

SANMENXIA TIANYUAN ALUMINUM COMPANY LIMITED
TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

Constitution

1. The board of directors hereby resolves to establish an audit committee under the board of directors.

Membership

2. Members of the audit committee shall be appointed by the board of directors from amongst the non-executive directors of the company. The audit committee shall consist of not less than three members, the majority of whom should be independent. A quorum shall be two members.
3. The chairman of the audit committee shall be appointed by the board of directors and should be an independent director.

Attendance at meetings

4. Attendees shall normally include the chief financial officer, the head of the internal audit department and a representative of the external auditors. However, the audit committee shall meet with the external and internal auditors at least once a year without executive members of the board of directors present.
5. The company secretary shall be the secretary of the audit committee.

Frequency of meetings

6. Meetings shall be held at least twice a year. The external auditors may request a meeting if they consider necessary.

Authority

7. The audit committee is authorized by the board of directors to investigate activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the audit committee.
8. The audit committee is authorized by the board of directors to obtain outside legal or other independent professional advice. It may invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties

9. The duties of the audit committee shall be:
 - (a) to consider the appointment of the external auditor, the remuneration of the auditors and any questions of its resignation or dismissal;

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- (b) to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure coordination when more than one auditor is involved;
- (c) to review the half-year and annual financial statements before submission to the board of directors, with particular focus on the following items:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the rules of the stock exchange and relevant legal requirements.
- (d) to discuss problems and reservations arising from the interim and final audits, and any matters that the auditor may wish to discuss (in the absence of management where necessary);
- (e) to review the external auditor's management letter and management's response;
- (f) to review the company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the board of directors;
- (g) where an internal audit function exists, to ensure coordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the company;
- (h) to consider major internal investigation findings and management's response; and
- (i) to consider other topics as defined by the board of directors.

Reporting procedures

10. The secretary of the audit committee shall circulate the minutes of meeting and reports of the audit committee to all members of the board of directors.

Sanmenxia Tianyuan Aluminum Company Limited
13 June 2004