

AUDIT COMMITTEE CHARTER

1. PURPOSE

The primary purpose of the Board Audit Committee (BAC) is to assist the Board of Directors in fulfilling its oversight responsibilities for:

- The integrity of Lorenzo Shipping Corporation's (LSC) financial statements, financial reporting processes and disclosures, and application of accounting principles and policies;
- Risk management and the system of internal control;
- LSC's audit process and performance of the company's internal audit function and selection and supervision of external auditor, including the external auditor's qualifications and independence;
- Compliance with applicable laws, regulations, standards and best practice guidelines.

2. AUTHORITY

The Board Audit Committee (BAC) has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Recommend to the Board appointment, compensation, and oversee the work of any registered public accounting firm employed by the organization (i.e. external auditors).
- Resolve any disagreements between management and the external auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Have unrestricted access to members of management, employee and relevant information.
- Meet with company officers, external auditors, or outside counsel, as it deems necessary to carry out its duties.

3. MEMBERSHIP

The Board Audit Committee (BAC) consists of four (4) members of the Board of Directors, and at least two (2) members are Independent Directors. Each committee member has finance and accounting background. The Chairman of the Audit Committee should be an independent director and with audit experience. Chairman or members of the Committee shall be appointed and may be removed from office only by the Board.

The Board Audit Committee (BAC) shall continue to fulfill its responsibilities in accordance with best practices and in compliance with the Corporate Governance Manual and other relevant regulatory requirements, the Committee shall conduct an assessment of its performance against the expectations set out in this Charter,

at least annually. Based on the results of assessment, formulate and implement plans to improve its performance, and to identify the relevant education and training needs intended to keep the members up-to-date with corporate governance best practices, accounting and auditing standards, as well as specific areas of concern and relevant to the Committee.

The Board Audit Committee (BAC) shall have the resources and authority to retain, at the expense of the Company, such independent legal, accounting and other advisors as it shall deem necessary or appropriate to carry out its duties.

4. STRUCTURE AND OPERATIONS

The Board Audit Committee (BAC) will meet at least four times a year, preferably quarterly meetings will be held prior to the meeting of the Board of Directors. In cases when there is a need for additional meetings, as circumstances may require, the Chairman shall call for a special meeting. All committee members are expected to attend each meeting, in person or by any technological means by which members can participate in a discussion. The quorum for a meeting of the Committee shall be at least a majority of the Members present throughout the meeting.

The Board Audit Committee (BAC) will invite members of management, auditors or other resource persons to attend meetings and provide pertinent information, when necessary. It will hold private meetings and executive sessions with auditors.

The Head of Internal Audit may assign an internal auditor to fulfill the role of Secretary to the Audit Committee. The Secretary will assist the Chair develop and distribute committee agenda, papers, minutes and calendar.

5. DUTIES AND RESPONSIBILITIES

The Board Audit Committee (BAC) is expected, through the provision of checks and balances, to support the corporate governance process. Board Audit Committee (BAC) members need a fundamental knowledge of the company, its operations and its industry to assess financial reports effectively. Specifically, it shall carry out the following responsibilities:

Financial and Reporting Disclosure

- a) 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.
- b) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control, and information technology security;

- c) Review and approve the Management representation letter before this letter is provided to the external auditors. Likewise, review the reports submitted by the internal and external auditors, understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports of significant findings and recommendations, together with management's responses.
- d) Review the annual financial statements reported by Management before their submission to the Board, in the context that Management has the primary responsibility for the financial statements and the financial reporting processes including aggressiveness and reasonableness of decisions. Review conducted by the committee will particularly 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
 - Unusual or complex transactions, including related party transactions
 - Compliance with accounting standards and financial reporting regulations
 - Compliance with tax, legal and regulatory requirements.
- e) Regularly report to the Board of Directors about Committee activities, issues, finding of error and fraud and related recommendations.
- f) Meet with Legal Counsel, Compliance Officer, or Ethics Officer, when appropriate, to discuss the legal and regulatory matters, including any matters (litigations, claims, contingencies, or other significant legal issues) that may have a material impact on the financial statements.
- g) Assessment of correspondence with, or other action by, regulators or government agencies that raise material issues regarding Company's financial statements filings and disclosures, accounting policies and any significant changes in accounting standards or rules by SEC or other regulatory authorities.

Risk Management and Internal Control

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

- i) Understanding and assessment of internal controls evaluated by internal auditors, (including control environment, IT systems and functions) and risks identified by external auditors.
- j) Understanding the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports of significant findings and recommendations, together with management responses.
- k) Deliberation on findings of weaknesses in controls and reporting process.
- l) Establishing a framework for fraud prevention and detection, including whistle-blower program.
- m) Evaluation of sufficiency and effectiveness of risk management process and policies. Promotion of risk awareness in the organization.
- n) Coordinating, monitoring, and facilitating compliance with laws, rules and regulations.

Management, Internal and External Audit

- o) Perform oversight functions over the corporation's 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, property and personnel to enable them to perform their respective audit functions;
- p) **Organize an Internal Audit function which may be organic or fully outsourced as decided by the Board.** Ensure that Internal Audit activities are performed by individuals with appropriate qualifications. Likewise, assess and ensure that the internal auditors perform their functions in accordance with the International Standards on the Professional Practice of Internal Auditing.
- q) Review and approve the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
- r) Establish and identify the reporting line of the internal auditors to enable them to properly fulfill their duties and responsibilities. The internal auditors shall functionally report directly to the BAC. The BAC shall ensure that, in the performance of the work of the Internal Auditors, the Internal Auditors shall be free from interference by outside parties.

- s) Approval on selection of the external auditor and if in case, changing an external auditor. Review the appointment/re-appointment, scope of work, fees, any question of resignation or dismissal for recommendations to the Board and performance of external auditors in compliance with the standards.
- t) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. Also, considers the audit partner rotational plan, procedures and requirements;
- u) Assess the qualification, expertise, resources and effectiveness of the external auditors. Monitor the effectiveness of the external auditors' performance and their independence and objectivity.
- v) Evaluate and determine 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 to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with the person's 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;
- w) Receiving and reviewing reports of internal and external auditors, and ensuring that auditors take appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies and standards.

If there are disagreement between Management and Auditor, Audit Committee should seek full understanding of the issue and the areas of disagreement, by having a discussion with all parties concerned and thereafter concluding its fact-finding by taking independent position and communicating its resolution to all parties concerned.

- x) Complete and timely communication with external auditor as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the management, and other material issues that affect the audit and financial reporting.

Other Responsibilities

- Perform other activities related to this charter as requested by the Board of Directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter periodically.
- Confirm periodically that all responsibilities outlined in this charter have been carried out.

6. REPORTING PROCESS

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

7. PERFORMANCE EVALUATION

Through the BAC Self-Assessment Checklist, 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.

8. 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.