

ENERGY DEVELOPMENT CORPORATION

Audit and Governance Committee Charter¹

I. MISSION

The Audit and Governance Committee is a creation of the Board of Directors of the Energy Development Corporation whose mission is to assist the Board in its oversight responsibility as regards the company's:

1. Integrity of financial reporting process,
2. Effectiveness and soundness of internal control environment,
3. Adequacy of audit functions, both internal and external audits, and
4. Compliance with rules, policies, laws, regulations, contracts and the code of conduct.

II. COMPOSITION

A. Committee Members

The Audit and Governance Committee shall be composed of members coming from the following:

1. At least three (3) Non-Executive Directors as members, three of whom are Independent Directors. Each member shall have adequate understanding and recent relevant financial experience or competence of the Company's financial management systems and environment. All members of the Committee shall as far as practicable, have relevant background, knowledge and/or experience in accounting, auditing and finance
2. The Chairman of the Audit and Governance Committee shall be an Independent Director, who shall not be the Chairman of the Board or of any other board committee

B. Management Representative / Committee Resource Person

In order to assist the Committee in its concerns, the President shall endorse for the Board's appointment at least One (1) Vice President to serve as management representative and/or committee resource person.

C. Committee Secretary

1. An Executive Officer, who shall be the Chief Audit Executive of the Internal Audit Department, shall head the Committee Secretariat; and
2. Members of the Committee Secretariat, who shall be chosen by the Secretariat's Executive Officer from the members of the Internal Audit Department

¹ Amended pursuant to Board Approval dated August 8, 2017 (Note: All underlined items were amended pursuant to the foregoing approval)

III. DUTIES AND RESPONSIBILITIES

The Committee will carry out the following responsibilities:

A. Review of Financial Statements

1. The committee shall obtain an understanding of the company's significant financial reporting matters, including but not limited to:
 - a. Financial results
 - b. Information on management discussion and analysis
 - c. Significant balance sheet changes,
 - d. Accounting principles, including changes
 - e. Significant accounting issues and complex transactions, and
 - f. Related party transactions
 - g. Subsequent events, and
 - h. Recent professional, legal, tax and other regulatory pronouncements and its impact on the financial statements.
2. Review with management and the external auditors the results of the audit, including any difficulty encountered. This review will include any restriction on the scope of the independent auditor's activities or on access to requested information, and any significant disagreement with management.
3. Review the quarterly, half-year and annual financial statements with management and external auditors (as applicable) before its submission to the Board and release to appropriate regulatory agencies and creditors.
4. Review the management representation letter before submission to the external auditor. The Committee fully recognizes that management has the primary responsibility for the financial statements and the financial reporting process.
5. Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
6. Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement.
7. Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

B. Internal Control

1. Monitor and evaluate the effectiveness of the company's internal control system in management, operations, finance, including information system security and control.
2. Obtain management assurance on the state of internal controls
3. Understand the scope of internal and external auditors' review of internal control over the reliability of the company's financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
4. Promote a culture of integrity, and ethical values and behavior in the company.
5. Meet periodically with Risk Management Committee and key management to discuss the control environment.

6. Perform oversight and review function of the cost effectiveness and efficiency of business units against established performance standards.
7. Formulate policies as to how staff may in confidence raise concerns in matters of financial reporting or other matters, ensure proportionate and independent investigation and follow-up action.

C. Internal Audit

1. Review and approve the Internal Audit Department's charter, plans, activities, staffing, and organizational structure.
2. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing by promoting quality assessment (QA) activities and receiving results of QA reviews.
3. Review and concur in the appointment, replacement, or dismissal of the chief audit executive (CAE); conduct performance appraisal and approve compensation and salary adjustments of the CAE.
4. Ensure that the Internal Audit Department maintains a professional audit staff with sufficient knowledge, skills, experience and professional certifications in order to meet the requirements of the Internal Audit Charter
5. On annual basis, receive confirmation from the chief audit executive on the organizational independence of the internal audit activity.
6. Ensure that there are no unjustified restrictions in scope or budgetary limitations that impede the ability of the Internal Audit Department to execute its responsibilities
7. On a regular basis, meet separately with the chief audit executive to discuss any matters that the Committee or Internal Audit believes should be discussed separately.

D. External Audit

1. Recommend to the Board an external auditor (subject to shareholder ratification), and review and approve the audit fee and engagement letter.
2. Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
3. Review with management the external audit reports and findings as well as the company's reply to audit findings.
4. Review the performance of the external auditors and exercise final approval on the appointment or discharge of the auditors.
5. Evaluate, determine and approve the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and the corporation's overall consultancy expenses. The Committee shall 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 corporation's annual report.
6. Review the required rotation of the external auditor partners or firms.

7. Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services and discussing the relationships with the auditors.
8. Meet separately, as necessary, with the external auditors to deliberate on any matter that the committee or auditors believe should be discussed.

E. Compliance

1. In coordination with the Compliance Officer, monitor and facilitate the company's compliance to all rules, laws, regulations, and company policies that would have an impact in the organization's objectives.
2. Formulate policies that will promote compliance to rules, laws, regulations and company policies.
3. *Perform oversight and review function of potential conflicts of interest.*
4. Receive and review reports of internal and external counsels, auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions to address regulatory issues as well as updates on status of litigations, claims and contingencies, if any.
5. Review the process for communicating the code of conduct to company personnel and for monitoring compliance therewith.
6. Obtain regular updates from management and company legal counsel regarding compliance matters.
7. Review the company's corporate governance activities and programs, and oversee the implementation thereof by the company

IV. AUTHORITY

1. Authorize the investigation into any matter within its scope of responsibility.
2. Retain independent counsel, accountants or others to advise or assist the Committee in the conduct of investigation.
3. Oversee the resolution of disagreements between management and the auditors.
4. Seek any information it requires from employees all of whom are directed to cooperate with the committee's requests.
5. Meet with company officers, external auditors, or outside counsel, as necessary.
6. Coordinate with the other Board Committees, as needed, in its function of providing assurance to the Board.
7. Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.

V. REPORTING RESPONSIBILITIES

1. Regularly report to the Board of Directors about Committee's activities and issues that arise with respect to the quality or integrity of the company's financial statements, effectiveness of internal controls, the company's compliance with legal or regulatory requirements, the performance and independence of the company's independent auditors, and the performance of the internal audit function.
2. Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
3. Review any other report the company issues that relate to the Committee responsibilities.

VI. MEETINGS

1. The Committee will meet at least four times a year, with authority to convene quarterly additional meetings, as circumstances require. All committee members are expected to attend each meeting – in person or via teleconference or videoconference.
2. The Committee will invite members of the Management, auditors, employees or others to provide pertinent information as necessary.
3. A majority of the Committee members with the attendance of at least two independent directors shall be necessary at all Committee meetings to constitute a quorum for the transaction of any business. If a quorum is present, an affirmative vote of the majority shall constitute a valid action.
4. Meeting agenda will be prepared and provided in advance to members with appropriate briefing materials. Minutes of the Committee Meeting will be prepared.

VII. PERFORMANCE REVIEW

The Committee must conduct an assessment of its performance on an annual basis or in such shorter intervals as may be set by the Board and in compliance with relevant regulatory requirements. It may recommend to the Board any suggested changes in the duties and responsibilities of the Committee and the terms of this Charter.