

Internal Audit Preface

The Role of the Internal Audit Group is to assist the management of Atlas Consolidated Mining and Development Corporation (ACMDC) and its subsidiary Carmen Copper Corporation (CCC) by providing independent advice on operations and performance and by assessing the effectiveness of internal control. The function aims to add value, improve operational efficiency, economy and effectiveness of management process, risk management and internal control systems.

Should you have any questions or need further assistance, please feel free to contact:

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ACMDC

INTERNAL AUDIT CHARTER

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1. INTRODUCTION

This Charter provides a framework for the conduct of Internal Audit in ACMDC and CCC and has been approved by the Audit and Risk Management Committee (ARMC) of ACMDC. This Charter primarily aims to define and establish:

- The role of the Internal Audit Group of ACMDC/CCC (the “IA Group”)
- The objectives and scope of the functions of the IA Group
- The extent of authority and accountability of the IA Group within the ACMDC and CCC organizations.

2. ROLE

The role of the IA Group is to assist the management of ACMDC and CCC by providing independent advice on operations and performance and by assessing the effectiveness of internal control. The function aims to add value, improve operational efficiency, economy and effectiveness of management processes, and risk management and internal control systems.

3. OBJECTIVES

The primary objective of the IA Group is to examine, evaluate, and report on whether ACMDC’s/CCC’s design of risk management, internal control and governance processes is adequate and functioning properly.

The IA Group also aims to provide timely advice and recommendations to the senior management of ACMDC and CCC regarding necessary improvements of/ in management processes, internal control structures, and risk management systems.

4. SCOPE OF INTERNAL AUDIT WORK

In order to fulfill its roles and objectives, the IA Group’s scope of work within ACMDC and CCC shall include the following:

- Conduct of regular internal audit review in accordance with the audit plan approved by the ARMC.
- Examination and evaluation of the adequacy and effectiveness of the internal control systems.
- Review of the application and effectiveness of risk management procedures and risk assessment methodologies in various programs and activities.
- Review of the management and financial information systems, including the electronic information system.
- Review of the accuracy and reliability of accounting records, financial reports and transactional documents.
- Assessment of the effectiveness of specific internal control procedures in various programs and activities.
- Evaluation of compliance with legal and regulatory requirements and approved internal policies and procedures.

- Identification of opportunities for cost savings and formulation of strategies for improving cost efficiencies.
- Conduct of investigative audits for the purpose of initiating and/or pursuing the appropriate evaluative and/or disciplinary proceedings for the determination of the culpability of officers or employees who are alleged or are suspected (i) to have committed acts of fraud or dishonesty against the company, or (ii) to have failed to perform a duty in a manner that constitutes gross negligence.

5. AUTHORITY

The Chief Audit Executive (CAE), the IA Group, and external consultants / specialists engaged to undertake special review, shall be authorized to:

- have full and unrestricted access to all records, documents, and information that are required for the effective and complete conduct of audit review in accordance with the approved audit plan;
- determine the scope of audit and the methodologies that must be adopted to accomplish audit objectives;
- obtain the necessary assistance of personnel in the departments subject of audit review;
- engage the assistance and participation of all relevant corporate units/officers in relation to the conduct of investigative audits intended to facilitate the appropriate evaluative and/or disciplinary proceedings for the determination of the culpability of officers or employees who are charged with acts of fraud or dishonesty, or with gross negligence constituting a violation of the company's code of conduct; and
- engage the services of external professionals whenever necessary to fully carry out the approved audit plan.

6. DUTIES and RESPONSIBILITIES

The IA Group shall be responsible for:

- Formulating an annual audit plan;
- Carrying out fully the scope of internal audit work as defined in this Charter;
- Implementing the annual audit plan and all other audit programs approved by the ARMC;
- Maintaining the professional qualifications of its members;
- Issuing reports on the results of its audit work in a timely manner;
- Reporting to the ARMC on emerging trends and developments in internal audit practices and initiating the revision of this Charter based on such developments;
- Assisting in the investigation and examination of suspected fraudulent activities and reporting to the ARMC and senior management the results of such investigation;
- Identifying required control improvements and recommending to senior management and the ARMC the appropriate action;
- Ensuring that required control improvements are introduced and implemented;

- Ensuring that appropriate and adequate controls are introduced into new activities or programs;
- Ensuring compliance with sound internal auditing principles and best practices based on International Standards on Auditing.
- Carrying out and completing investigative audits in relation to evaluative and/or disciplinary proceedings for the determination of the culpability of officers or employees who are charged with acts of fraud or dishonesty, or with gross negligence constituting a violation of the company's code of conduct.

7. **INDEPENDENCE**

Independence is essential to the effectiveness of internal auditing. To maintain the independence of the IA Group, it must:

- Restrict its involvement in all activities subject to audit review, especially those pertaining to the implementation of internal control systems.
- Maintain its autonomy from management directives in the performance of its functions.
- Report directly to the ARMC on all the results of the internal audit work from planning, important issues identified during audit execution, draft and final audit reporting, and follow-up audit.

8. **REPORTING**

The IA Group shall present regular reports to the ARMC on the implementation of all audit programs.

The audit plan to be formulated and implemented by the IA Group shall contain the procedure for reporting audit findings that require management action.

9. **LIAISON WITH EXTERNAL AUDITOR**

- Internal and external audit activities will be coordinated to ensure adequate audit coverage and to minimize duplication of effort.
- Meeting between internal and external auditor shall be held to discuss matters of mutual interest.
- Access to Internal Audit Programs, Working papers and reports shall be made available for review by external auditors.
- Access to External Working papers shall be made available for review by internal auditors.

10. **PROFESSIONAL STANDARDS**

The IA Group shall comply with the Standard on International Audit Guidelines and Practices.

The IA Group shall ensure that:

- All internal audit assignments are undertaken with due professional care
- Audit work is performed by suitably skilled, experienced and competent auditors
- Audit programs are implemented in accordance with professional standards.
- All of its members have access to training that is required to maintain their professional development

11. **CONTINUITY AND IMPARTIALITY**

- The IA Group shall be objective and impartial in performing its assignments.
- The IA Group must not be involved in the operations of ACMDC or CCC or in selecting or implementing internal control measures. However, the IA Group may give recommendations for strengthening internal controls.
- In an effort to continually improve the internal audit function, the IA Group shall maintain professional relationship within the group. In addition, they shall be encouraged to maintain membership in and attend meetings of national and international organizations that serve to promote the modern practice of auditing and internal auditing.

12. **METHODOLOGY**

The IA Group will apply the most appropriate risk-based auditing methodology in the conduct of its work.

13. **REVIEW OF CHARTER**

This charter will be reviewed whenever necessary to ensure an appropriate level of cost-effective and value-driven internal audit service to ACMDC and CCC.

ISSUED AND RATIFIED UNDER THE SIGNATURE OF:

LAURITO E. SERRANO :
Chairman
ARMC, ACMDC/CCC
Dated :

ACCEPTED AND APPROVED BY:

FREDERIC C. DYBUNCIO :
Member
ARMC, ACMDC/CCC
Dated :

GERARD ANTON S. RAMOS :
Member
ARMC, ACMDC/CCC
Dated :

ALFREDO R. ROSAL, JR :
Member
ARMC, ACMDC/CCC
Dated :