

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. GENERAL PROVISIONS

1.1. Purpose

The terms of reference (the “**TOR**”) of the Audit Committee (the “**Committee**”) of the board of directors (the “**Board**”) of Premium Nexus JSC (“**Nexus**”) shall define operation and powers of the Committee and regulate the appointment and resignation of members of the Committee.

1.2. Scope

This TOR shall be complied by the Board, the committees of the Board, Company Secretary, senior management, and authorized officials of Nexus and its subsidiaries and affiliates (the “**Company**”).

The TOR may be shared to interested parties at request and shall be posted on Nexus’s website.

1.3. Review and Amendments

The Committee shall review this TOR every three years and submit necessary changes or amendments to the Board for approval. Any changes or amendments shall enter into force upon approval by the Board.

1.4. Provisions of the TOR

In the event of a conflict between this TOR and charter of Nexus (the “**Charter**”), the Charter shall prevail. In the event that the TOR is in compliance with the governing laws and regulations of Mongolia, the respective latest updated law shall prevail accordingly. The Board shall resolve any uncertainty or disagreement regarding the interpretation of the provisions of the TOR and its implementation. Any issues or matters not specified in this TOR shall be regulated by the Company Law, the Charter and other applicable laws and regulations.

2. THE COMMITTEE AND ITS POWERS

2.1. Constitution of the Committee

2.1.1. The Committee shall consist of not less than three members, with two-thirds of them being independent members and aim for at least one-third of them to represent one gender. Chairman and members of the Committee shall be elected by a majority vote of directors of the Board and only a director of the Board shall have the right to be elected as a member of the Committee.

2.1.2. Committee members should have necessary knowledge and experiences in financial accounting and reporting and communication skills to cooperate with company management, external auditors and other relevant bodies or parties.

2.1.3. The term of office of the Committee members shall be the same as of the Board.

2.1.4. The chairman of the Committee shall be an independent non-executive director of the Board.

2.1.5. The Committee shall be chaired by the chairman of the Committee and Company Secretary shall act as a secretary of the Committee.

2.2. The Rights and Obligations of the Committee

2.2.1. The Committee shall review and recommend to the Board the process of preparing financial statements of the Company, the normal operation of audit process,

implementation of applicable laws and regulations. The Committee shall verify the independence of internal and external auditors and serve as a focal point for communication between other directors, senior management, the external auditor and the internal auditor.

- 2.2.2. The Committee shall make a recommendation on matters specified in Article 81.4 of the Company Law and submit to the Board.
- 2.2.3. Recommendation of the Committee shall be considered only as a proposal, therefore it is not mandatory to be implemented by the Board.
- 2.2.4. The Committee has the right to obtain documents from authorized officials and employees of the Company and have them to participate in the Committee meeting as observers.
- 2.2.5. The Committee has the right to obtain external consulting services.
- 2.2.6. If necessary, the Committee has the right to carry out special inspections in accordance with the applicable laws and regulations.
- 2.2.7. The Committee shall perform other duties and obligations assigned by the Board within the scope of rights and responsibilities set forth in this TOR.
- 2.2.8. The Committee shall regularly report its activities to the Board at least twice a year. If required, the Committee shall report to the Board after each meeting.

2.3. Duties and Responsibilities of the Committee Members

- 2.3.1. Active participation in the Committee's operations and meetings.
- 2.3.2. Protect confidential information obtained during performing duties and obligations.
- 2.3.3. Any conflict of interest related to decisions of the Committee and changes occurred in regards to the independence of the Committee members shall be informed to the Board.
- 2.3.4. Conduct an annual review of the implementation of this TOR and performance of the Committee and its members.

3. FUNCTIONS OF THE COMMITTEE

3.1. Financial Reporting

- 3.1.1. Provide support to the preparation of balance sheets and financial statements of the Company and ensure the accuracy, transparency and completeness of the financial information of the Company.
- 3.1.2. Identify and monitor matters related to accounting and financial reports including implementation of professional and regulatory decisions made by senior management and assessment of potential impact of those decisions on financial statements of the Company.
- 3.1.3. The senior management shall monitor the preparation process of interim and annual financial report and statements and review preliminary announcement prior to the publication.
- 3.1.4. Make recommendation to the Board on accounting policies and practices of the Company specifically, analysis of financial statements and results of the audits.
- 3.1.5. Make recommendation to the Board on financial statements and notices and related management discussion and analysis prior to approval of operational plan of the Company.

- 3.1.6. Make recommendation to the Board on major and connected transactions of the Company.

3.2. Relationship with External Auditor

- 3.2.1. Make recommendation on selection of the external auditors including its professional skills and experiences, independence, potential conflict of interest and remuneration.
- 3.2.2. Conduct annual review of external auditor's performance and recommend to the shareholders for approval the appointment, re-appointment or removal of external auditor.
- 3.2.3. Upon discussed with external auditor, approve annual audit plan and scope of work and internal auditing regulations considering the current circumstances, legal obligations, amendments to such obligations of the Company and prepare draft agreement to be made with the external auditor.
- 3.2.4. Any challenges or obstacles to the normal operation of the auditor including certain restrictions on work scope and access to the information shall be timely addressed and managed.
- 3.2.5. Discuss and recommend issues related to violation discovered during the external audits and actions taken by the senior management in accordance with the recommendation.
- 3.2.6. Ensure that the external auditor will be provided with the opportunity to respond the questions and clarifications on the shareholders' meeting.
- 3.2.7. Ensure that financial statements of the Company are prepared in compliance with accounting policies and practices of the Company and provide an evaluation and classification whether such practices are aggressive, balanced or outdated.
- 3.2.8. Meet separately, as necessary, with the external auditor to review and discuss any matters that the Committee or external auditor believe should be reviewed and discussed. The Committee shall ensure that the external auditor meets freely with chairman of the Committee for any discussion whenever it is necessary.
- 3.2.9. The Committee shall develop policy on engaging the external auditor to supply non-audit services and form a system to obtain prior approval from the Committee when performing audit and non-audit services.
- 3.2.10. The Committee shall develop policy on hiring a person previously employed by external auditing firm or other companies as a consultant.
- 3.2.11. The Committee shall develop policy on restricting operations of external auditors including the audit firm working closely with Nexus and mandatory audit firm rotation in accordance with the applicable laws and regulations.

3.3. Internal Audit

- 3.3.1. Make recommendation on matters related to human resources, budget and independence of internal audit department.
- 3.3.2. Meet separately, as necessary, with the internal auditor and make recommendation on financial and economical operations of the Company and ensure that the internal auditor has effective communication with the Committee.
- 3.3.3. Evaluate the performance of internal audit including its objectives, rights, obligations, operational reports, annual plan, outcomes of the internal audit and guidance for improving internal audit performance.

- 3.3.4. Review and monitor the internal audit reports and make recommendations on planned and unplanned audits.

3.4. Compliance with the Laws and Regulations

- 3.4.1. Develop policy on reviewing complaints and comments received by the Company regarding the internal audit, financial reporting and external audit.
- 3.4.2. Provide an opportunity for employees to make an anonymous complaints and review and inspect information on fraud, illegal acts and non-compliances performed by the senior management, managers and employees having big roles in activities of internal audit and control.
- 3.4.3. Advise on selecting an external auditor who meets the requirements specified in the Company Law and regulations approved by the Financial Regulatory Commission.

3.5. Meeting of the Committee

- 3.6.1 The Committee shall have regular and special meetings. The meeting shall be convened regularly based on recommendation of the Chairman or members of the Committee, or decision made by the Board in order to perform main duties of the Committee. Regular meetings shall be held every 3 months. Special meetings shall be convened at any time depending on operations of the Company and matters to be discussed. If the Board meeting is scheduled to discuss the functions and activities of the Committee, the Committee shall hold its meeting 7 days prior to date of the Board meeting.
- 3.6.2 Committee meeting shall be held in person, electronically or by written consent of the members. The Committee meeting shall be considered valid with the majority of the members present at the meeting. The decisions, recommendations and minutes of the Committee meetings (except for written resolutions) shall be in effect upon signing.
- 3.6.3 Secretary of the Committee shall provide to all directors meeting notice and agenda, list of subject matters and related documents via e-mail or forms agreed with the directors three days prior to the date of the meeting.