the financial year results respectively by the Board. A Committee member or the external auditors may request a meeting if they consider that one is necessary.

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AUTHORITY

6. The Committee is authorized by the Board to investigate any activities within its terms of reference (as mentioned in paragraph 9 below). It is authorized to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee.
7. The Committee is authorized by the Board to obtain outside legal or other independent professional advice to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
8. The Committee may from time to time establish sub-committees to assist it in carrying out its functions and responsibilities and may adopt terms of reference setting out matters relevant to the composition, responsibilities and functions of such sub-committees and other matters as the Committee may consider appropriate.

DUTIES

9. The duties of the Committee shall be:

Relationship with the Group's auditors

- (a) to be primarily responsible for making recommendation 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 standard. 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;

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Review of financial information of the Group

- (d) to monitor integrity of financial statements of the Group and the Group's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Group's annual report and accounts, half-year 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 Listing Rules and other legal requirements in relation to financial reporting;
- (e) In regard to (d) above:-
- (i) members of the Committee must liaise with the Company's board of directors and senior management and the Committee must meet, at least once a year, with the Group'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 Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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

- (f) to review the Group's financial controls, internal control and risk management systems;
- (g) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and the training programmes and budget;

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- (h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (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 Group, and to review and monitor the effectiveness of the internal audit function;
- (j) to review the Group's financial and accounting policies and practices;
- (k) 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;
- (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 set out in the code provision C.3 of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules and these terms of reference; and
- (n) to consider other topics, as defined by the Board.

REPORTING PROCEDURE

10. Draft minutes of Committee meetings should be sent to all members of the Committee for their comment by the earlier of:
 - (a) the date that is seven (7) days after the meeting of the Committee; or
 - (b) the date of the next Board meeting.

Final version of the minutes of Committee meeting should be sent to all members of the Committee for their records within a reasonable time after the Committee meeting. The Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.