

LODESTAR INVESTMENT HOLDINGS CORPORATION AUDIT COMMITTEE CHARTER

This Audit Committee Charter (“this Charter”) sets out the purpose, membership and qualifications, structure operations, reporting process, resources and other duties and responsibilities of the Audit Committee (the “Committee”) of Lodestar Investment Holdings Corporation (the “Company”).

Section 1. Basis and Purpose

Pursuant to the Company’s By-laws and the Revised Code of Corporate Governance, an Audit Committee was created to provide for the composition, powers and duties thereof. Among others, the Audit Committee is tasked to:

- Assist the Board of Directors in performing oversight responsibility for the financial reporting processes;
- Supervise management activities and responsibilities in maintaining a sound system of internal control;
- Monitor and evaluate the adequacy and effectiveness of the corporation’s internal control system;
- Coordinate, monitor and facilitate compliance with laws, rules and regulations in financial reporting;
- Review reports and financial statements before their submission to the Board of Directors.

Section 2. Membership

- 2.1 Composition. The Committee shall be composed of at least three (3) members of the Board, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The Chairman of the Committee shall be an Independent Director.
- 2.2 Qualification. Each member of the Committee shall have the qualifications and none of the disqualifications of a Director, as provided under the By-laws and other relevant laws and regulations. The Chairman shall be responsible for inculcating in the minds of the members of the Board of Directors the importance of management responsibilities in maintaining a sound system of internal control in accounting and record keeping as well as a sound system of controls over the preparations and reporting of the Company’s financial statements and other reports.
- 2.3 Appointment. The Chairman and the members of the Committee are appointed by a majority vote of the members of the Board constituting a quorum either during the Organizational Board Meeting of the Company or, if there is a vacancy, during any meeting of the Board constituting a quorum.
- 2.4 Removal. The Chairman and members of the Committee may be removed from the Committee by a majority vote of the Board.

- 2.5 Secretary of the Meeting. The Company's Corporate Secretary shall be the secretary of the Committee.

Section 3. Structure and Operations

- 3.1 Meetings. The Committee shall meet at such times and places as it considers appropriate, every quarter to discuss and approve the issuance of the Company's financial statements for the relevant periods. The Chairman of the Committee, any Committee member, or the Corporate Secretary of the Company may call a meeting of the Committee at any time for any matters that need to be addressed, discussed, and / or resolved by the Audit Committee.
- 3.2 Quorum. Attendance of at least two (2) Committee members shall constitute a quorum for the Committee to transact business. The Committee shall act only on the affirmative vote of at least a majority of the members present in a meeting at which there is a quorum.
- 3.3 Chairman. The Chairman of the Committee shall preside in all meetings of the Committee. In the absence of the Committee Chairman, the Committee members present shall elect one of their members as Chairman of the meeting.
- 3.4 Notice of Meeting. A notice of each meeting confirming the date, time, venue, and agenda shall be given to each member of the Committee at least two (2) working days prior to the date of the meeting. The notice will include the agenda to be discussed during the meeting.
- 3.5 Record of Meetings. Full minutes of the proceedings of, and resolutions made during, Committee meetings, shall be kept by the Corporate Secretary. Draft minutes shall be sent to the Committee members for their comment.
- 3.7 Remuneration. No fees or other remuneration shall be payable to the members and advisors of the Committee for services provided or attendance to Committee meetings, except fees or remuneration authorized and approved by the board.

Section 4. Duties and Responsibilities

The duties and responsibilities of the Committee are as follows:

4.1. Financial Reporting and Disclosures

The Audit Committee shall be responsible for the preparation, review and approval and issuance of the Company's financial statements and reports. Among others, the Audit Committee shall:

- a. Review and approve audit scope and frequency and the annual internal audit plan;
- b. Provide oversight over the senior management's activities in managing credit, market liquidity, operational. Legal and other risks of the Company. The function shall include receiving from senior management periodic information on risk exposures and risk management activities.

- c. Review the quarterly, half year and annual financial statements before submission to the Board, focusing particularly on any change/s in accounting policies and practices;
- d. Determine and evaluate significant adjustment resulting from audit and going concern assumptions
- e. Ensure compliance with accounting standards and compliance with tax, legal, and stock exchange requirements
- f. Be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. It may also constitute a Compliance Unit for this purpose.
- g. 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;
- h. Review and discuss with management and external auditor the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following:
 - Any change/s in accounting policies and practices;
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - Going concern assumptions;
 - Compliance with accounting standards;
 - Compliance with tax, legal and regulatory requirements;
- i. Review other relevant reports or financial information submitted by the company to any governmental body or the public or financial report and relevant reports rendered by the external auditor.
- j. Elevate to international standards the accounting and auditing processes, practices and methodologies of the Corporation; and
- k. Check all financial reports against its compliance with pertinent accounting standards, including laws and regulatory requirements and review the management representation letter to the external auditor.

4.2. External Auditors:

The Audit Committee shall have overall responsibility over the external audit of the Company from the selection process to the approval for issuance of financial statements for the statutory periods. Among others, the Audit Committee shall be responsible for the following:

- a. Recommend to the board of directors the selection of the external auditors among qualified and reputable audit firms, considering independence, effectiveness and professionalism.

- b. Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- c. Discuss with the external auditor before the audit commences the nature and scope of the audit and ensure coordination where more than one audit firm is involved;
- d. Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors. In performing this review, the committee will:
 - 1) At least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or per review of the firm, 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 firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the company.
 - 2) Review and evaluate the lead partner of the independent auditor.
 - 3) Present its conclusions with respect to the external auditor to the Board.
- e. Ensure the rotation of the lead audit partner every five years and other audit partners, and consider whether there should be regular rotation of the audit firm itself.
- f. Periodically consult with the external auditors out of the presence of management about internal controls and fullness and accuracy of the company's financial statements.
- g. On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- h. Receive and review reports of external auditors and regulatory agencies, where applicable and ensure that management is taking appropriate corrective actions, in timely manner in addressing control and compliance functions with regulatory agencies.
- i. Pre-approve the engagement of the external auditor or other independent accountant to conduct any non-audit services to be performed during the year.
- j. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to external auditor both in relation to their significance to the auditor and in relation to the Company's total expenditure on consultancy. The non-audit work should be disclosed in the Annual Report

4.3 Internal Audit:

The Audit Committee shall exercise direct management and supervision over the internal audit department of the Company. In order to keep the financial reporting process sound, accurate, and compliant with financial reporting standards, the Audit Committee shall:

- a. Be responsible for setting up an internal audit department and consider the appointment of internal auditor and any questions of resignation or dismissal.
- b. Review with management and the audit executive the charter, plans, activities, staffing, and organizational structure of the internal audit function.
- c. Establish and identify the reporting line to the chief audit executive so that the reporting level allows the internal auditor activity to fulfill its responsibilities. The chief audit executive shall report directly to the Audit Committee functionally. The Audit Committee shall ensure that the internal auditors shall have free and full access to the corporation's records, properties and personnel relevant to the internal audit activity and the internal audit activity should be free from interference in determining the scope of internal audit examination, performing work, and communicating results, and shall provide a venue for the Audit Committee to review and approve the annual audit plan.
- d. Receive and review reports of internal auditors and regulatory agencies, where applicable and ensure that management is taking appropriate corrective actions, in timely manner in addressing control and compliance functions with regulatory agencies;
- e. Review the significant issues raised in internal audit reports to management and management's responses and ensure appropriate corrective actions are undertaken.
- f. Require the internal auditor to render to the committee an annual report on the activities and performance of the internal audit organization relative to the audit plan approved by the committee, including significant risk exposures and control issues, corporate governance issues, and other matters requested by the committee.
- g. Evaluate relationship that senior management, financial management, external and internal auditors have to ensure accurate and timely financial reporting and resolve any disagreement between management and the internal auditors regarding financial reporting.

4.4 Internal Control

- a. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security.
- b. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company.
- c. In consultation with the external auditor and the internal audit function, review the integrity of the company's financial reporting processes (both internal and external).

4.5 Legal, Regulatory and Ethical Standards Compliance:

- a. Review the effectiveness of the system for monitoring compliance with laws and regulations and covering the conducts of its operations and business activities.
- b. Review the findings of any examinations by regulatory agencies, and any auditor's observations.
- c. Review and oversee related party transactions and other potential conflicts of interest situations where appropriate considering that the company is a public firm subject to regulatory scrutiny and public perception
- d. Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- e. Evaluate and monitor compliance with the Code of Ethics for management.
- f. Obtain regular updates from management and company legal counsel regarding compliance matters.

4.6 Risk Management

Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities.

4.7 Reporting Process

The Chairman of the Committee, or in his absence, the Chairman of the meeting, shall report to the Board on the decisions and recommendations made by the Committee following each meeting.

Section 5. Performance Evaluation

- 5.1 The Committee shall assess its effectiveness periodically, with a view to ensuring that its performance accords with best practice. Such assessment must compare its performance with the requirements of this Charter, which shall be the basis of its formulation of objectives and plans to improve its performance, including any recommendations for amendments to this Charter for approval by the Board.
- 5.2 The Committee shall assess its performance through a self-assessment worksheet (the "Assessment") that substantially adopts the Securities and Exchange Commission (SEC) Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange.
- 5.3 The Assessment shall be accomplished by the Committee on an annual basis or in such shorter intervals as may be set by the Board. The results of the Assessment shall be validated by the Company's Compliance Officer.

- 5.4 A feedback mechanism shall be in place to receive comments from management, the internal audit function, the general counsel and external auditor. This should facilitate dialogue within the organization about possible ways to improve its performance.
- 5.5 The entire assessment process shall be documented and shall form part of the records of the Company that may be examined by the SEC from time to time.
- 5.6 This Charter shall be reviewed annually, updated as required, and shall be made available to any requesting party upon written request to the Corporate Secretary.

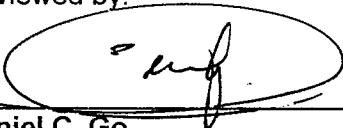
Section 6. Resources

The Committee shall have full access to management, personnel and records for the purpose of performance of its duties and responsibilities hereunder. The Committee may also obtain external legal counsel or independent professional advice if it considers it necessary in the performance of its functions. The Committee shall be provided with sufficient resources by the Company to discharge its duties, including provision for attendance in seminars and educational trainings to expand and update the knowledge of the Committee members on relevant matters.

Section 7. Amendment

This Charter shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board.

Reviewed by:



Daniel C. Go
Chairman, Audit Committee

Approved By:



Antonio Victoriano F. Gregorio III
Chairman of the Board of Directors

Noted by:



Venus L. Gregorio
Compliance Officer