



TARLAC ELECTRIC INC.
Audit Committee Charter

A. Purpose

1. The Audit Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; and compliance with policies and laws. Within this mandate, the Audit Committee's roles are to:
 - a. support the Board of Directors in meeting its responsibilities to shareholders;
 - b. enhance the independence of the external auditor;
 - c. facilitate effective communications between management and the external auditor and provide a link between the external auditor and the Board of Directors;
 - d. Increase the credibility and objectivity of the Company's financial reports and public disclosure.
2. The Audit Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls following the execution of the Committee's responsibilities as described herein.
3. The Audit Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board of Directors from time to time prescribe.

B. Membership Composition

1. The Committee shall be composed of at least three (3) members of the Board, preferably with relevant background, knowledge, skills, and/or experience in the areas of accounting and finance, one of whom shall be the Independent Director. The Chairman shall be an Independent Director. Each member shall have adequate understanding at least or competence at most of the Corporation's financial management systems and environment.
2. The Committee shall plan for succession for due consideration of the and Corporate Governance Committee. Such plan may consider among other things the continuity of the Committee's work and the orderly transfer of accumulated knowledge.
3. The members of the Committee may be removed by a majority vote of the directors. Any vacancies in the Committee shall be filled by majority vote of the Board.

4. The Committee may form and delegate authority to subcommittees as may be appropriate and in accordance with applicable laws or regulations.

C. Authority

The Committee shall have the authority, duties and responsibilities as set out herein and such other duties and powers as may be delegated to the Committee by the Board.

In the performance of its duties and responsibilities, the Committee is empowered to:

1. Have resources and authority appropriate to discharge its responsibilities as set out in this Charter, including the authority to engage external auditors for special audits, reviews and other procedures and to obtain advice from special counsel and other experts or consultants to assist in the conduct of investigation, without need for Board approval;
2. Seek any information it may require from any employee, director, agent or advisor and all such persons will be directed to cooperate with the request made by the Committee;
3. Meet separately with any officer of the Corporation, the Internal Auditor and/or external auditors or outside counsel to discuss any matter that the Committee or any of the foregoing persons or firms believe should be discussed privately; and
4. Resolve any disagreements between Management and the auditors regarding financial reporting.

D. Duties and Responsibilities

The duties and responsibilities of the Audit Committee include:

1. Assisting 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;
2. Perform oversight functions over the Corporation's internal and external auditors. It should ensure that internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;
3. Organize an internal audit department and consider the appointment of an independent internal auditor as well as consider an independent external auditor, and the terms and conditions of their engagement and removal;
4. Approving and Recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the Corporation website and required disclosures;
5. Assessing the integrity and independence of external auditors and exercising effective oversight in reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process

6. Recommending to the Board of Directors the compensation of the external auditor;
7. Review and approve the annual internal audit plan to support the attainment of the objectives of the Corporation. The plan shall include the audit scope, resources, and budget necessary to implement it;
8. Reviewing the external auditor's audit plan, fee schedule and any related services proposals;
9. Approving the appointment and removal of the internal auditor;
10. Overseeing the work of the internal auditor;
11. Overseeing the work of the external auditor;
12. Ensuring that the external auditor meets the rotation requirements for partners and staff on the Company's audits;
13. Reviewing and discussing with management and the external auditor the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, as well as the external auditor's written communications to the Committee and to management;
14. Reviewing the external auditor's report, audit results and financial statements prior to approval by the Board of Directors;
15. Reviewing the quarterly financial statements before their submission to the Board, with 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
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
16. Reporting on and recommending to the Board of Directors the annual financial statements and the external auditor's report on those financial statements, prior to Board approval and dissemination of financial statements to shareholders and the public;
17. Reviewing financial statements, Management Discussion & Analysis (MDA) and annual and interim earnings press releases prior to public disclosure of this information;
18. Ensuring adequate procedures are in place for review of all public disclosure of financial information by the Company, prior to its dissemination to the public;
19. Overseeing the adequacy of the Company's system of internal accounting controls and internal audit process and obtaining from the external auditor summaries and recommendations for improvement of such internal controls and processes;
20. Reviewing the terms and conditions of any acquisition of corporate control or extraordinary transaction, with the assistance of an independent financial adviser.
21. Ensuring the integrity of disclosure controls and internal controls over financial reporting;
22. Resolving disputes between management and the external auditor regarding financial reporting;

23. Establishing procedures to deal with complaints and concerns, from employees and others, regarding questionable accounting , internal accounting controls or auditing practices;
24. Reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
25. Pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor;
26. 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 Audit 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; and
27. Overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities.

The Audit Committee will report, at least quarterly, to the Board regarding the Committee's examinations and recommendations.

E. Meetings of the Committee

1. Frequency of Meetings

The Committee shall meet at least four (4) times a year to discharge its duties and responsibilities as outlined herein. In addition to regular meetings, special meetings can be called by the chairman of the Committee or any two members as necessary.

2. Notice of Meetings

The notice of the Committee meetings shall be given at least five (5) business days prior to the scheduled meeting.

Notices for special meetings may be sent at least two (2) business days before the date of the special meeting.

Notices may be sent in writing, through electronic mail, or by telefacsimile, among others.

3. Agenda

The Chairman, in consultation with the other members of the Committee, shall propose a list of items to be addressed by the Committee during the year. The Chairman shall ensure that the agenda for each Committee meeting is circulated to each member of the Committee together with the Notice of the meeting and the presentation materials shall be circulated two (2) days prior to the date of actual meeting.

4. Quorum and Voting

A majority of all the members of the Committee present in person or by means of a video-conference, teleconference, or other modes of communication in which all persons participating in the meeting can completely and clearly hear each other shall constitute a quorum. The members participating in the meeting shall have received the agenda and all the materials for the meeting in accordance with the Board Charter of the Corporation.

The majority vote of the voting Members shall be required for the Committee to approve, authorize, or take any action. The Committee may refer to the full Board for consideration any matter which fails to be approved by a majority vote of all voting Committee Members.

5. Secretary

The incumbent Corporate Secretary of the Corporation shall act as the secretary of the Committee.

6. Minutes

All Committee meetings must be duly documented and filed, and shall be maintained with the books and records of the Corporation. The minutes of the Committee meetings must be available for review and approval not more than five (5) business days after the meeting and for signature at the next committee meeting.

7. Per Diems

The Committee members shall be entitled to per diems for every attendance to a Committee meeting.

F. Reporting

The Audit Committee shall regularly report to the Board on all significant matters that are within its responsibilities.

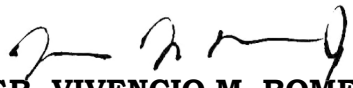
G. Assessment of the Performance of the Committee

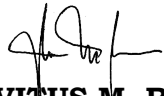
The Board shall provide the standards for evaluating the performance and effectiveness of the Committee in fulfilling its duties and responsibilities as set out in this Charter and in the Corporation’s Manual on Good Corporate Governance.

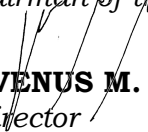
H. Review

The Committee will review its Charter at least annually and submit to the Board for approval any amendments thereof.


Signed and approved:


ENGR. VIVENCIO M. ROMERO, JR.
Chairman of the Board


ENGR. VITUS M. ROMERO
Director/President


MR. VENUS M. ROMERO
Director


MS. MARIA VICTORIA R. SAN PASCUAL
Director


ENGR. MIRIAM S. GALVEZ
Independent Director