

FINANCIAL POSITION AND PROSPECTS BOARD MEMORANDUM

21 May 2016

Purpose

This Financial Position and Prospects Board Memorandum (the “Board Memorandum”) summarises the financial reporting procedures applied by CIC Gold Group Limited (the “Company”) and its subsidiaries, CIC Gold Group Limited (“CICG HK”), Top Ten Mining Investment Limited (“Top Ten”) and Gobi Minerals Group LLC (together, the “Group”). By maintaining these financial position and prospects procedures, the Company will be best placed to ensure compliance with the Listing Rules following admission of the Company and its securities to trading on the Main Market of the London Stock Exchange (the “Main Market”) and to comply with the Guidance on Financial Position and Prospects Procedures set out in the ICAEW Technical Release Tech 01/13 CFF.

Table of Contents

1	ACCOUNTING CONTROLS AND PROCEDURES.....	3
1.1	ACCOUNTING	3
1.2	CORPORATE STRUCTURE	3
1.3	BOARD STRUCTURE	3
1.4	FINANCE STAFF.....	3
2	IFRS & REPORTING IN A PUBLIC COMPANY.....	6
2.1	COMPANY REPORTING:	6
2.2	SYSTEMS AND IT	6
2.3	BUDGETING AND FORECASTING PROCEDURES	6
3	PUBLICATION OF YEAR END AND INTERIM RESULTS.....	7
3.1	STATUTORY YEAR END REPORTING.....	7
3.2	INTERIM REPORTING	7
3.3	LONDON STOCK EXCHANGE REPORTING DEADLINES.....	7
3.4	MARKET EXPECTATIONS.....	7
4	CORPORATE GOVERNANCE.....	9
4.1	COMPLIANCE.....	9
4.2	AUDIT AND RISK COMMITTEE.....	9
4.3	REMUNERATION COMMITTEE.....	10
4.4	BOARD MEETINGS.....	11
4.5	CORPORATE GOVERNANCE	11
4.6	CORPORATE SOCIAL RESPONSIBILITY.....	11
4.7	INSIDER DEALING	11
4.8	ANTI-CORRUPTION AND BRIBERY POLICY	12
5	DETAILED FINANCIAL REPORTING CONTROLS.....	13
5.1	FINANCIAL REPORTING INTERNAL CONTROLS	13
5.2	INTERNAL CONTROL OF ASSETS	13
5.3	PURCHASE AND PAYMENTS AUTHORITIES	14
5.4	ACCOUNTING FOR EXPENSES	14
5.5	ACCOUNTING FOR ASSETS	15
6	CONCLUSION.....	18

Appendices

A	Matters reserved for the Board and its committees.....	19
B	FCA guidance on ‘insider dealing’.....	21
	THE PRINCIPLES	21
	POLICIES AND PROCEDURES	22

1 ACCOUNTING CONTROLS AND PROCEDURES

1.1 Accounting

The board of directors of the Company (the “Board”) will ensure that the Company maintains the stated policies and procedures, and has the requisite skills available and arrangements in place to ensure that the Listing Rules are met for all accounting matters associated with the Company and the Group.

1.2 Corporate Structure

On admission to the Main Market, the Group structure is as follows:



1.3 Board Structure

The Board structure is as follows:

Executive Directors

- HE. Barsbold Ulambayar (*Chief Executive Officer – Asia based*); and
- Mr. Li Jinliang (“David”) (*Chief Financial Officer – PRC based*).

Non-Executive Directors

- Mr. Michael M. Smith (*Independent Non-Executive Chairman – UK based*);
- Graham Fyfe (*Independent Non-Executive Director – Australia based*); and
- Jeffrey L. Karoly (*Independent Non-Executive Director – UK based*).

Officers

- Mr. Jinliang Li (“David”) (*Chief Financial Officer – PRC based*); and
- Mr. Zhaohong Ye (“Norman”) (*Chief Operating Officer-PRC based*)

1.4 Finance Staff

Chief Financial Officer

The Board has appointed Mr. David Li to provide the services equivalent to that of a Chief Financial Officer (the “CFO”).

The CFO is responsible for all Company financial operations including planning, directing and coordinating the financial activities of the Company and the Group so as to ensure that the Company’s and Group’s operations and project goals are accomplished by performing the following

duties:

- regulate, supervise and implement a timely, full and accurate set of accounting books of the Group, reflecting all of its activities in a manner commensurate with relevant legislation and regulation in the territories of operation of the Group and subject to internal guidelines set from time to time by the Board;
- implement financial audit and control systems to monitor the performance of the Group, its flow of funds, expenditures and income, and variances from budget;
- timely, regularly and duly prepare and present to the Board monthly financial information and reports as required by all pertinent laws and regulations in the territories of the operations of the Group and as deemed necessary and demanded from time to time by the Board;
- comply with all reporting, accounting and audit requirements imposed by the capital markets or regulatory bodies of capital markets in which the securities of the Company are traded or are about to be traded or otherwise listed;
- prepare and present for the approval of the Board an annual budget, other forecasts, business plans, feasibility studies, investment memoranda and all other financial and business documents as may be required from time to time by the Board;
- check and present the monthly, interim and year end accounts of the Group. In addition, to carry out regulatory reporting and liaise with the Company's and Group's auditors, financial advisers and lawyers, as required;
- alert the Board, and to bring to its attention, any irregularity, lack of compliance, lack of adherence, omissions and material issues whether actual or potential concerning the financial systems, the financial operations, the financing plans, the accounting, the audits, the budgets and any other matter of a financial nature which could, or does have, a material financial implication and of which the CFO becomes aware;
- collaborate and coordinate the activities of outside suppliers of financial services hired or contracted by the Group, including accountants, auditors, financial consultants, underwriters and brokers, the banking system and other financial venues;
- fully computerise all the above activities in a combined hardware-software and communications system;
- consult with the Board and review proposals, determine goals, time frame, funding limitations and procedures for accomplishing projects and determining the allotment of financial resources; and
- otherwise, to initiate and engage in all manner of activities, whether financial or other, conducive to the financial health, the growth prospects and the fulfilment of investment plans of the Company to the best of his ability and with the appropriate dedication of the time and efforts required.

In carrying out these responsibilities, manage the following operations of the Group:

- determination of the Company's accounting policies;
- establishing the Group's accounting procedures;
- review of the Group's operational budgets;
- general insurances;
- company administration;
- review the monthly accounts payable ageing report;

- review the monthly cheque run prepared by the Account Manager for consistency with supporting documentation to ensure accuracy of the proposed monthly disbursement;
- signing of cheques;
- approval of electronic wire templates for supplier payments prepared by the account manager;
- signing of new starter offer letters;
- approval of fixed asset purchase orders prepared by the Account Manager;
- prepare quarterly management information for submission to the Board; and
- prepare and submit all tax-related returns.

Company computing and communications resources

Implement and organise:

- computers; and
- communication requirements.

Chief Executive Officer CEO

HE. Barsbold Ulambayar is the Company CEO and is principally responsible for:

- I. Co approving the list provided by the CFO
- II. Holding of electronic banking key and passcodes
- III. Effecting payments from the Company's China bank accounts and other bank accounts subject to prior approval by the CFO

Treasurer

Mr. Norman Ye is the Company's Treasurer, who is principally responsible for:

- reporting to the CFO on liquidity and cash inflows/outflows;
- monitor payment expenditures from the Company's bank accounts; and
- maintain records for the CFO, CEO and auditors of all functions effected by the Treasurer.

Account Manager

The Group's books and records are maintained by the Account Manager, Mrs. Wang Shuying ("Sue"), at the Group's Beijing office. Mr David Li reviews the Group's quarterly and annual consolidated accounts. All other accounting functions are conducted in the Group's Beijing office.

Cashier

Mr. Huan Guo ("Tony") is the Group's cashier.

2 IFRS & REPORTING IN A PUBLIC COMPANY

2.1 Company reporting:

The Company reports under IFRS and the CFO is responsible for preparing the monthly, interim and final statutory accounts in line with the Listing Rules.

Internal reporting is in accordance with the Group's management information requirements and is supportive of external reporting requirements.

Internal management reporting is in line with best practise and the CFO has the necessary skills to produce IFRS compliant accounts.

Consistent month-end procedures have been adopted by the Group, including cut-off and completion of information required for inclusion in the reporting package to be prepared for the Board.

A quarterly management accounts pack is distributed to the Board in advance of Board meetings and discussed by the Board at those meetings.

2.2 Systems and IT

Security of data is of significant commercial importance to the Group. Servers and other commercial data are securely protected and backed up.

IT controls

Mr. Norman Ye is responsible for the back-up of all system data which is carried out on a bi-weekly basis using flash disk.

Accounting system

The accounting system operates on "Simply Accounting Software". Financial analysis is performed using Excel.

Only the CFO, the Account Manager and the Cashier have access to the accounting system.

Within the accounting system, each user has his/her own User ID and password. An individual's responsibilities and access are managed within the system and are limited based on user roles.

At each month-end, the CFO is responsible for closing the reporting period following finalisation of the numbers to prevent entries from being posted to previous financial periods.

Back up and disaster recovery

Corporate electronic data and email is stored on an offsite server with daily snapshots retained for at least one month. Accounting data is backed up daily.

2.3 Budgeting and forecasting procedures

The Group prepares annual budgets, which are prepared by the CFO and are provided for review by the Board at least 6 weeks prior to each financial year end.

The annual Group budget is updated at least once during the projection period, with the year to date actual performance and latest projections being presented in the 6 months management accounts. The frequency and timing of the update will be subject to changes, including, but not limited to, market conditions and corporate developments. The Group will adopt the financial projections for the year ending 31 December 2015 that have been used for the purposes of the Group's working capital statement, as supported by the Group's working capital model, as the formal Budget for 2016.

3 PUBLICATION OF YEAR END AND INTERIM RESULTS

3.1 Statutory year end reporting

The Company's financial information for publication to the Main Market of the London Stock Exchange will be audited by Chapman Davis LLP in the UK.

The Company's maiden annual results post admission to the Main Market was for the year ending 31 December 2015, with the results announced on 29 April 2016 and an Annual General Meeting to be held in August 2016. Thereafter, the Company will report annually to 31 December each year.

3.2 Interim reporting

The Company's maiden unaudited interim results post-admission to the Main Market was for the 6-month period ending 30 June 2015, with the results announced on 27 August 2015. Thereafter, the Company's interim results will be reported each year for the six months to 30 June.

3.3 London Stock Exchange reporting deadlines

Listing Rules require that the audited annual financial statements of the Company are published not more than 4 months from the end of the financial year and that unaudited interims are announced not more than 2 months after the end of the period to which they relate.

3.4 Market expectations

The Company retains a Regulatory Information Service ("RIS") provider to ensure that information can be disclosed to the market as and when required. Information will be released through the RIS without delay and no later than it is published elsewhere. The Company will consult with its legal and reporting accountant advisers before publication of any information.

The CEO will work with the RIS, and ensure all employees understand the types of information that must be disclosed. At least annual meetings will be held with all employees to go over the information that must be disclosed and establish a mechanism for notifying the CEO when such events occur.

In accordance with the Listing Rules, communication to the RIS will include, but not be limited to, the following:

General disclosure of price sensitive information which is not public knowledge.

These would include, but not be limited to, items such as a change in financial condition, its sphere of activity, the performance of the business, expectation of performance, and pending acquisitions which, if made public, would be likely to lead to a substantial movement in the Company's share price.

Disclosure of corporate transactions that due to their size and nature needs to be disclosed. These would include:

- substantial transactions;
- related parties and related party transactions;
- reverse take-overs;
- disposals resulting in a fundamental change of business;
- aggregate transactions; and
- disclosure of miscellaneous information, including, but are not limited to, any deals by Directors in the Company's securities, any relevant changes to any significant shareholders, and the resignation, dismissal, or appointment of any Director.

The Company will maintain its website on which information will be available. The website will include, but will not be limited to, a description of the business, the names of the Directors and brief biographies, country of incorporation and main country of operation, the most recent annual report, and all notifications made in the past 12 months.

Related party transactions

The Company will announce immediately all related party transactions more than 5% of any of the class tests and after discussion with its appointed financial adviser and confirm as part of the announcement that the terms are fair and reasonable. In addition all related party transactions which exceed 0.25% of the class tests will be disclosed in the published financial statements. Such percentages may be cumulative with the same related party(ies).

The Board will be provided with the details of any proposed related party transactions as and when they are proposed by the Directors. The Board will consider and approve the terms and conditions of such transactions before they are entered into in order to avoid breaches of the Listing Rules.

Any Director, to whom a contract or transaction is proposed involving a related party of that Director, shall not be permitted to vote on the approval of such contract or transaction. If necessary, the other Directors will consult with and consider the financial adviser's advice on any such related party transactions.

See also "Insider Dealing" at paragraph 4.6 below.

Taxation

The CFO, together with the assistance of the finance team, fully appreciate the need for full and accurate disclosure of any tax issues to the Board and will ensure that tax returns for all Group companies will be prepared and submitted on a timely basis.

The Group receives assistance from the accounting firms who advise the subsidiaries in connection with the annual tax returns. The computations remain the responsibility of the directors of the companies concerned.

At the date of this Board Memorandum, the tax filings of the Group's subsidiaries have been filed on a timely basis, where required.

4 CORPORATE GOVERNANCE

4.1 Compliance

The Board understands the standards of corporate governance expected of public companies admitted to the Main Market.

The Board meets at least six times per year. At Board meetings, reports relating to the Company's operations and financial reports are considered. The Board is responsible for formulating, approving and reviewing the Group's strategy, budgets, major items of expenditure and senior personnel appointments.

The Board intends to comply with the provisions of the Corporate Governance Code to the extent that it believes it is appropriate in light of the size, stage of development and resources. Should the Board propose to make any significant changes to its corporate governance policies in the future, it intends to discuss such changes in advance with its financial adviser.

4.2 Audit Committee

An Audit Committee has been established. The Audit Committee will initially comprise Mr. Michael M. Smith (as Non-Executive Chairman) as Chairman, Mr. Graham Fyfe (Non-Executive Director) and Mr. Jeffrey L. Karoly (Non-Executive Director) but may be supplemented by other Non-Executive Directors in the future. The Audit Committee will receive and review reports from management and from the auditors relating to the interim and annual accounts and to the system of internal financial control.

The Audit Committee will be responsible for making recommendations to the Board on the appointment of the auditors and the audit fee and reviews reports from management and the Company's auditors on the financial accounts and internal control systems used throughout the Company and Group.

The Audit Committee will meet at least four times a year and is responsible for ensuring that the Company's and Group's financial performance is properly monitored, controlled and reported. The Audit Committee is responsible for the scope and effectiveness of the external audit and compliance by the Company with statutory and other regulatory requirements.

With respect to the Company's external auditors, the Audit Committee:

- monitors in discussion with the auditors the integrity of the financial statements of the Company and the Group, any formal announcements relating to the Company's and Group's financial performance and reviews significant financial reporting judgments contained in them;
- reviews the Group's internal financial controls and reviews the Group's internal control and risk management systems;
- considers annually whether there is a need for an internal audit function and makes a recommendation to the Board;
- makes recommendations to the Board for it to put to the shareholders for their approval in the general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- develops and implements policy on the engagement of the external auditor to supply non-audit services, taking into account relevant external guidance regarding the provision of non-audit services by the external audit firm; and

- reports 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.

The Audit Committee is provided with details of any proposed related party transactions in order to:

- consider and approve the terms and conditions of such transactions or to avoid breaches of the Listing Rules; and
- consult with the Company's financial adviser where the relevant percentage is breached (either in isolation or cumulatively).

The Audit Committee also reviews arrangements by which the staff of the Company and Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters with appropriate follow-up action.

Where necessary, the Audit Committee obtains specialist external advice from appropriate advisers.

4.3 Remuneration Committee

A Remuneration Committee has been established. The Remuneration Committee will initially comprise Mr. Michael M. Smith (as Non-Executive Chairman) as Chairman, Mr. Graham Fyfe (Non-Executive Director) and Mr. Jeffrey L. Karoly (Non-Executive Director) but may be supplemented by other Non-Executive Directors in the future. The role of the Remuneration Committee will be to review the performance of the Executive Directors and other senior executives and to set the scale and structure of their remuneration, including the implementation of any bonus arrangements, with due regard to the interests of shareholders.

The Remuneration Committee will also be responsible for determining at what point the Company should adopt any form of share option plan, and considering the grant of options under any such plan and, in particular, the price per share and the application of the performance standards which may apply to any grant, ensuring in determining such remuneration packages and arrangements, due regard is given to any relevant legal requirements, the provisions and recommendations in the Listing Rules and the Corporate Governance Code.

The Remuneration Committee:

- determines and agrees with the Board the framework or broad policy for the remuneration of the Directors;
- determines the remuneration of Non-Executive Directors;
- determines targets for any performance-related pay schemes operated by the Company and Group;
- ensures that contractual terms on termination and any payments made are fair to the individual, the Company and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- determines the total individual remuneration package of each Executive Director, including bonuses, incentive payments and share options;
- is aware of and advises on any major changes in employees' benefit structures throughout the Company and the Group;
- ensures that provisions regarding disclosure, including pensions, as set out in the Directors Remuneration Report Regulations 2002, are fulfilled; and

- is exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee.

4.4 Board meetings

The Board recognises the need for regular meetings. Accordingly, the Board meets (either in person or by telephone) at least six times annually and requires management to submit regular activity reports for its discussion. The form and structure of these activity reports will change overtime in line with the changes resulting from the actions recommended in other sections of this Board Memorandum.

4.5 Corporate governance

The Company will adopt a model code for Directors' dealings appropriate for a company listed on the Main Market and take reasonable steps to ensure compliance is also applicable to the Company's and Group's employees.

The Board will conduct a review (at least annually) of the effectiveness of the Company's and Group's systems of internal controls and reporting to shareholders that they have done so. The review will cover all material controls, including financial, operational and compliance controls and risk management systems. The review will also incorporate an analysis of the regulatory and fiscal position in the territories in which the Group operates.

The Company has three independent Non-Executive Directors, Michael Smith (Non-Executive Chairman), Mr. Graham Fyfe and Mr. Jeffrey L. Karoly (both Non-Executive Directors). As the Company expands its operations, the Board recognises the future requirement to appoint additional independent Non-Executive Directors. The Board also recognises the requirement that it should not be dominated by one person or group of people.

All Directors must be submitted for re-election at regular intervals subject to continued satisfactory performance. The Board should ensure planned and progressive refreshing of the Board.

Following admission, the Directors will consider publishing a corporate governance statement annually that describes how they achieve good governance in the Company's annual report and accounts.

4.6 Corporate social responsibility

The Group is committed to maintaining and promoting high standards of business integrity. Company values, which incorporate the principles of corporate social responsibilities and sustainability, guide the Group's relationships with clients, employees and the communities and environment in which we operate. The Group's approach to sustainability addresses both environmental and social impacts, supporting the Group's vision to remain an employer of choice, while meeting client demands for socially responsible partners.

The Group respects laws and customs while supporting international laws and regulations. These policies have been integral in the way group companies have done business in the past and will continue to play a central role in influencing the Group's practice in the future.

4.7 Insider dealing

The Board recognises the need to eliminate the misuse of inside information and is aware of the guidance issued by the UK Financial Conduct Authority (see Appendix B). The Directors will ensure that the Company has sufficient controls (and will review these at least annually) to eliminate such insider dealing and misuse of information.

4.8 Anti-corruption and bribery policy

The government of the United Kingdom has issued guidelines setting out appropriate procedures for all companies to follow to ensure that they are compliant with the new UK Bribery Act which is in force with effect from 1 July 2011. Although incorporated and registered in the Seychelles, the Company's Main Market listing will mean that the Group will be subject to the UK Bribery Act.

The Directors have reviewed the Group's operational procedures to consider the impact of the UK Bribery Act and implemented appropriate procedures, including arranging training with a view to ensuring that the Directors and employees comply with the terms of the legislation. The Group has formalised its policy in a Corporate Governance Handbook.

5 DETAILED FINANCIAL REPORTING CONTROLS

This section details the financial reporting internal controls of the Company and the Group. It is broken down into a summary of key control procedures which detail how the accounting systems operate.

5.1 Financial reporting internal controls

There is a formal schedule with hard dates for completing tasks associated with closing the general ledger and preparing the financial information. This schedule specifies the steps that are to be undertaken and by whom, in chronological order reviewed by the CFO for completeness.

Financial procedures and controls are documented and approved by the Board, including by way of this Board Memorandum and including documentation setting out, for example, those matters that are to be reserved for the decision of the Board and its committees (see Appendix A)

Informative disclosure is documented in the notes to the financial information concerning the following:

- commitments;
- contingencies;
- related party transactions*;
- subsequent events; and
- other disclosures.

* It is acknowledged that the reporting requirements of the Listing Rules in relation to Related Parties are more stringent than the requirements of IFRS.

Inter-company transactions are reconciled at month-end.

Subsidiary ledgers are reconciled to control accounts.

The mathematical accuracy of financial information is verified on a monthly basis.

Procedures are in place to identify and address changes in accounting and reporting pronouncements.

Financial information is reconciled to the general ledger prior to publication.

5.2 Internal control of assets

Division of duties

The person responsible for recording fixed assets does not make general ledger entries.

Responsibility for the reconciliation of the fixed asset accounts with the fixed asset control account and the making of entries in the fixed asset account are separated.

The custodian of the fixed assets and the taking of physical inventory are separated.

The person responsible for tagging fixed assets and for locating missing fixed assets, is not the fixed asset custodian.

Capital asset purchases or disposals above a limit set by the CFO are approved by the Board.

5.3 Purchase and payments authorities

The following personnel have purchase and payment authorities as follows:

- up to £10,000 - CFO or CEO;
- between £10,000 and £100,000 - CEO; and
- over £100,000 - Board approval.

5.4 Accounting for expenses

Expenses analysis

Expenses are analysed for reasonableness. Reasonableness is considered by both nature and amount. Expenses are not to exceed that which would be incurred by a rational person under similar circumstances. In determining the reasonableness of a given expense, consideration is given to the following:

- whether the expense is ordinary and necessary for the operation of the business;
- whether the expense is considered generally accepted, sound, arm's length and complies with laws, regulations, and Company policies;
- whether the purchaser acted with prudence; and
- whether there is significant deviation from the established practices of the Company.

Documentation required

The Group requires original documentation for expense recording.

Accrued expenses

Expenses for the following are accrued monthly:

- wages and salaries;
- taxes;
- employee benefits;
- interest; and
- Insurance.

Payroll

Payroll is prepared by Mrs. Sue Wang and is reviewed and approved by the CEO at the Beijing office. Salaries are paid to employees on the 15th day of each month by direct transfer from Top Ten's Chinese bank account to the employees' bank accounts. Any amendments to payroll are approved by the CEO. The payroll summary provided by Mrs. Sue Wang includes details of fringe benefit costs, such as travel allowance, mobile phone fee allowance, accommodation (direct contract between lessors and the Company) and any other allowance. Payroll does not include Directors' fees which are approved annually at the Company's Annual General Meeting by shareholders of the Company. Directors' fees are paid on a quarterly basis by bank transfers.

Banking and treasury

The Group's treasury function is controlled from the Company's Beijing office. The Group maintains a bank account in China through Top Ten and is in the process of establishing a Hong Kong account. The Group's current cash resources are currently held in the Top Ten bank account in China in Canadian dollars ("CAD\$"), PRC Renminbi ("RMB"), United States dollars ("US\$") and Great British pounds ("GBP"). Any income from the sale of investment assets will be deposited into the Company's bank account.

The CFO and Mr. Norman Ye, as Treasurer, control the electronic keys and company seals in respect of the Top Ten account in China. The CEO and the CFO control will control the Non China bank account once established. The electronic banking keys are held in a safe in the Group's Beijing office, with two electronic keys, one controlled by the CFO and the other by the Treasurer

The Directors recognise the need to control closely the treasury function to maximise interest earned on cash balances. Should the Group be in the position of having enough cash to cover more than six months of operating costs, the Board will review options as to where to place the excess funds to maximise interest income.

Top Ten's Chinese bank account is controlled by both the CEO and the CFO. All cheque payments and electronic funds transfers must first be signed/approved via a request by the CEO to the CFO. The cheques also need to be stamped by the relevant the Company's account seal, under the control of the CFO and the Treasurer.

All bank account records and withdrawal records are maintained by the Mr. Huan Guo ("Tony") at the Beijing office. The Company's account seals are held in a safe in the Group's Beijing office, with two electronic keys, one controlled by the CFO and the other by the Treasurer. The opening of the safe is logged in a registry book and recorded by Mr. Tony Guo. Confirmation of bank funds to Auditor, Regulators or any authorised authority is to be conducted by the Company's Chinese Legal Advisor in the form of a legal opinion and not computer screen print outs by a single director.

Budgeting and cash flow forecasts

The Group's operating budget has been prepared for twelve months in advance by the CFO and approved by the Board. The budget will be reviewed quarterly and if necessary, the CFO will re-forecast to suit the prevailing operating conditions.

The Group's expenses are monitored on a weekly basis by the CEO. Every quarter, a Management and Discussion report is compiled by the CEO and CFO. This report covers details of historical operating costs as well as current operating costs. The CEO will also report internally to the Board, details any significant variances of actual costs from the operating budget.

5.5 Accounting for assets

Purpose

This policy establishes the fundamental guidelines and practices for properly accounting and reporting assets on the Group's balance sheet. An asset is an element of the financial statements constituting economic resources as of a certain date, and expected to benefit future operations i.e. intangible assets, land, buildings, work-in-progress, inventory, and receivables.

Assets are recorded on the Group's balance sheet using the accrual basis of accounting. Increases in assets are recorded as debits.

Assets represent items of value that the Group owns or controls. Assets have three primary characteristics:

- they are an economic resource expected to provide future benefits to the Group;
- the Group will obtain that benefit and maintain control over the asset; and

- the event giving rise to the Group's right to control of the asset has already occurred.

Responsibilities

Individual employees are responsible for:

- the proper use, care and protection of Group property;
- ensuring that Group property is used only for the conduct of official Group business; and
- reporting any suspected fraud, theft, or embezzlement.

Asset categorisation

Assets are classified into three types:

- current assets;
- long term assets; and
- other assets.

Assets are further organised on the Group's balance sheet in descending order of liquidity.

Amortisation and depreciation

All non-current assets with limited useful lives, including intangibles, are amortised or depreciated. Accurate amortisation and depreciation methods and estimated useful life assumptions are critical in correctly determining the Group's financial performance. Estimated useful lives are as accurate as possible and take into account usage, physical wear and tear, technical obsolescence and commercial obsolescence, and conform to any government regulations.

Some assets are made up of a number of different components with differing useful lives. The Group depreciates these components separately over their useful lives, if not doing so would have a material impact on the total reported depreciation expense.

Asset valuation

Assets are reported on the Group's balance sheet using the following valuation methods:

- **Historical cost**

Historical cost is the amount actually paid for the asset, as evidenced by checks and other documents. This is ordinarily adjusted over time for depreciation. Historical cost is the valuation measurement generally used for plant and equipment.

- **Replacement or current cost**

Replacement cost is the amount that would have to be paid for a current acquisition of the same or an equivalent asset today. Current cost is the valuation measurement generally used for inventories.

- **Fair market value**

Fair market value is the net amount expected by selling the asset in a liquidation event. Fair market value is the valuation measurement requirement for marketable securities.

- **Net realisable value**

Net realisable value, is the amount expected to be received for the asset, considering other reasonable further costs to make the item ready for sale, including allowances for non-

collectibles. Net realisable value is the valuation measurement generally used for accounts receivable.

Marketable securities

Marketable securities include investments in shares of public companies capable of reasonably prompt liquidation. These shares have been categorised as available for sale financial instruments and as such are carried at fair value. Adjustments to fair value are recorded in other comprehensive income unless there is a loss in value that is other than temporary, in which case the adjustment to fair value is included in income.

Stock-based Compensation

The Company recognises stock-based compensation expense in accordance with IFRS. When stock or stock options are issued to employees, compensation expense is recognised based on the fair value of the stock or stock options issued on the date of grant, over the vesting period of the stock or stock options. Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognised over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognised at that date. On the exercise of stock options, share capital is credited for consideration received and for fair value amounts previously credited to contribute surplus.

Investment interests

The Group records investment interests in its financial statement either as a “deemed value” in the investment contracts or if the investment is in a company which is a public company, at the value of the marketable securities. Costs to earn the investment interests are allocated by the CEO to the specific investment or if less than \$300,000 to general administration and running costs.

Impairment of long-lived assets

The Group’s long-lived assets consist of intangible assets and property and equipment. The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on the Director’s estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by the Directors.

6 CONCLUSION

The Board believes that the financial reporting procedures detailed above are sufficient to allow the Company to meet its reporting and governance obligations under the Listing Rules.

The Directors are responsible for establishing procedures that provide a reasonable basis for making proper judgements as to the financial position and prospects of the Company and the Group.

In carrying out our responsibilities, we have conducted a risk assessment of the nature and the circumstances of the business and on:

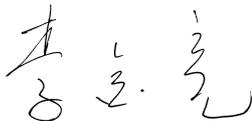
- the information required to monitor the business and manage risk so as to make informed judgements the Group's financial position and prospects; and
- factors likely to impact on the Group's financial position and prospects and the preparation and communication of related information.

We have evaluated the Group's financial position and prospects procedures and we confirm that:

- this Board Memorandum fairly describes the financial position and prospects procedures as at today;
- where we have described financial position and prospects procedures. for which plans for implementation have been drawn up, but which have not yet been into operation, those procedures will be brought into operation and will be operated in accordance with the plans, and
- we have established procedures which provide a reasonable basis for us to make proper judgements as to the financial position and prospects of the Company and the Group.

We confirm that the Company and the Group will continue to maintain procedures set out in this Board Memorandum subsequent to the admission of the Company's shares to trading on the Main Market.

Agreed by **CIC Gold Group Limited** by authority of its directors:



Li Jinliang, Chief Financial Officer



Barsbold Ulamayar, Chief Executive Officer

Management structure and appointments:

- Senior management responsibilities;
- Board and other senior management appointments or removals;
- Board and senior management succession, training, development and appraisal;
- Appointment or removal of Company Secretary;
- Appointment or removal of internal auditor;
- Remuneration, contracts, grants of options and incentive arrangements for senior management;
- Delegation of the Board's powers;
- Agreeing membership and terms of reference of Board committees and task forces;
- Establishment of managerial authority limits for smaller transactions; and
- Matters referred to the Board by the Board committees.

Strategic/policy considerations:

- Business strategy;
- Diversification/retrenchment policy;
- Specific risk management policies including insurance, hedging, borrowing limits and corporate security;
- Agreement of codes of ethics and business practices;
- Receipt and review of regular reports on internal controls;
- Annual assessment of significant risks and effectiveness of internal controls;
- Calling of shareholders' meetings; and
- Avoidance of wrongful or fraudulent trading.

Transactions:

- Acquisitions and disposals of subsidiaries or other assets over, say 5% of net assets/profits;
- Investment and other capital projects over a similar level;
- Substantial commitments including;
 - Pension funding;
 - Contracts in excess of one year's duration; and
 - Giving securities over significant group assets (including mortgages and charges over the group's property);
- Contracts not in the ordinary course of business;
- Actions or transactions where there may be doubt over property;
- Approval of certain announcements, prospectuses, circulars and similar documents;
- Disclosure of Directors' interests; and
- Transactions with Directors or other related parties.

Finance

- Raising new capital and confirmation of major financing facilities;
- Treasury policies including foreign currency and interest rate exposure;
- Discussion of any proposed qualification to the accounts;
- Final approval of annual and interim reports and accounts and accounting policies;
- Appointment/proposal of auditors;
- Charitable and political donations;
- Approval and recommendation of dividends; and
- Approval before each year starts of operating budgets for the year and periodic review during the year.

General

- Governance of Company pension schemes and appointment of company nominees as trustee; and
- Allotment, calls or forfeiture of shares.

APPENDIX B – FCA GUIDANCE ON ‘INSIDER DEALING’

PRINCIPLES OF GOOD PRACTICE FOR THE HANDLING OF INSIDE INFORMATION

There is a widespread desire amongst those involved in capital markets to support efforts to eliminate misuse of inside information. Concerns remain that inside information from time to time leaks into the market, whether accidentally or intentionally, and may be misused: this is a particular issue in relation to inside information about mergers and acquisitions. Misuse of inside information is a financial crime carrying significant penalties, including imprisonment.

Those organisations involved in capital markets which are subject to direct regulation by FCA or other regulators, or are subject to the Disclosure and Transparency Rules (“DTRs”), should already have in place policies and procedures on dealing with inside information. However others, such as unregulated service providers and some other market participants, may not.

In light of this it was thought timely to highlight the need for unregulated participants to consider policies and procedures for handling inside information. Accordingly, to raise awareness of the importance of combating market abuse and to assist the market with developing and maintaining good practices in the handling and control of inside information, the FCA has sponsored an industry led working party made up of representatives of regulated and unregulated participants including the CBI, PRCA, LIBA, ICAEW, Imprima Group, Bowne International, RR Donnelley, Merrill Corporation and the CLLS.

The publication of this document is also supported by the ABI, BBA, the LSE and the Executive of the Takeover Panel, which in March 2008 published Practice Statement No.201 which contains more information about the need for secrecy in takeovers and the specific rules of the Takeover Code relating to secrecy and announcements. The SRA has also issued a statement expressing its support for the objectives behind the publication of the Principles and reminding solicitors of their relevant professional duties in respect of confidential information and managing risk.

This document has been developed for those in the unregulated community involved in handling inside information, in order to set out general principles on which they can then develop their own policies and practices, as best suits their particular businesses. It is intended that this approach should support the idea that each organisation accepts responsibility for its own conduct rather than relying on others. The annex includes examples that give a practical context to the principles and highlight good practice points. Whilst the principles and good practice points are aimed at the unregulated community, aspects of them could also provide assistance to other market participants.

The Principles

Policies and procedures

Policies and procedures for the use and control of inside information should be established and reviewed from time to time. These should recognise the responsibility to control access to inside information and reduce risk of misuse. There should be clear responsibility within organisations for overseeing controls and procedures in relation to inside information.

Awareness and training

Appropriate measures should be taken, including training, to assist staff in understanding the importance of keeping information secret and the implications of improper disclosure (including the potential civil and criminal liabilities for the firm and the individual). Ensuring policies are capable of being readily understood by all relevant staff is an important part of this approach.

“Need to know” and other information controls

Reasonable steps should be taken to limit the number of those with access to inside information. Where practicable a “need to know” policy should be applied.

Passing price sensitive information to third parties

Reasonable care should be taken to ensure that where inside information is provided to a third party, the third party is aware of its obligations in relation to the use and control of the information.

Information technology security

Appropriate consideration should be given to the security of and access to inside information on IT systems, including the implementation of controls to limit access.

Personal dealing policies

Reasonable consideration should be given to establishing personal account dealing policies; those policies should be made clear to staff along with the civil and criminal penalties for dealing on the basis of inside information or for enabling such dealing.

The principles and the practice suggestions in the annex are not a substitute for the relevant laws and regulations nor are they intended to have any legal effect or to be used by the FCA or other regulators: their objective is simply to help raise standards generally in relation to the use and control of inside information.

Annex to the “Principles of good practice”

The Financial Services and Markets Act (s. 118 FSMA) defines inside information as “information relating to particular securities or to a particular issuer or issuers of securities which has not been made public and which, if it were made public, would be likely to have a significant effect on the price or value of any securities”.

In effect, if a piece of information could be deemed material to the price of a share or a derivative of it, that information may be “inside information” which should in general be made public as quickly as practical.

Until the material information has been made public, a party dealing in or enabling someone else to deal in a share (or a derivative of it) that could be affected by that information is committing a criminal offence.

Inside information surrounding merger and acquisition activity is often particularly price sensitive and must remain confidential until released to the market. Other events frequently involving price sensitive information include company results statements and trading updates, board appointments and senior executive changes, contract wins and losses, changes in accounting treatment, crises affecting the ordinary course of business and suchlike.

As part of the Principles of Good Practice for the Handling of Inside Information, unregulated service providers (service providers) and participants in unregulated markets are encouraged to have in place procedures and controls to prevent the abuse of inside information.

The following are suggestions for differing organisations to consider and then refine as they think most appropriate to their businesses. Since it is anticipated that the following examples of good practice will evolve and be refined, updates to this Annex to the Principles of Good Practice will be published from time to time.

Policies and procedures

A firm’s policies and procedures for the use and control of inside information should be established and reviewed from time to time. These should recognise the responsibility to control access to inside information and reduce risk of misuse. There should be clear responsibility within organisations for overseeing controls and procedures in relation to inside information.

Good practice points to be considered include:

- Appoint a senior person with responsibility for maintaining good practice procedures, ensure they are trained and resourced and see that all members of staff know who this person is;
- Maintain documented policies on price sensitive information handling that are regularly reviewed and updated;
- Conduct an internal review of the operation of policies, systems and procedures at least annually;
- Ensure that insider lists are complete, accurate and regularly updated;
- Have in place a policy on external contact enquiries, particularly with the media;
- Staff policies:
 - Maintain procedures making it easy to report and discuss sensitive information being handled inappropriately;
 - When staff who hold sensitive information leave a firm or change roles, conduct an 'exit interview' during which the leaver is reminded of the ongoing confidentiality of inside information;
 - A policy on introducing temporary or contract staff to company policies regarding inside information;
 - Undertake staff vetting such as criminal record checks and references from previous employers; and
 - Employment contracts to make staff aware of their duty of care regarding insider information together with the employer's right to access email, phone and other communication records as part of the employer's policy in regard to insider dealing.

Awareness and training

Appropriate measures should be taken, including training, to assist staff in understanding the importance of keeping information secret and the implications of improper disclosure – including the potential civil and criminal liabilities for the firm and the individual. Ensuring policies are capable of being readily understood by all relevant staff is an important part of this approach.

Good practice points for consideration include:

- Foster a culture that respects the sensitivity of inside information and establishes an awareness of the penalties for its abuse;
- Have a dedicated training responsibility;
- Hold induction training, as well as refresher training, for all staff regardless of position (including support staff);
- As new rules come into force, maintain an 'update' system;
- Test awareness and understanding from time to time; and
- Maintain training records and review process annually.

“Need to know” and other information controls

Reasonable steps should be taken to limit the number of those with access to inside information. Where practicable a “need to know” policy should be applied.

Good practice points for consideration include:

- A policy for making someone an insider, including only passing inside information to colleagues if they are first alerted to their responsibilities regarding the information;
- Limit the number of insiders to a practical minimum and introduce a requirement to justify adding people to the insider list (“need to know” criteria);
- Communicate to other insiders when someone is removed from an insider list;
- Where practicable, separate deal teams from other parts of the business;
- Security of price sensitive information:
 - Have a policy on secure disposal of confidential documents/soft copy;
 - Monitor and enforce a clear desk policy to reduce the risk of non-insiders seeing papers left on desks (contract cleaning companies);
 - Maintain formal, written procedures for staff working off-site;
 - Use code names disguising the identities of relevant parties that are effective and not obvious;
 - Discourage staff reading or working on sensitive papers in public and discussing sensitive matters in public (eg in taxis);
 - Require staff working on deals only to discuss deals in meeting rooms;
 - Control the email distribution of sensitive information, ensuring the regular use of passwords on documents;
 - Control the hard copy distribution of papers (e.g. numbered copies or bar codes on documents);
 - Ensure hard copy sensitive information is stored in lockable cabinets and soft copy securely stored also; and
 - Use restricted access systems in work and IT systems areas where sensitive information is handled.

Passing price sensitive information to third parties

Reasonable care should be taken to ensure that where inside information is provided to a third party, the third party is aware of its obligations in relation to the use and control of the information.

Good practice points for consideration include:

- Maintain formal, written procedures when adding third parties to the information chain, formally making them insiders and spelling out the responsibilities inherent in handling the information;
- Obtain comfort that third parties appreciate the importance of safeguarding inside information and have appropriate procedures in place;
- Consider the third party’s suitability as a recipient;

- Include third parties to the information chain as late as practical in the process; and
- Orally explain responsibilities rather than simply exchanging standard confidentiality letters.

Information technology security

Appropriate consideration should be given to the security and access to inside information on IT systems, including the implementation of controls to limit access.

IT configurations will differ significantly between service providers and some of the following may not be applicable; however good practice points for consideration include:

- Where practical, restrict IT access only to named individuals in preference to a companywide, open IT access;
- The use of a secure “data room” with robust portal restricted to named individuals;
- IT and other management support considered insiders to comply with appropriate policies;
- Once a member of staff leaves or changes roles, the individual’s IT access be removed;
- Employ ‘ethical hackers’ to check the robustness of IT systems and keep abreast of any new methods of data theft;
- Use code names and passwords for IT files and folders, including email subject lines;
- Password protect all electronic equipment;
- Laptops, Blackberries etc to have automatic locking after brief periods;
- Technology to generate an audit trail of access to sensitive files;
- Restrict emails with sensitive information going to personal websites;
- Maintain procedures for ‘fat finger’ errors on emails, letters or faxes (recalling emails quickly and IT check showing if emails have been opened); and
- Use Virtual Private Networks for staffs who need access to system when working off-site.

Personal dealing policies

Reasonable consideration should be given to establishing personal account dealing policies; those policies should be made clear to staff along with the civil and criminal penalties for dealing on the basis of inside information or for enabling such dealing.

Good practice points for consideration include:

- Maintain a formal, written procedure regarding Personal Account (“PA”) dealing for all members of staff, ensuring awareness of this (consider including it in employment contracts) and test compliance from time to time;
- Ensure that staff are aware that insider dealing is a criminal offence;
- Explicit reference in PA dealing policy to derivatives, related products, sector “knock on”, etc;
- Policy covers dealings under power of attorney and by immediate family;
- Policy addresses approach to dealings through discretionary accounts or manager, having regard to the independence of discretionary manager dealings;

- Consider restricting staff or relevant staff members from dealing without permission from their immediate manager or compliance officer. Refusal may be given without further explanation;
- Restrict staff members of service providers from dealing in client companies. (This should not apply where assets are managed by others for a staff member on a discretionary basis without input from the person concerned);
- Require staff to maintain updated declarations of their holdings; and
- Keep a written log of permission requests and their outcomes, including risk based records of staff trading against announcements.