

Translated from Russian

APPROVED
by the resolution of the General Meeting of Shareholders
of "ALROSA" Company Limited (Closed Joint-Stock Company)
dated 29 June 2002 (Minutes No.16)

REGULATIONS
ON ACTIVITIES OF THE AUDITING COMMITTEE OF
"ALROSA" COMPANY LIMITED
(CLOSED JOINT-STOCK COMPANY)

1. General Provisions

1.1. These Regulations are adopted in pursuance of clause 2 of Article 85 of the Federal Law On Joint-Stock Companies.

1.2. The Auditing Committee of the Company is the body exercising control over financial and economic activities of "ALROSA" Company Limited (Joint-Stock Company) (hereinafter referred to as the "Company").

1.3. The Auditing Committee shall be elected at a General Meeting of Shareholders in pursuance of the Charter of the Company.

1.4. In the course of its activities, the Auditing Committee shall be governed by the laws of the Russian Federation, the Charter of the Company, these Regulations and other internal normative documents of the Company, to the extent referring to activities of the Auditing Committee, approved by the Company.

1.5. Powers of the Auditing Committee shall be as fixed by the Federal Law On Joint-Stock Companies.

2. Chairman of the Auditing Committee

2.1. The Auditing Committee shall elect its Chairman from its members. The Chairman of the Auditing Committee shall be elected at a meeting of the Auditing Committee by majority of votes of the total number of members of the committee elected.

The Auditing Committee may at any time reelect its Chairman by majority of votes of the total number of elected members of the Committee, excluding votes of any retired members of the Auditing Committee.

2.2. The Chairman of the Auditing Committee shall:

- convene and hold meetings of the Auditing Committee;
- arrange work of the Auditing Committee;
- represent the Auditing Committee, including at meetings of the Supervisory Board and at General Meeting of Shareholders;
- sign documents issued by the Auditing Committee, unless otherwise is provided by the present Regulations.

2.3. In case of absence of the Chairman of the Auditing Committee (business trip, leave, illness) his functions shall be performed by any member of the Auditing Committee by resolution of the majority of present members of the Auditing Committee.

3. Meetings of the Auditing Committee

3.1. At its meetings, the Auditing Committee shall pass resolutions on any matters of its competence as fixed by the Federal Law On Joint-Stock Companies and the Charter of the Company.

Minutes shall be kept at the meetings of the Auditing Committee, to be signed by all the members of the Auditing Committee attending the meeting.

Meetings of the Auditing Committee shall be held prior to any audit and according to its results, as well as in any other cases when necessary.

Any member of the Auditing Committee may at any time require convening of meeting of the committee in case of revealing of any violations that need immediate decision.

3.2. A notice of meeting of the Auditing Committee shall be forwarded to each member of the Auditing Committee in writing no later than 10 days prior to the date of the meeting. Any notice shall specify:

- the date and the place of the meeting;
- matters introduced for debate.

Any materials relating to the items of the agenda of the meeting shall be attached to the notice.

3.3. Meetings of the Auditing Committee shall be held in the form of joint presence of members of the Committee met for considering of the items of the agenda and passing resolutions on matters put to vote.

3.4. Any meeting of the Auditing Committee shall be valid (have quorum), provided at least three member of the Auditing Committee are present thereat. Resolutions at a meeting of the Auditing Committee shall be passed by majority of votes of members of the Auditing Committee attending the meeting, unless otherwise is set forth in these Regulations.

3.5. In the course of fixing the quorum and the results of voting, written opinion of any member of the Auditing Committee necessarily absent at the meeting (business trip, leave, illness) on any items of the agenda, shall be taken in consideration, provided such opinion is received by the Auditing Committee prior to its meeting.

3.6. Any member of the Auditing Committee may require fixing in the minutes of a meeting of the Auditing Committee his/her specific opinion stated in writing, in case such member disagrees with any resolution of the committee.

4. Duties of the Auditing Committee

4.1. The Auditing Committee shall:

- audit business activities of the Company on the basis of results of its annual activities in a year, as well as at any time on initiative of any persons specified in the Federal Law On Joint-Stock Companies, the Charter of the Company and the present Regulations;
- judge reliability of data included into the annual report of the Company and into the annual financial statements of the Company;
- in the course of audit, require from any persons holding offices in managerial bodies of the Company any documents on business activities of the Company;
- require written explanations from the sole executive body, members of the Supervisory Board, any persons holding executive positions in the Company, on any matters of competence of the Auditing Committee; fix any non-observances of laws and other normative legal acts, the Charter and internal normative documents of the Company;
- in due time notify the General Meeting of Shareholders, the Supervisory Board, the plural and the sole executive bodies of the Company of the results of audits in the form of a report or a certificate;
- request convening of meetings of the Supervisory Board, extraordinary General Meeting of Shareholders in cases when any non-observances revealed in financial and economic activities of the Company or any actual threat to interests of the Company requires making decisions on any matters of competence of the said managerial bodies of the Company;
- keep national and commercial secrets, not disclose any confidential information accessible for members of the Auditing Committee in the course of performing of their duties.
- if necessary, involve any professionals to their work in respect of any particular matters of business activities of the Company, other than occupying any posts in the Company (the Company shall conclude contracts with such persons signed the President of the Company or any person performing his duties).

4.2. Members of the Auditing Committee shall bear responsibility for objectivity and fairness of audits performed by them.

4.3. Members of the Auditing Committee (the Chairman of the Auditing Committee) shall be obliged to attend a General Meeting of Shareholders of the Company, the agenda of which includes an item relating to activities of the committee in accordance with its competence, and to answer questions of participants of the meeting.

5. Audit Procedure

5.1. Audits of financial and economic activities of the Company shall be performed in respect of results of activity for a year.

5.2. The Auditing Committee shall submit to the Supervisory Board a report on the results of audit of financial and economic activities of the Company for the year as well as an opinion confirming or denying reliability of data included into the annual report of the Company and into the annual accounts of the Company, no later than 45 days prior to the date of the annual General Meeting of Shareholders.

5.3. Audits of financial and economic activities of the Company shall be also performed at any time:

- on initiative of the Auditing Committee;
- on resolution of the General Meeting of Shareholders;
- on resolution of the Supervisory Board;
- on request of a Shareholder (Shareholders) of the Company holding in aggregate at least 10 percent of voting shares in the Company.

5.4. In case of revealing of any violation, a member of the Auditing Committee shall forward to the Chairman of the Auditing Committee a written description of the revealed violations requiring passing of resolution by the Auditing Committee.

Within 10 business days after receipt of the request, the Chairman of the Auditing Committee shall convene a meeting of the Auditing Committee.

In case the Auditing Committee passes resolution to audit activities of the Company, the Chairman of the Auditing Committee shall arrange such audit and commence its performing.

5.5. In the course of audits, members of the Auditing Committee shall examine any available and received documents and materials referring to the subject matter of the audit (for the purpose of supporting of activities of the Auditing Committee, the Company shall allot necessary premises, office facilities and stationery).

5.6. The Auditing Committee shall draw up and approve a report on the results of an audit of financial and economic activities of the Company.

5.7. Initiators of an audit of financial and economic activities of the Company may, at any time prior to making decision by the Auditing Committee to conduct an audit, revoke their request by a written notice to the Auditing Committee.

6. Documents of the Auditing Committee

6.1. Documents of the Auditing Committee shall include:

- Minutes of the Auditing Committee;
- Certificates of the Auditing Committee on the results of audits;
- Opinions of the Auditing Committee;
- other documents.

6.2. Minutes of any meeting of the Auditing Committee shall be drawn up within 3 days after the meeting.

Any minutes shall specify:

- the place and the time of the meeting;
- persons present at the meeting;
- the agenda of the meeting;
- matters put to vote;
- information on any speakers and the key points of their speeches;
- results of voting and resolutions passed;
- persons stating their specific opinion on the resolutions passed.

A written opinion of a member of the Auditing Committee necessarily absent at the meeting of the Auditing Committee and (or) a written specific opinion of a member of the Auditing Committee as set forth in clauses 5.5 and 5.6 of these Regulation, shall be attached to the Minutes as their integral part.

6.3. Certificates of the Auditing Committee on the results of audits shall specify:

- the place and time of the audit;
- members of the Auditing Committee participating in the audit;
- causes of the audit;
- description of any revealed non-observances of laws and other normative legal acts, requirements of the Charter and internal normative documents of the Company, as well as the persons guilty of such non-observances;
- references to particular provisions of laws and other normative legal acts, Charter and internal normative documents of the Company, non-observance of which is revealed in the course of the audit.

6.4. Opinions of the Auditing Committee shall specify:

- conclusions as to observance or violation of any laws and other normative legal acts, the Charter and internal normative documents of the Company;
- appraisal of reliability of data included into the annual report of the Company and annual accounts of the Company;
- requests for providing information (documents and materials) made in the course of an audit to the bodies of the Company, the heads of subdivisions and services, affiliates and representative offices and other persons holding executive offices;
- any refusals to provide information (documents and materials) that were received;
- information regarding requesting by the Auditing Committee to convene meetings of the Supervisory Board and extraordinary General Meeting of Shareholders;

- information regarding written explanations from the sole executive body, members of the Supervisory Board, persons holding executive offices, and other staff of the Company;
- description of any non-observances of laws and other normative legal acts, the Charter, internal normative documents of the Company;
- information on evolving by the Auditing Committee of any professionals in respect of any particular matters of financial and economic activities, other than occupying offices in the Company, on conclusion of a contract with such persons and performing thereunder.

6.5. Any documents of the Auditing Committee shall be signed by the members of the Auditing Committee (its Chairman) and need not affixing of the seal of the Company.

6.6. Original documents of the Auditing Committee shall be forwarded by the Chairman of the Auditing Committee for keeping to the functional subdivision (person) of the administration of the Company as determined by the President of the Company with execution of the relevant certificate thereof.

6.7. The Company shall provide access for the Shareholders to any documents of the Auditing Committee, as well as shall provide them copies of such documents for consideration, under the terms and conditions and in the order as fixed by article 91 of the Federal Law On Joint-Stock Companies.

The consideration charged by the Company for provision of copies of documents may not exceed the cost of their making and forwarding by mail.

7. Procedure of Requesting for Audit by a Shareholder of the Company

7.1. Any Shareholder (Shareholders) initiator of an audit shall forward to the Auditing Committee (its Chairman) a written request specifying:

- full name (firm-name) of the Shareholder;
- information on shares held by such Shareholder (number, class, type);
- reasons for such request.

The request shall be signed by the Shareholder or his proxy. Where the request is signed by proxy, the instrument of proxy or a notarized copy thereof shall be attached.

In case a legal entity Shareholder is initiating an audit, signature of the representative of the legal entity acting in virtue of its Charter without power of attorney, shall be certified by the seal of such legal entity. Where the request is signed by the representative of the legal entity acting on its behalf with the authority of the power of attorney, the request shall be attached with such power of attorney or with a notarized copy thereof.

7.2. Within 15 business days after the date of receiving of the request, the Auditing Committee shall pass resolution on performing of an audit of financial and economic activities of the Company or shall reasonably refuse to audit.

7.3. A refusal to audit may be done by the auditing committee in the following cases:

- the Shareholder (Shareholders) requesting for the audit holds less number of voting shares in the Company than it is necessary;
- the Shareholder (Shareholders) fails to observe the provisions of clause 7.1 hereof;
- an audit is already performed on the facts causing the audit, and the Auditing Committee has already drawn up the relevant opinion;
- the request conforms to the law and other normative legal acts of the RF and (or) provisions of the Charter of the Company.

7.4. A Shareholder (Shareholders) requesting for an audit of financial and economic activities of the Company may make the next request for an audit no earlier than in a month after making the first request to the Auditing Committee.

8. Remuneration and Compensations Payable to Members of the Auditing Committee

8.1. By resolution of the General Meeting of Shareholders, members of the Auditing Committee, during the period of performance of their duties, may be paid remuneration and or compensations for any expenses connected with the performance by them of functions of members of the Auditing Committee. The amount of such remuneration and compensations shall be as recommended by the Supervisory Board and shall be fixed by resolution at a General Meeting of Shareholders of the Company.

8.2. The General Meeting of Shareholders may consider the matter of payment remuneration and compensations evidenced by documents to the members of the Auditing Committee as a separate

item on the agenda of the General Meeting of the Company, or as a part of the matter of distribution of profit on the results of the fiscal year.

8.3. Remuneration shall be paid on the basis of a resolution of the General Meeting of Shareholders according to the results of the Company's activities during the year.

8.4. In case of absence of net profits in the Company, a resolution on payment to members of the Auditing Committee of remuneration may not be passed.

9. Final Provisions

9.1. Where, in pursuance of duly made amendments to any laws or other normative acts of the Russian Federation, any particular articles of these Regulations come into conflict therewith, such articles shall be null and void, and, prior to entering amendments into the Regulations, the General Meeting of Shareholders shall be governed by the laws and other normative legal acts of the Russian Federation to the extent of such invalid articles.

9.2. Any amendments and supplements to these Regulations shall be made by resolution of the General Meeting of Shareholders of the Company.