



Coal Asia Holdings

Reliable energy resources through responsible mining

AUDIT COMMITTEE CHARTER

I. Purpose

The purpose of the **Audit Committee** (the ‘Committee’) of the **Board of Directors** (the ‘Board’) of **Coal Asia Holdings Incorporated** (the ‘Company’) is to represent and assist the Board in its general oversight of the Company’s accounting and financial reporting processes, audits of the financial statements, and internal control and audit functions. Management is responsible for preparing the Company’s financial statements, and the independent auditors are responsible for auditing those financial statements.

The Audit Committee members are not necessarily professional accountants or auditors and their functions are not intended to duplicate or to certify the activities of Management and the independent auditor under applicable rules. The Audit Committee serves a Board level oversight role where it oversees the relationship with the independent auditor, as set forth in this Charter, and provides advice, counsel and general direction, as it deems appropriate, to Management and the auditors on the basis of the information it receives, discussions with the auditor, and the experience of the Committee’s members in business, financial and accounting matters.

II. Committee Members

The Committee shall be appointed by the Board and shall comprise of at least three directors who meet the experience and independence standards of the Securities and Exchange Commission (“SEC”) and the Philippine Stock Exchange (“PSE”) and other applicable laws and regulations. All of the members of the Audit Committee shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, and finance.

The Committee shall be composed of at least three (3) appropriately qualified Non-Executive Directors, majority of whom, including the Chairman, shall be Independent Directors. The Chairman should not serve as Chairman of the Board or of any of the other board committees. In case of any vacancy in the Committee, the Board shall appoint a replacement who will fill the vacancy at any meeting of the Board subject to the provision of this Charter.

Committee members may receive no compensation from the Company other than reasonable *per diem*.

III. Committee Meetings

The Audit Committee shall meet at least once every quarter or as often as may be deemed necessary by its members. The majority of the members of the Audit Committee shall

constitute a quorum. The Audit Committee will meet separately, at least quarterly, with the independent auditors and management to discuss any matters that they wish to bring to the Audit Committee's attention.

The Audit Committee shall report to the Board with respect to its meetings, including any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, and/or the performance and independence of the Company's independent auditors.

IV. Committee Responsibilities

The primary responsibility of the Audit Committee is assist the Board in the performance of its oversight responsibility for the financial reporting process system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations. The Audit Committee also exercises oversight function over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. The Committee shall then report the results of its activities to the Board. The Audit Committee in carrying out its responsibilities believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Audit Committee should take the appropriate actions to ensure that the Company, its directors, officers, employees and stakeholders observe quality financial reporting, sound business risk practices, and ethical behavior.

The following shall be the principal and regular processes of the Audit Committee in carrying out its oversight functions. The Audit Committee shall also perform other duties and responsibilities that are consistent with its purpose and as the Board or the Committee deems appropriate.

A. Appointment and Oversight of Internal Auditors

i. The Audit Committee shall recommend the approval and supervise the implementation of the Company's Internal Audit Charter, which formally defines the role of Internal Auditor and the audit plan.

ii. The Audit Committee has the obligation to help Management in setting-up and monitor the effectiveness of the Company's internal control system, the Committee shall organize an Internal Audit Department and consider whether it will be more beneficial for the Company to appoint an Internal Auditor or outsource internal audit services. The Audit Committee shall submit its recommendation to the Board for approval, including the terms and conditions of his engagement and removal.

iii. Through the Company's Internal Audit Department, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security, and ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all stockholders and stakeholders. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (i) safeguard the Company's

resources and ensure their effective utilization, (ii) prevent occurrence of fraud and other irregularities, (iii) protect the accuracy and reliability of the Company's financial data, and (iv) ensure compliance with applicable laws and regulations.

iv. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. The Internal Auditor shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

v. Review the reports submitted by and oversee the Internal Audit Department. The Audit Committee shall also ensure that Management is responsiveness to the Internal Auditor's findings and recommendations.

B. Appointment and Oversight of External Auditors

i. Independent External Auditors

The Audit Committee shall recommend the appointment, reappointment, removal, and fees of the external auditor, any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit review or attest services for the Company, for the approval of the Board and ratification of the shareholders. The Company shall provide the appropriate funding, as determined by the Committee, for payment of compensation to the public accounting firm so engaged.

The Independent External Auditor, or the lead partner thereof primarily responsible for the audit of the Company or the review thereof, shall be rotated or changed at least once every five (5) years or as determined by the regulatory authorities. When there is a change or removal of the External Auditor, the reason thereof shall be disclosed to the proper regulatory authorities and the public through the proper disclosures and the Company website.

The Committee shall also be responsible for: (a) ensuring its receipt from the independent auditors of a formal written statement delineating all relationships between the auditor and the Company, consistent with Philippine Standards on Auditing and Philippine Financial Reporting Standards, (b) actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor, and (c) taking, or recommending that the full Board take, appropriate action to oversee the independence of the outside auditor.

In connection with these responsibilities, the Committee shall discuss the auditor's independence from management and the Company, including whether the auditors' performance of permissible non-audit services is compatible with their independence. This process will include, at least annually, the Committee's review of the independent auditors' internal control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or

professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent directors and the Company. The Company shall review the use of auditors other than the independent auditor in cases such as management's request for second opinions.

ii. Approval of Audit Plans

The Committee shall pre-approve and review all audit plans, scope and frequency before the conduct of the external and internal audit to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources, and budget necessary to implement it.

iii. Audit Services

The Audit Committee shall discuss with the External and Internal Auditors the overall scope and plans for their respective audits including their respective responsibilities and the adequacy of staffing and compensation. The Audit Committee shall approve in advance all audit engagement fees and the terms of all audit services to be provided by the independent auditors.

The Audit Committee shall also perform oversight functions over the Company's External and Internal Auditors. The Audit Committee should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

iv. Non-Audit Services

The Committee shall establish policies and procedures for the engagement of the independent external auditors to provide permissible non-audit services, which shall include pre-approval of permissible non-audit services to be provided by the Independent External Auditor.

The Committee shall likewise evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to their significance to the total annual income of the External auditor and to the Company's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's Annual Report and Annual Corporate Governance Report.

The Committee may, from time to time, delegate its authority to pre-approve non-audit services to one or more Committee members, provided that such delegate(s) present any such approvals to the full Committee at its next scheduled meeting.

C. Review of Financial Reports

The Committee shall check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements. It shall review the reports submitted by the Internal and External Auditors. It shall review interim and annual financial statements before the submission to the Board with particular focus on the following matters: any change/s in accounting policies and practices; major judgmental areas; significant adjustments resulting from the audit; going concern assumptions; compliance with accounting standards, and compliance with tax, legal and regulatory requirements.

D. Related-Party Transactions

While the Company's current size, risk profile, and complexity of operations still do not necessitate the creation of a Related Party Transactions Committee by the Board, the Audit Committee will be tasked to review and have prior-approving authority for related-party transactions, as defined in the applicable Philippine Stock Exchange listing standards (RPTs). Accordingly, the Audit Committee shall exercise the following functions with respect to the Company's RPTs:

i. Evaluate existing and future relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors.

ii. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances, and that no corporate or business resources of the Company are misappropriated or misapplied; and to determine any potential reputational risk issues that may arise as a result of, or in connection with, the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:

(a) The related party's relationship to the Company and interest in the transaction;

(b) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;

(c) The benefits to the Company of the proposed RPT;

(d) The availability of other sources of comparable products or services; and

(e) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.

iii. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties.

iv. Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties. The Committee shall submit material or significant RPTs for approval of the Board and ratification of shareholders.

v. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process.

vi. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

E. Investigative Authority

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company. The Committee shall perform direct interface functions with the internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

The Committee shall respond to any request from Management for evaluation of compliance with the Code of Conduct, Manual on Corporate Governance and Standard Operating Policies and Procedures.

F. Charter Review

The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

G. Annual Performance Evaluation

The Committee will conduct an annual self-evaluation to determine whether it is functioning effectively.