

LEPANTO CONSOLIDATED MINING COMPANY AUDIT COMMITTEE CHARTER

Pursuant to the Manual on Corporate Governance of Lepanto Consolidated Mining Company, which calls for the creation of an Audit Committee, this Charter, which sets forth the powers, functions and responsibilities of the Audit Committee and the qualifications of its members, is hereby promulgated.

Section 1. COMPOSITION OF THE AUDIT COMMITTEE

- 1.1 The Audit Committee shall be composed of three members elected as such by the Board of Directors. The Chairman of the Committee should be an Independent Director as defined herein.
- 1.2 An Independent Director is a person who apart from his fees and shareholdings is independent of management. He is free from any business or other relationship that or could reasonably be perceived to interfere with his exercise of independent judgment in carrying out his duties as Director.
- 1.3 At least one of the members must have experience in business and financial risk management and reporting.
- 1.4. There should be a member who is knowledgeable about regulatory issues in the mining industry.

Section 2. QUORUM FOR THE TRANSACTION OF BUSINESS AND CONDUCT OF MEETINGS

- 2.1 . The presence of at least two (2) members shall constitute a quorum for the transaction of business by the Committee.
- 2.2. The Committee shall appoint a Secretary who will record the minutes of Committee meetings.
- 2.3. Unless omitted in the Notice of Meeting upon the Chairman's order, meetings of the Committee shall be attended by the Head of Internal Audit and the Controller.

Section 3. QUALIFICATIONS OF COMMITTEE MEMBERS. The members of the Audit Committee must:

- 2.1. Have at least a basic knowledge of the mining business.
- 2.2. Be financially literate.

Section 4. POWERS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE. The Audit Committee shall:

- 4.1. Have direct access to senior management, including the Chief Executive Officer and Chief Financial Officer, external auditor and Internal Audit.
- 4.2. Have direct access to financial records.
- 4.3. Recommend to the Board the appointment of the Company's External Auditor.
- 4.4. Review the status of all internal audit and external audit recommendations and their implementation.
- 4.5. Review and approve the audit scope and frequency, and the annual internal audit plan.
- 4.5. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system.
- 4.6. Develop a transparent financial system that ensures the integrity of internal control activities.
- 4.7. Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the company, and crisis management.
- 4.8. Check financial reports against compliance with both internal financial management handbook and pertinent accounting standards, including regulatory requirements.
- 4.9. Update the Board quarterly on the review of financial results of operations.
- 4.10. Elevate to international standards the accounting and auditing processes, practices and methodologies.
- 4.11. Meet at least once every quarter to review quarterly results and effectively carry out its duties.

Adopted at Makati City this ____ day of June 2003.