

2013



*ANNUAL CORPORATE GOVERNANCE REPORT (ACGR)
CONSOLIDATED CHANGES IN THE ACGR
FOR THE YEAR 2013*

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Note: All changes & updates in the ACGR are in italics and underlined.

A. BOARD MATTERS

1. Board of Directors

Number of Directors per Articles of Incorporation	Eleven (11)
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Actual number of Directors for the year	Eleven (11)
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a. Composition of the Board

Complete the table with information on the Board of Directors: (As of December, 2013)

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual /Special Meeting)	No. of years served as director <u>(as December 2013)</u>
Manuel V. Pangilinan	NED	First Pacific Company Limited	Manuel V. Pangilinan	11/28 2008	<u>6/2013</u>	Annual meeting	<u>5 yrs., 1 month</u>
Juan B. Santos	NED	SSS	Juan B. Santos	9/28 2010	<u>6/2013</u>	Annual meeting	<u>3 yrs., 7 months</u>
Eulalio B. Austin, Jr.	ED	Two Rivers Pacific Holdings Corp.	Manuel V. Pangilinan	6/29 2011	<u>6/2013</u>	Annual meeting	<u>2 yrs., 7 months</u>
Eliza Bettina R. Antonino	NED	SSS	Juan B. Santos	4/27 2011	<u>6/2013</u>	Annual meeting	<u>2 yrs., 7 months</u>
Marilyn V. Aquino	NED	Two Rivers Pacific Holdings Corp.	Manuel V. Pangilinan	12/7 2009	<u>6/2013</u>	Annual meeting	<u>3 yrs., 1 month</u>
Oscar J. Hilado	ID	N/A	Manuel V. Pangilinan Relationship – None	12/7 2009	<u>6/2013 (ID: has served as 3 yrs., 6 months)</u>	Annual meeting	<u>3 yrs., 1 month</u>
Bienvenido E. Laguesma	NED	SSS	Juan B. Santos	2/27 2013	<u>6/2013</u>	Board meeting	<u>10 months</u>
Robert C. Nicholson	NED	First Pacific Company Limited	Manuel V. Pangilinan	11/28 2008	<u>6/2013</u>	Annual meeting	<u>5 yrs., 1 month</u>
Wilfredo A. Paras	ID	N/A	Juan B. Santos Relationship – None	6/29 2011	<u>6/2013 (ID: has served as for 3 years)</u>	Annual meeting	<u>3 yrs.</u>
Edward A. Tortorici	NED	First Pacific Company Limited	Manuel V. Pangilinan	12/7 2009	<u>6/2013</u>	Annual meeting	<u>4 yrs 1 month</u>
<u>Barbara Anne C. Migallos</u>	ED	First Pacific Company Limited	Manuel V. Pangilinan	<u>6/26 2013</u>	<u>6/2013</u>	Annual meeting	<u>6 months</u>

b. Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

In place is the Company's Corporate Governance Manual (the "CG Manual") adopted on 27 April 2010, revised on 23 February 2011. Company's core values are Integrity, Teamwork, Work Excellence, Respect for Individuals and Corporate Responsibility form the Company's framework of governance. (CG Manual, Preamble). To achieve the standards or principles of the Company's corporate governance policies, the CG Manual contains specific policies on:

(1) Governance structure

- (i) Board composition, qualifications and disqualifications of directors (Sec. 2.1.1; 2.2.2)
- (ii) General responsibilities of the Board and the directors (Sec. 2.1.3)
- (iii) Specific duties and functions of the Board (Sec. 2.1.4)
- (iv) Specific duties and responsibilities of directors (Sec. 2.1.5)
- (v) Schedule of board meetings and attendance obligation (Sec. 2.1.6)
- (vi) Requirement of presence of independent directors (Sec. 2.1.6[c])
- (vii) Holding of an executive session without the Executive Director at least once a year (Sec.2.1.6 [e])
- (viii) Compensation of directors; directorships in other Boards (Sec. 2.1.7; 2.1.8)
- (ix) Board committees – composition, duties and responsibilities (Sec. 2.2)
- (x) Responsibilities and compensation of the Chairman, CEO and Management (Sec. 2.3; 2.4)
- (xi) Duties and responsibilities of Corporate Secretary, Internal Auditor; Compliance Officer (Sec. 2.5; 2.6; 2.8)
- (xii) Selection, functions and restrictions of the External Auditor (Sec. 2.7)
- (xiii) Adequate and timely information (Sec. 3)
- (xiv) Stockholders' right and protection (Sec. 4)

(2) Stockholder's rights and protection

- (i) Timely, full and fair disclosure of material information. The right of shareholders to information and the duty of the Board and the Company to disclose are regularly discussed at Board and Senior Management level, and disclosures of significant matters such as financial results are reviewed to ensure that material information is complete and fairly presented.
- (ii) The right to vote (Sec. 4.1. CG Manual). The rule is one share, one vote. Cumulative voting, which enhances the ability of minority shareholders in voting for the election of directors, is allowed. All shareholders have the right to vote each year for:¹
 - (aa) Election of directors (Sec. 24, Corporation Code [the "Code"]; Art. I, Sec. 6 & 7, Amended By-Laws¹);
 - (bb) Approval of the Minutes of shareholders' meeting/s held in the previous year;
 - (cc) Approval of the annual report and the audited financial statements (Sec. 75, Code);
 - (dd) Selection of election inspectors for the ensuing year; and
 - (ee) Selection of the external auditors.

¹ All of these items are in the Agenda and in the Information Statement for each annual meeting
¹ . . . # -Laws may be viewed on its website
([http://www.philexmining.com.ph/userfiles/Laws\(1\).pdf](http://www.philexmining.com.ph/userfiles/Laws(1).pdf))

Shareholders also have the right to vote on the matters enumerated below.²The vote of 66 2/3 of total outstanding capital stock is required for the following:

- (ff) Amendment to Articles of Incorporation (Sec. 16, Code)
- (gg) Increase of capital stock (Sec. 38, Code)
- (hh) Sale or disposition, including the constitution of a mortgage or a pledge, of all or substantially all of the Company's assets (Sec. 40, Code)
- (ii) Investment of corporation funds for a purpose other than the Company's primary purpose (Sec. 42, Code)
- (jj) Waiver of pre-emptive rights for specific transactions (Sec. 39, Code); and
- (kk) Mergers and consolidations (Sec. 77, Code).

An amendment to the By-Laws will also require a vote of a majority of the total outstanding capital stock (Sec. 48, Code).

- (iii) Pre-emptive right. Shareholders have the pre-emptive right to all issuances of shares of stock. The Board, exercising its best judgment may, in an offering of shares for cash, except shareholders not resident of the Philippines from having preemptive rights where in the best judgment of the Board the cost of meeting the requirements to allow the Company to offer such shares in the foreign jurisdictions where such shareholders reside exceeds the benefit to the Company (Sec. 4.1[b], CG Manual; Art. 7th, Articles of Incorporation;³ Sec. 39, Code).
- (iv) Transparency and fairness in the conduct of annual and special shareholders meetings (Sec. 4.2[b], CG Manual).

Copies of the Information Statement and Management Report are distributed to all shareholders for each shareholders meeting. For the annual meeting, shareholders are also provided copies of the audited financial statements. The latest quarterly report is also provided. The Company undertakes to furnish a copy of the detailed Annual Report (on SEC Form 17-A) to all shareholders who may request a copy.

The Information Statement, Management Report and financial reports, with proxy forms that indicate each item to be voted upon and the candidates for election (with spaces to indicate Yes, No or Abstain on each item, are distributed at least 10 business days before the meeting. The notice is also prominently published in three newspapers of general circulation at least three times for each newspaper, or a total of nine publications prior to the meeting.

For special meetings held after the audited financial statements have been distributed to shareholders, copies of the latest quarterly report under SEC Form 17-Q are distributed.

The Information Statement contains information on the following: voting rights and procedures; shareholders who hold 5% or more of the Company's outstanding capital stock; directors and officers with their shareholdings and the compensation of the four highest ranking officers; the list of candidates for election, including the independent directors with their certifications of qualification as independent directors attached; a discussion of significant Board actions taken during the preceding year; and a discussion and explanation of matters to be voted upon. The Management Report contains the management discussion and analysis and other pertinent information.

² When these items are to be taken up at a meeting, they are included in the Agenda and an explanation is contained in the Information Statement.

³ <http://www.philexmining.com.ph/userfiles/files/2016/2016%20A%20Incorporation.pdf>

Meetings are held in a comfortable venue that is easily accessible to most shareholders with access for the disabled. Companions of elderly or disabled shareholders are welcome. Administrative and unnecessary expenses are minimized; for instance, notarization of proxies is not required.

Shareholders have the opportunity to raise questions during meetings, and questions are answered as exhaustively as possible considering the time constraints. When the answer to a question requires more detailed information than time permits, the shareholder is provided with the name of the officer or manager they can communicate with for a more exhaustive discussion.

- (v) Right to dividends (Sec. 4.1[e], CG Manual).⁴The Company's dividend policy is to distribute at least 25% of core net income as dividends.
- (vi) The right to inspect corporate books and records (Sec. 4.1[c], CG Manual; Sec. 74, Code). Shareholders are provided information that they may request subject to relevant rules for the protection of corporate and shareholders' interests.
- (vii) The appraisal right (Sec. 4.1[f], CG Manual). Shareholders have the appraisal right in the instances enumerated below. The Information Statement distributed to shareholders prior to a meeting contains a detailed explanation regarding the procedure for the exercise of appraisal right. Shareholders have appraisal right in the following instances:
 - (aa) Sale or disposition, lease, exchange, mortgage or pledge of all or substantially all of the assets of the Company (Sec. 81, et seq., Code);
 - (bb) Investment of corporate funds in a business other than the primary purpose of the corporation (Sec. 42, Code)
 - (cc) Mergers and consolidations (Sec. 76, et seq., Code);
 - (dd) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any shareholder or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the term of corporate existence (Sec. 81, Code).
- (viii) Fair treatment, without discrimination, of all shareholders; propose meetings and agenda. (Sec. 4.2, CG Manual).It is the policy of the Board, where feasible or practicable, to give minority shareholders the right to propose the holding of meetings and the item for discussion in the agenda that relate directly to the business of the Company, as provided in the CG Manual.
- (ix) Clear procedure for addressing shareholders' concerns (Sec. 4.2, CG Manual). There is a clear procedure for addressing the concerns of shareholders.

A copy of the Company's CG Manual may be viewed on its website.⁵

(3) Disclosure duties

⁴ *The right to receive dividends is subject to the provisions of the Corporation Code.*

⁵ [http://www.philexmining.com/PMCG%20Revised%20CG%20Manual\(1\).pdf](http://www.philexmining.com/PMCG%20Revised%20CG%20Manual(1).pdf)

- (i) The Board commits to cause the timely disclosure of material information and/or transactions that could potentially affect the market price of the Company’s shares and such other information which are required to be disclosed pursuant to the Securities Regulation Code and its implementing rules and the rules of the SEC and the Philippine Stock Exchange, including without limitation, earnings result, acquisition or disposal of significant assets, off-balance sheet transactions if any, related party transactions, Board membership changes, shareholdings of directors and officers(Sec. 5.1, CG Manual).
- (ii) The Board shall cause the filing with the SEC and the Philippine Stock Exchange all written disclosures or reports on material information and/or transactions (Sec. 5.2, CG Manual).
- (iii) The Company, its directors, officers, executives and employees shall not communicate material non-public information about and involving the Company, including any act, transaction, development or event, unless the Company is ready to simultaneously disclose the material non-public information to the SEC, the Philippine Stock Exchange and other regulatory bodies having jurisdiction (Sec. 5.2, CG Manual).

(4) Rights of other stakeholders

SEC Memo Circular No. 6 defines “corporate governance” as the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to shareholders. Recognizing that respect for the rights of other stakeholders redound to protection of shareholder interest and the preservation of value, the Company has adopted measures intended to enhance the relationship with its stakeholders. Please see the discussion on (Section H. - Role of Stakeholders and Section L. Corporate Social Responsibility Initiatives) in this Report.

c. How often does the Board review and approve the vision and mission?

The Company’s mission and vision is reviewed annually during the annual budget presentations to the Board under the responsibility and leadership of the President and CEO.⁶

d. Directorship in Other Companies

(i) Directorship in the Company’s Group⁷

Identify, as and if applicable, the members of the Company’s Board of Directors who hold the office of director in other companies within its Group:

Director’s Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Manuel V. Pangilinan	Philex Gold Philippines, Inc. Philex Petroleum Corporation Philex Gold Holdings, Inc. Silangan Mindanao Mining Co., Inc. Silangan Mindanao Exploration, Inc. Lascogon Mining Corporation	Chairman of all Companies in this list NED

⁶ <http://www.philexmining.com.ph/corporate-governance/principles/vision-mission>

⁷ The Group is composed of the Company as parent, its subsidiaries, associates and joint ventures.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Juan B. Santos	Philex Gold Philippines, Inc.	NED
Eulalio B. Austin, Jr.	Philex Gold Philippines, Inc. Philex Petroleum Corporation Silangan Mindanao Mining Co., Inc. Brixton Mining and Energy	ED NED ED NED
Robert C. Nicholson	Philex Gold Philippines, Inc. Philex Petroleum Corporation Silangan Mindanao Mining Co., Inc. Forum Energy Plc Pitkin Petroleum Plc	NED NED NED ED ED
Marilyn A. Aquino	Philex Gold Philippines, Inc. Philex Petroleum Corporation Silangan Mindanao Mining Co., Inc. Pitkin Petroleum Plc (elected 2013)	NED NED NED NED
Edward A. Tortorici	Philex Gold Philippines, Inc. Silangan Mindanao Mining Co., Inc. Forum Energy Plc	NED NED NED
Eliza Bettina R. Antonino	Philex Gold Philippines, Inc.	NED
Bienvenido A. Laguesma	Philex Gold Philippines, Inc.	NED

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship
Manuel V. Pangilinan	First Pacific Company Ltd. Philippine Long Distance Telephone Co. (PLDT) Manila Electric Company Metro Pacific Investments Corporation	CEO/Executive Director Non-executive Director Non-executive Director
Juan B. Santos	(PLDT) Alaska Milk Corporation First Philippine Holdings Corp.	Non-executive Director Non-executive Director Independent Director
Eulalio B. Austin, Jr.	None	N/A
Eliza Bettina R. Antonino	Union Bank of the Philippines	Non-executive Director
Marilyn V. Aquino	First Pacific Company Ltd.	Assistant Director

Director's Name	Name of Listed Company	Type of Directorship
Oscar J. Hilado	Phinma Corporation Trans Asia Oil & Energy Development Corp. First Philippine Holdings Corp. Holcim Philippines Inc. A. Soriano Corporation	Non-executive Director Non-executive Director Independent Director Non-executive Director Non-executive Director
Bienvenido E. Laguesma	None	N/A
Robert C. Nicholson	First Pacific Company Ltd. Metro Pacific Investments Corporation QPL International Holdings Limited (Hong Kong) Pacific Basin Shipping Limited (Hong Kong)	Executive Director Executive Director Independent Director Independent Director
Wilfredo A. Paras	GT Capital Holdings, Inc.	Independent Director
Edward A. Tortorici	First Pacific Company Ltd Metro Pacific Investments Corporation PT Indofood Sukses	Executive Director Executive Director Non-executive Director

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Manuel V. Pangilinan	First Pacific Group	Managing Director & CEO
Juan B. Santos	Social Security System (SSS)	Chairman
Eliza Bettina R. Antonino	SSS	SSS Commissioner
Marilyn A. Aquino	First Pacific Group	Assistant Director
Bienvenido A. Laguesma	SSS	SSS Commissioner
Robert C. Nicholson	First Pacific Group	Executive Director
Edward A. Tortorici	First Pacific Group	Executive Director

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

In accordance with Section 2.1.8 of the CG Manual, the Company sets a rule that the number of board seats held by a director in other companies should not compromise or affect his or her capacity to diligently and intelligently perform their duties and responsibilities as director of the Company.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	See discussion above	See discussion above
Non-Executive Director	See discussion above	See discussion above
CEO	See discussion above	See discussion above

e. Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company: (Note: In certain cases, the shares may be held in a broker account in the name of the Director. This is classified as direct)

Name of Director	Number of Direct shares as of December 31, 2012	Changes	Number of Direct shares as of December 31, 2013	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Manuel V. Pangilinan	4,655,000	0	4,655,000	Direct	0.09%
Juan B. Santos	1	0	1	Direct	0.06%
Eliza Bettina R. Antonino	1	0	1	Direct	0.00%
Marilyn V. Aquino	100	500,000	500,100	Direct	0.01%
Oscar J. Hilado	173	0	173	Direct	0.00%
Bienvenido E. Laguesma	1	0	1	Direct	0.00%
Robert C. Nicholson	1,250	0	1,250	Direct	0.00%
Edward A. Tortorici	3,285,100	0	3,285,100	Direct	0.07%
Wilfredo A. Paras	1	0	1	Direct	0.00%
Eulalio B. Austin, Jr.	1,360,937	0	1,360,937	Direct	0.03%
Barbara Anne C. Migallos	203,875	0	203,875	Direct	0.00%
TOTAL	9,506,439	500,000	10,006,439		0.26%

2. Chairman and CEO

a. Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and CEO:

Chairman of the Board	Manuel V. Pangilinan
CEO/President	Eulalio B. Austin, Jr.

b. Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Ensure that the Board functions effectively; assist in ensuring compliance with and performance of corporate governance policies and practices (Sec. 2.3, CG Manual).	Provide general care, management, and administration of the business of the Company (Sec. 2.4, CG Manual).
Accountabilities	<p>Provide leadership to the Board; ensure that Board works effectively and key issues are discussed in a timely manner, taking into account proposals and recommendations of the CEO and management (Sec. 2.3, CG Manual).</p> <p>Ensure that the lines of communication and flow of information between Management and the Board are maintained (Sec. 2.3, CG Manual).</p> <p>As a director, the specific duties and responsibilities or accountabilities of the Chairman, like that of other directors, are to ensure that his personal interests do not conflict with the interests of the Company; that he devotes the time and attention necessary to properly discharge his fiduciary duties and responsibilities; that he acts judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decision; that he exercises independent judgment; observes and safeguards the confidentiality of information acquired by reason of being a director and the Chairman; and has a working knowledge of the statutory and regulatory requirements that affect the Company and its operations (Sec. 2.1.5, CG Manual).</p>	<p>Ensure that operations and financial affairs are managed in a sound and prudent manner and that operational, financial and internal controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, and safeguarding of assets and compliance with laws, rules and regulations (Sec. 2.4.1[a], CG Code). Provide leadership to management in developing and implementing business strategies and budgets to the extent approved by the Board (Sec. 2.4.1[(b)], CG Code).</p> <p>As a director, his accountabilities are the same as those of the Chairman and other directors (please see column on Chairman's accountabilities as a director of the Company)</p>
Deliverables	<p>Ensure that an annual schedule of Board meetings is adopted at the start of the year and that meetings are held in accordance with such annual schedule and the By-Laws (sec. 2.3, CG Manual).</p> <p>Supervise the preparation of the agenda in coordination with the Corporate Secretary, taking into consideration the proposals of the CEO, Management and Directors.</p> <p>Ensure that lines of communication and flow of information between Management and the Board are maintained.</p> <p>Encourage directors with different views to voice their concerns, allowing sufficient time for discussion and ensure that board decisions fairly reflect board consensus.</p> <p>Promote culture of openness and debate; facilitate the effective contribution of non-executive directors (including independent directors) and ensure constructive relations between executive and non-executive directors.</p> <p>Ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the board as a whole.</p> <p>Oversee the preparations for and the conduct of shareholders' meetings to ensure that the rights of all shareholders are respected.</p>	<p>Realize the objectives set by the Board; implement the Company's strategy, policies and processes.</p> <p>Ensure that the Board is informed as necessary to enable it to monitor the performance of management.</p> <p>Develop long and short-term business plans, budgets and strategies for consideration by the board and, to the extent approved by the board, and implement the same.</p> <p>Identify and manage operational and other risks and where those risks could have a material impact on the Company's business, formulate strategies for managing these risks for consideration by the board.</p> <p>With the CFO, manage the Company's current financial and other reporting mechanisms and monitoring systems to ensure that all relevant material information are reported on a timely basis and are acted accordingly.</p> <p>With the CFO, establish and maintain proper internal controls and systems.</p> <p>Discharge such duties and authority as may be delegated in writing to him by the Board.</p>

3. Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

Planning for succession for key corporate positions is done by the Board in an executive session, taking into account the needs of the Company and other relevant factors.

4. Other Executive, Non-Executive and Independent Directors

a. Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes. The Nominations Committee considers the background and experience of the nominees to the Board of Directors and diversity in the Board is among the considerations. Nominees must have practical understanding of the business of the Company or have substantial business experience. (Qualifications for Directorship, Annex B, CG Manual)

b. Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. The policy is that at least one and preferably more than one non-executive director has experience in mining and natural resources. Specifically, Mr. Oscar J. Hilado, Independent Director, has extensive experience in the mining and natural resources industry. Atty. Marilyn V. Aquino, who is a non-executive director, also brings a wealth of experience from legal practice where she has extensive experience in the mining and natural resources industry. She has represented a number of natural resource companies and financial institutions and other participants in the mining sector of the Philippines. Also, Atty. Aquino is presently a member of the Finance Committee of the Chamber of Mines of the Philippines.

c. Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	The Company has one Executive Director, the President and CEO. Please refer to 2(b) (third column) for the role of the CEO.	Plan and make policy Oversee performance of CEO and of Management See provisions on duties, responsibilities and functions of Directors in the CG Manual.	Independent Director should always be present to promote transparency. <u>An Independent Director should always be present to promote transparency and provide an objective and independent view.</u> See role of Directors and provisions on independent directors in the CG Manual. (Annex A, CG Manual, Independent Directors)

	Executive	Non-Executive	Independent Director
Accountabilities		<p>All directors, both executive and non-executive, must observe duties of obedience, diligence and loyalty to the Company and must:</p> <p>(1) Act within the scope of power and authority of the Company as prescribed by its Articles, By-Laws and applicable rules and regulations.</p> <p>(2) Exercise best care, skill and judgment and observe utmost good faith in the conduct and management of the business of the Company.</p> <p>(3) Act in the best interest of the Company and for the common benefit of its stockholders and other stakeholders (Sec. 2.1.3, CG Manual).</p>	<p>Independent directors must exercise their independent best judgment for the interests of the Corporation and its shareholders and other stakeholders (Annex A of CG Manual).</p> <p>Independent directors' accountabilities are generally the same as those of other directors.</p> <p>They must serve as members of the <u>Audit and Risk Committee</u> the Chairman of which must be one an independent director, and must be members of the Compensation and Nominations Committees (Sec. 2.2, CG Manual).</p>
Deliverables	<p>Realization of the objectives of the Company as set by the Board.</p> <p><i>(See also the deliverables for all directors, as discussed under the Non-Executive)</i></p>	<p>Comply with the duties and functions of the Board, as set forth in the Corporation Code CG Manual (Sec. 2.1.4), among others:</p> <p>Oversee the establishment and maintenance of effective and adequate financial reporting and internal control systems.</p> <p>Adopt and oversee implementation of a system to monitor, identify and manage key risk areas and review reports on major risk exposures and actions taken to monitor, minimize, control or manage such risk.</p> <p>Adopt plans for compensation and for the professional development of officers and succession planning for senior management.</p> <p>Ensure that the Company an internal audit system that can reasonably assure that the Company's organizational and operational controls are complied with.</p> <p>Monitor performance of executive director and management</p> <p>Protect the interests of the corporation and its stakeholders (Sec. 2.1.4, CG Manual)</p>	<p>Always exercise independent judgment in all matters relating to the Company and its business.</p> <p><i>(See also the deliverables for all directors, as discussed under the Non-Executive)</i></p>

- d. Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company adopts the common and ordinary meaning of the term "independence", and defines an independent director as a person independent of management and who, apart from his shareholdings, is free from any business or other relationship with the Company which could, or could reasonable be perceived to, materially interfere in the exercise of independent judgment in carrying out his duties and responsibilities to the Company (Independent Director, Annex A, CG Manual). The CG Manual sets forth the disqualifications of independent directors (Independent Director, Annex A, CG Manual). The Company strictly complies with the definition of independent director in the Securities Regulation Code (SRC) and its implementing rules, and ensures that independent directors have the qualifications and none of the disqualifications set forth in the applicable SEC rules and in the Company's CG Manual. To ensure compliance, the nominations procedure is as follows:

(1) The Corporate Secretary informs the Nominations Committee of the names of the nominees and provides the members with the curriculum vitae of each of the nominees. The Committee is also provided with copies of the pertinent provisions of the CG Manual and the By-Laws regarding independent directors, and copies of SRC Sec. 38 and SRC Rule 38.

(2) The Corporate Secretary makes an initial evaluation of the qualifications and disqualifications of each of the nominees and reports the results of the evaluation to the Committee.

(3) The Committee meets to deliberate on the nominees and prepare the list of candidates. Where there is a question on whether the choices are consistent with the rules, the matter is brought to the Board for deliberation.

- e. Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Yes. Independent directors may serve as such only for a total of five (5) years as provided in SEC Memo Circular No. 9, Series of 2011. If an independent director has served for the maximum allowable period, he cannot be re-elected until a period of two (2) years has lapsed. If an independent director re-elected after the lapse of the 2-year period, the independent director is limited to a total of four (4) years. Thereafter, he can no longer be re-elected as independent director. No independent director has served for more than five consecutive years.

5. Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

a. Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period (2013):

Name	Position	Date of Cessation	Reason
<i>Jose Ernesto C. Villaluna, Jr.</i>	<i>Director</i>	<i>June 26, 2013</i>	<i>Retirement. He was succeeded by <u>Bra Anne C. Migallos</u></i> <i>K</i> <i>o</i> <i>U</i>

b. Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Please note that under Philippine laws, directors are elected, not appointed. Election takes place at the annual meeting of stockholders. When there is a vacancy in the remaining directors, and if they still constitute a quorum, they may elect another director to fill up the vacancy (Sec. 29, Corporation Code).

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	<p>All directors are elected each year, for a term of one year.</p> <p>(1) The election process starts with the nomination of candidates. Any shareholder may nominate a candidate, regardless of the number of shares of the Company the nominating shareholder may have. Directors, who by law must be shareholders, may also nominate.</p> <p>(2) The Nominations Committee considers the qualifications of nominees based on curriculum vitae and other available information.</p> <p>(3) The Committee prepares a list of qualified candidates.</p> <p>(4) The names and the biographical details (including other directorships held in listed public companies and other major appointments) of the nominees are contained in the notice of the meeting to assist shareholders to make an informed decision on their election.</p>	<p>The Nominations Committee sets the criteria for the selection of qualified candidates, which criteria will primarily consider the ability and capacity of the nominee to comply with the duties and responsibilities of directors, as set forth in the Company's CG Manual (Secs. 2.1.3 to 2.1.5, CG Manual).</p> <p>The most important factors or criteria considered are expertise and experience in the principal business of the Company and in other businesses, probity and good reputation (Qualifications for Directorship, Annex B, CG Manual).</p> <p>Directors are required to attend a seminar on Corporate Governance (Item 6, Qualifications for Directorship, Annex B, CG Manual).</p>
(ii) Non-Executive Directors	<p>For the selection and election of non-executive directors, the same procedure as for executive directors is observed. (See above)</p>	<p>For the selection of qualified candidates for non-executive directors, the same criteria as that for executive directors are followed. Experience and expertise in the Company's line of business have greater weight in the selection of nominees for executive directors.</p>
(iii) Independent Directors	<p>For the selection and election of independent directors the same procedure as for executive and non-executive directors is observed (See above)</p> <p>Further, the Nominations Committee determines whether the nominee is independent under the Company's definition of independence and applicable rules of the SEC.</p>	<p>For the selection of independent directors, the same criteria as that for executive directors are followed.</p> <p>Independence is an essential consideration. (Independent Director, Annex A, CG Manual)</p>

Procedure	Process Adopted	Criteria
b. Re-appointment		
(i) Executive Directors	The same procedure as for the initial selection and election is followed for re-election (please see [a] above).	The same criteria as for the initial selection and election are considered.
(ii) Non-Executive Directors	The same procedure as for the initial selection and election is followed for a re-election (please see [a] above).	The same criteria as for the initial selection and election are considered.
(iii) Independent Directors	The same procedure as for the initial selection and election is followed for a re-election (please see [a] above).	The same criteria as for the initial selection and election are considered
c. Permanent Disqualification		
(i) Executive Directors	<p>During the initial selection process (described in [a] above), the Nominations Committee will determine whether any ground for permanent disqualification exists. If it is determined that ground/s exist, the nominee will not be included in the list of candidates for election at the shareholders' meeting.</p> <p>With respect to a sitting director, when there is reasonable ground to believe that a ground for disqualification exists (as provided in the CG Manual and the relevant SEC rules), this is brought to the Nominations Committee, which submits its recommendation to the Board.</p> <p>Note that under the Corporation Code the removal of a sitting director requires the vote of 2/3 of the entire outstanding capital stock at a shareholders meeting duly called and convened. Where the Board, after due consideration, determines there is ground for disqualification, the Board acting alone does not have the authority to remove the director as to do so would violate the Corporation Code.</p>	The criteria for permanent disqualification are as set forth in the Revised Corporate Governance Code (SEC Memo Circular No. 6, Series of 2009) and the Company's CG Manual. (Grounds for Disqualification from Directorship, Annex C).
(ii) Non-Executive Directors	The same process as for permanent disqualification of executive directors is followed for non-executive directors.	The criteria for permanent disqualification are as set forth in the Revised Corporate Governance Code and the Company's CG Manual (Grounds for Disqualification from Directorship, Annex C).
(iii) Independent Directors	The same process as for permanent disqualification of executive directors is followed for independent directors.	The criteria for permanent disqualification are as set forth in the Revised Corporate Governance Code and the Company's CG Manual (Grounds for Disqualification from Directorship, Annex C).

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(i) Executive Directors	<p>The procedure for determining permanent disqualification is followed.</p> <p>In the event it is determined that a ground for temporary disqualification exists, the nominee is not included in the list of candidates for election at the annual meeting.</p> <p>In the case of a temporary disqualification of a sitting director, the process and discussion in (c[i]) above will apply.</p>	The criteria for temporary disqualification are as set forth in the Revised Corporate Governance Code and the Company's CG Manual (Grounds for Disqualification from Directorship, Annex C).
(ii) Non-Executive Directors	The same procedure as for executive directors is followed.	The criteria for temporary disqualification are as set forth in the Revised Corporate Governance Code and the Company's CG Manual (Grounds for Disqualification from Directorship, Annex C).
(iii) Independent Directors	The same procedure as for executive directors is followed.	The criteria for temporary disqualification are as set forth in the Revised Corporate Governance Code and the Company's CG Manual (Grounds for Disqualification from Directorship, Annex C).
e. Removal		
(i) Executive Directors	<p>The Corporation Code mandates at Sec. 27 the procedure and requirements for the removal of directors. Removal without complying with such legal requirements would be illegal and would expose the Company to liability.</p> <p>Directors who hold executive positions in the Company serve in such executive position at the pleasure of the Board. They may be removed from such executive position on the basis of loss of trust and confidence by the Board, or for commission of wrongful acts or for the omission to take action when required.</p>	Please see note to the left.
(ii) Non-Executive Directors	See first paragraph under e(i) above	
(iii) Independent Directors	See first paragraph under e(i) above	

Procedure	Process Adopted	Criteria
f. Re-instatement		
(i) Executive Directors	There is no set procedure for reinstatement of any director. Once removed, reinstatement can only be by election as provided in the Corporation Code.	
(ii) Non-Executive Directors	There is no set procedure for reinstatement of any director. Once removed, reinstatement can only be by election as provided in the Corporation Code.	
(iii) Independent Directors	As stated above, there is no set procedure for the reinstatement of any director. Once removed, reinstatement can only be by election as provided in the Corporation Code.	
g. Suspension		
(i) Executive Directors	See answer regarding reinstatement	
(ii) Non-Executive Directors	See answer regarding reinstatement	
(iii) Independent Directors	See answer regarding reinstatement	

6. Orientation and Education Program

- a. Disclose details of the company's orientation program for new directors, if any.

A briefing is held for new directors, who are provided with materials regarding the Company and its business. A visit to the mine site is also arranged.

- b. State any in-house training and external courses attended by Directors and Senior Management⁸ for the past three (3) years.

Name of Director/Officer	Date of Training	Program	Name of training institution/ Sponsor
Manuel V. Pangilinan Chairman; Director	2/2-4/2012	Future Proofing Our Business	First Pacific Leadership Academy
	3/15/2012	On Higher Ground: Ethical Leadership in the Philippines Business Context	First Pacific Leadership Academy

⁸ Senior Management refers to the CEO and other persons having authority and responsibility for directing and controlling the activities of the company.

Name of Director/Officer	Date of Training	Program	Name of training institution/ Sponsor
	3/21/2012	Innovation Follow Through	First Pacific Leadership Academy
	8/3/2012	Executive Talks: The Champ's Playbook	First Pacific Leadership Academy
	11/19/2012	Corporate Governance Forum: "Navigating the New World of Business"	First Pacific Leadership Academy
Juan B. Santos Vice Chairman; Director	11/19/2012	Corporate Governance Forum "Navigating the New World of Business"	First Pacific Leadership Academy
Eulalio B. Austin, Jr. Pres. & CEO Director			
Oscar J. Hilado Independent Director			
Marilyn V. Aquino Director	11/19/2012	Corporate Governance Forum "Navigating the New World of Business"	First Pacific Leadership Academy
Robert C. Nicholson Director	11/19/2012	Corporate Governance Forum "Navigating the New World of Business"	First Pacific Leadership Academy
	2/2-4/2012	Future Proofing Our Business	First Pacific Leadership Forum

Name of Director/Officer	Date of Training	Program	Name of training institution/ Sponsor
Edward A. Tortorici Director	11/19/2012	Corporate Governance Forum "Navigating the New World of Business"	First Pacific Leadership Academy
Wilfredo A. Paras Independent Director	8/15/ 2011	Corporate Governance & Anti-Money Laundering Act Seminar	Philippine Securities Consultancy Corp. (PHILSECC)
Eliza Bettina Antonino Director	3/1-2/2011	Orientation Course on Corporate Governance	Institute of Corporate Directors
Bienvenido E. Laguesma Director	12/1-2/2011	Orientation Course on Corporate Governance	Institute of Corporate Directors
Barbara Anne C. Migallos Corporate Secretary_			
Danny Y. Yu- SVP & Chief Financial Officer/ Chief Compliance Officer/ Corporate Governance Officer			

Name of Director/Officer	Date of Training	Program	Name of training institution/ Sponsor
Benjamin R. Garcia SVP Human Relations	9/1/2011	Orientation Course on Corporate Governance	Institute of Corporate Directors
	11/20/2012	Corporate Governance Forum "Navigating the New World of Business"	First Pacific Leadership Academy
	11/22-23/2012	Leading the Self	First Pacific Leadership Academy
		<u>o</u> -U	\
Michael T. Toledo SVP - Corporate Affairs	4/18-19/2012	Executive Leadership Challenge	First Pacific Leadership Academy
	5/16/2012	Special Joint MAP-MBC GMM on "Philippine Foreign Policy under the Aquino Administration	MAP - MBC
	7/18/2012	Murdock Capital Philippine Resource Symposium (NY) : Mining Conference	Murdock Capital
	8/3/2012	Executive Talks: The Champ's Playbook with coach Erik Spoelstra	First Pacific Leadership Academy
	11/20/2012	Executive Talks: Navigating the New World of Business with Prof. Thomas Donaldson	First Pacific Leadership Academy
	11/29/2012	ACCRALAW-MAP Forum on "Law and Business: A Proactive Partnership for an Investment-Friendly Philippines"	Management Association of the Philippines
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Name of Director/Officer	Date of Training	Program	Name of training institution/ Sponsor
Redempta P. Baluda VP Exploration	9/12-15/2011	Senior Exploration Management Course	Western Mining Services (WMS)
Enrique C. Rodriguez, Jr. VP for Legal	3/27-28/2012	Investment Forum	Institute of Corporate Directors
	11/16/2012	Best Practices For "Resolving Company – Community Disputes"	The Core Group
Victor A. Francisco VP- Community Relations			
Raymund Brett C. Medel VP- Information Technology	9/20-21/2012	Leading the Self	First Pacific Leadership Academy
	11/20/2012	Corporate Governance Forum "Navigating the New World of Business"	First Pacific Leadership Academy

B. CODE OF BUSINESS CONDUCT & ETHICS

1. Discuss briefly the Company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Directors must fully and immediately disclose an actual or potential interest that may arise. (Sec. 2.1.5 [a], CG Manual)	Senior Management must fully and immediately disclose an actual or potential interest that may arise	Employees must fully and immediately disclose an actual or potential interest that may arise
(b) Conduct of Business and Fair Dealings	<p>The conduct of business by directors with the Company is not encouraged. If there are any, they are on an arms- length basis.</p> <p>Directors must conduct business transactions with the Company, if any, FAIRLY, and must ensure that his personal interest does not conflict with the interests of the Company</p>	<p>The conduct of business by senior management with the Company is not encouraged. If there are any, they are on an arms- length basis.</p> <p>Senior management must conduct business transactions with the Company, if any, FAIRLY, and must ensure that his personal interest does not conflict with the interests of the Company</p>	The conduct of business by employees with the Company is not allowed.
(c) Receipt of gifts from third parties	Token gifts are deemed acceptable. The Company does not have knowledge of any case where a director received a substantial gift by reason of being a director of the Company.	<p>Token gifts are deemed acceptable.</p> <p>High value gifts from third parties such as suppliers are generally pooled and raffled to employees, with the bulk (about 70%) raffled among employees at the mine site and the rest among those at the head office.</p>	<p>Token gifts are deemed acceptable.</p> <p>High value gifts from third parties such as suppliers are generally pooled and raffled to employees, with the bulk (about 70%) raffled among employees at the mine site and the rest among those at the head office.</p>
(d) Compliance with Laws & Regulations	The Board must ensure that the Company complies with all relevant laws, rules and regulations and endeavors to adopt best business practices. (Sec. 2.1.4 [k], CG Manual)	Management must ensure, within their respective areas of responsibility, that the Company complies with all relevant laws and rules.	All employees must comply with all applicable laws and regulations.
(e) Respect for Trade Secrets/Use of Non-public Information	A director must observe and safeguard the confidentiality of non-public information acquired by reason of his position as a Director.	Senior management must observe and safeguard the confidentiality of non-public information acquired by reason of his position as an executive of the Company.	Employees must observe and safeguard the confidentiality of non-public information acquired by reason of being an employee of the Company.

(f) Use of Company Funds, Assets and Information	Strictly prohibited if for personal use or use of personal business. (Sec. 2.1.5 [f], CG Manual)	Strictly prohibited if for personal use or use of personal business	Strictly prohibited
(g) Employment & Labor Laws & Policies	The Board and the directors must comply strictly with employment and labor laws and policies in all their dealings with officers and employees of the Company. Note that directors are not employees of the Company.	Senior management must comply strictly with employment and labor laws and policies in all their dealings with other officers and employees of the Company.	Employees must comply strictly with employment and labor laws and policies in all their dealings with other fellow employees.
(h) Disciplinary action	There is no policy or procedure under which a director may be subject to disciplinary action. Directors are not employees of the Company. Erring directors may be removed only in accordance with the Corporation Code and may be disqualified from being re-elected. Directors may be subject to criminal prosecution or civil action when warranted under Philippine law.	Senior management being employees of the Company are subject to the Code of Conduct and Discipline for Employees. Penalties, including suspension or termination may be imposed on them as provided in this Code. Further, they may be subject to criminal prosecution or civil action when warranted under Philippine law.	Employees are subject to the Code of Conduct and Discipline for Employees. Penalties, including suspension or termination may be imposed on them as provided in this Code Further, they may be subject to criminal prosecution or civil action when warranted under Philippine law.
(i) Whistle Blower	The Company has not yet adopted a whistle blower policy.	The Company has not yet adopted a whistle blower policy	The Company has not yet adopted a whistle blower policy
(j) Conflict Resolution	The Board must establish and maintain an alternative dispute resolution system in the Company that can, where practicable or feasible, amicably settle conflicts or differences between the Company and its stockholders and the Company and third parties, including regulatory authorities.	Management must work towards a fair and amicable resolution of all disputes.	See column on left.

2. Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes, the code of ethics or conduct has been disseminated to all directors, senior management and employees.

3. Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The Company takes compliance with the code of ethics and conduct very seriously. However, overly close monitoring of compliance, and therefore of violations, may result in an atmosphere of suspicion and bring about lack of transparency, openness, and cooperation, which would be detrimental to the corporate interest. The honor system is therefore the primary means of ensuring compliance. For employees the direct supervisor must lead his or her group towards compliance.

4. Related Party Transactions

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

a. Policies and Procedures – Related Party Transactions

A. The Board of Directors approves or ratifies Related Party Transaction (RPT) based on review or assessment of the RPT terms whether such terms are no less favorable to the Company than terms generally available to an unaffiliated third-party under the same or similar circumstances. The Board reviews the following information when assessing a RPT:

1. Basic terms of the transaction
2. Related person's interest in the transaction
3. Purpose and timing of the transaction
4. Nature of the Company's participation in the transaction
5. Cost basis and other relevant information if involving sale of assets
6. Information on potential counterparties in the transaction
7. Description of any provisions or limitations that may be imposed as a result of the transaction
8. Any potential reputational risk issues that may arise as a result of or in connection with the transaction
9. All other relevant information regarding the transaction

B. The Internal Auditor conducts audit of RPT as part of the regular audit work highlighting possible exposures, if any.

C. The Finance Group reports to the Audit Committee all Related Party Transactions and ensures proper disclosure of all RPTs, recurring or non-recurring, in the annual and quarterly reports to the Securities and Exchange Commission and in the Notes to the Financial Statements, whether on an interim or annual basis.

Company shall ensure that the review and approval of Material/Significant RPT carried out by its subsidiaries are conducted in accordance with this Policy.

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Company does not have a parent company. No shareholder holds 50% or more of its outstanding shares.
(2) Joint Ventures	See policies and procedures outlined above
(3) Subsidiaries	See policies and procedures outlined above

Related Party Transactions	Policies and Procedures
(4) Entities Under Common Control	See policies and procedures outlined above
(5) Substantial Stockholders	See policies and procedures outlined above
(6) Officers including spouse/children/siblings/parents	See policies and procedures outlined above
(7) Directors including spouse/children/siblings/parents	See policies and procedures outlined above
(8) Interlocking director relationship of Board of Directors	See policies and procedures outlined above

b. Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

None.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	<p>For significant transactions that are not in the ordinary course (such as corporate acquisitions, financing activities, etc.), possible conflict is considered in the process of analysis, evaluation and planning, and any possible findings are addressed in the report to the Board. Such transactions require Board approval, and the matter of conflict, potential or actual, is included in the presentation to the Board, which will exercise its judgment in respect of this matter.</p> <p>For transactions that are in the ordinary course, there is a process for the supplier/contractor selection and vetting, which calls for comprehensive information regarding the supplier/vendor (please see pages 61 to 62 of this Report). Possible conflict may be detected and addressed in this process.</p>
Group	Please see discussion above

5. Family, Commercial and Contractual Relations

- a. Indicate, if applicable, any relation of a family,¹⁰ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the Company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
First Pacific Group	Creditor of the Company	In 2012, the Company experienced financial constraints due to the suspension of operations of its Padcal mine. First Pacific extended a loan facility the Company of up to US\$ 200 Million under terms and conditions that are arm's length. <u>In 2013, the Credit facility was reduced U.S.\$150 Million of which U.S.\$80 Million outstanding as December 31, 2013</u>

- b. Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

There is no relationship of a commercial, contractual or business nature between holders of significant equity (5% or more) and the Company, except for the credit facility of US\$50 Million extended by the First Pacific Group to the Company, as described above.

Names of Related Significant Shareholders	Type of Relationship	Brief Description
<u>First Pacific Group</u>	<u>Significant shareholder of the Company</u>	<u>US\$150 Million credit facility to the Company</u>

- c. Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

The Company is not aware of, and has no reason to believe that there exist, any shareholder agreement that relates to or may have an impact on the control, ownership and strategic direction of the Company.

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

6. Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the Company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities

¹⁰ Family relationship up to the fourth civil degree either by consanguinity or affinity.

	Alternative Dispute Resolution System
Corporation & Stockholders	<p>The policy is to assiduously pursue an amicable resolution of differences or conflicts with shareholders for the best interest of the Company and its stakeholders. Procedure:</p> <p>(1) Referred to the Corporate Secretary, who makes an initial evaluation, in consultation with the CEO, the Compliance Officer and the officer directly involved, if any. Where warranted, the matter is reported to the Chairman and his inputs are sought.</p> <p>(2) The Corporate Secretary and/or the external counsel are tasked to pursue an amicable resolution with the concerned shareholder that is fair to both parties. The Corporate Secretary invites the shareholder to a meeting where the matter is discussed in detail. Every effort is made to favor the shareholder without causing prejudice to the Company and its stakeholders.</p> <p>(3) Depending on the nature of the dispute and the significance of the matter, Board approval is sought before entering into a compromise settlement.</p>
Corporation & Third Parties	<p>In the case of disputes with third parties, the policy is to pursue a fair settlement to avoid protracted and costly litigation. Procedure:</p> <p>(1) Referred to the Vice President for Legal Affairs, who makes an initial evaluation in consultation with the CEO and the officer who may be directly involved, if any. External counsel may be consulted. Where the matter is significant or material, it is brought to the attention of the Chairman.</p> <p>(2) The Vice President for Legal Affairs is tasked to pursue an amicable settlement with the third party. External counsel may also be involved in this process. To the extent possible litigation is avoided, subject always to the policy that the corporate interest must be the first consideration.</p> <p>(3) Depending on the nature of the controversy or the amount involved, a compromise settlement will require the prior approval of the CEO or the Chairman and ultimately the Board.</p>
Corporation & Regulatory Authorities	<p>Any dispute with a regulatory authority is always deemed to be of the highest priority. The policy of the Company is to adhere to all applicable laws, rules and regulations and to always cooperate with regulatory authorities consistent with law and the interests of the Company and of its stakeholders. Procedure:</p> <p>(1) Referred immediately to the Vice President for Legal Affairs or for tax matters, to the CFO, who must bring the matter to the attention of the President/CEO. Where the SEC or the PSE is involved, the matter is immediately referred to the Corporate Secretary, who will also consult with the CEO and the CFO. Significant matters are immediately reported to the Chairman</p> <p>(2) Significant matters are reported to the Board.</p> <p>(3) The Vice President for Legal Affairs or the Corporate Secretary, as the case may be, is tasked to pursue an amicable settlement with the regulatory authority. For tax matters, the CFO consults tax counsel and pursues a fair and lawful resolution of the matter with the tax authority.</p> <p>(4) Where warranted under the circumstances (depending on amount, nature, etc.), Board approval is obtained. This must be done expeditiously and with little or no delay.</p>

C. BOARD MEETINGS AND ATTENDANCE

1. Are Board of Directors' meetings scheduled before or at the beginning of the year?

Yes. A schedule of meetings for the entire year is approved at the beginning of each year.

2. Attendance of Directors *(For the Year 2013)*

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Manuel V. Pangilinan	11/28/2006	<u>16</u>	<u>16</u>	<u>100%</u>
Member	Juan B. Santos	9/28/2010	<u>16</u>	<u>13</u>	<u>81%</u>
Member	Eliza Bettina R. Antonino	4/27/2011	<u>16</u>	<u>13</u>	<u>81%</u>
Member	Marilyn V. Aquino	12/9/2009	<u>16</u>	<u>16</u>	<u>100%</u>
Member	Eulalio B. Austin, Jr.	6/29/2011	<u>16</u>	<u>12</u>	<u>75%</u>
Member	Bienvenido E. Laguesma	2/27/2013	<u>16</u>	<u>11</u>	<u>79%</u>
Member	Robert C. Nicholson	11/28/2008	<u>16</u>	<u>13</u>	<u>81%</u>
Member	Edward A. Tortorici	12/9/2009	<u>16</u>	<u>10</u>	<u>63%</u>
Member	Jose Ernesto C. Villaluna, Jr.	7/20/2005	<u>8</u>	<u>8</u>	<u>100%</u>
Member	Barbara Anne C. Migallos	6/26/2013	16	7	88%
Independent	Oscar J. Hilado	12/9/2009	<u>16</u>	<u>11</u>	<u>69%</u>
Independent	Wilfredo A. Paras	6/29/211	<u>16</u>	<u>15</u>	<u>94%</u>

Note/s:

- (a) Mr. Eulalio B. Austin, Jr. was on study leave (Harvard University) from September 2 to October 24, 2013.
- (b) Mr. Bienvenido A. Laguesma was elected Director on 27 February 2013. The percentage reported above was based on the number of meetings since his election on February 27, 2013.
- (c) The term of Mr. Jose Ernesto C. Villaluna, Jr. expired on June 26, 2013, the date of the Company's annual shareholders meeting. He attended 100% of the meetings held before his term expired.
- (d) Ms. Barbara Anne C Migallos was elected Director on June 26, 2013. The percentage reflected was based on her attendance at Board meetings as a Director from June 26, 2013 to Dec. 31, 2013. Ms. Migallos is the Corporate Secretary, and attended Board meetings prior to her election as a Director.

3. Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

Yes, a separate meeting of non-executive directors without the presence of the CEO or any of the executive officers is held at least once a year.

4. Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

There is no rule requiring a two-thirds vote for Board decisions. Effort is exerted for the Board to reach a consensus before a vote is taken. When a consensus is not reached, the vote may be deferred to allow more time for discussions.

5. Access to Information

- a. How many days in advance are board papers¹¹ for board of directors meetings provided to the board?

The policy is that board papers are provided to directors at least five (5) days in advance.

- b. Do board members have independent access to Management and the Corporate Secretary?

Yes, Board members have independent access to the Management and the Corporate Secretary.

- c. State the policy of the role of the Company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

The Corporate Secretary is responsible for the efficient administration of the affairs of the Board of Directors; ensures that directors have accurate and sufficient information that will enable them to arrive at well-informed decisions on matters requiring their approval; advises the Board on corporate governance principles and practices and on relevant statutes and regulations; and is the liaison between the Company and its shareholders. The Corporate Secretary is responsible for the safekeeping and preservation of the integrity of the Minutes of the Board and the Committee, as well as other official records of the Company.

The role of the Corporate Secretary includes assisting the Chairman in preparing the Board agenda, facilitating training of directors, and keeping directors updated regarding any relevant statutory and regulatory change, including new policies or rules of the SEC and the Philippine Stock Exchange.

- d. Is the Company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes, the Corporate Secretary is a member of the Philippine Bar with many years of experience in corporate law and practice, and has sufficient understanding of financial reporting rules and practices.

- e. Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes No

Committee	Details of the procedures
Executive	The Corporate Secretary is responsible for ensuring that the members of the Executive Committee are provided with information necessary, appropriate and adequate to enable the members to discharge their duties, and to provide the members with information and/or documents requested.

¹¹ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

Committee	Details of the procedures
Audit	<p>(1) Reports and other materials are provided to the members of the Committee prior to the meeting.</p> <p>(2) The CFO, the Division Manager-Corporate Finance, the Group Manager- Internal Audit and the Division Manager – Risk Management & Insurance primarily responsible for providing the members of the Committee with information necessary, appropriate and adequate to enable the members to discharge their duties. Requests for information are generally coursed through the CFO or the Corporate Secretary.</p> <p>(3) There is a clear policy that requests for further information regarding the items on the agenda and other relevant items must be attended to promptly.</p> <p>(4) The Audit Committee meets with the external auditor on a quarterly basis and as may be necessary.</p>
Nomination	The Corporate Secretary is responsible for ensuring that the members of the Nominations Committee are provided with information necessary, appropriate and adequate to enable the members to discharge their duties, and to provide the members with information and/or documents requested.
Remuneration	The Senior Vice President for Human Resources is responsible for ensuring that the members of the Compensation Committee are provided with information necessary, appropriate and adequate to enable the members to discharge their duties, and to provide the members with information and/or documents requested.
Others (specify) Finance Committee	The CFO, the Division Manager-Corporate Finance and the Group Manager-Treasury are primarily responsible for providing the members of the Committee with information necessary, appropriate and adequate to enable the members to discharge their duties.

6. External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Directors of the Company may receive external advice where the circumstances so warrant.

Procedures	Details
The Board as a whole may decide to seek external advice on legal or technical matters. This is discussed at a Board meeting and consensus is reached on whether external advice must be obtained.	<p>The Board either designates a committee of directors or a senior officer to choose the independent consultant and to formulate the objectives and parameters of the study and the desired end product or deliverable.</p> <p>For technical matters, this is implemented by the CEO, SVP-Resident Manager and the Vice President for Exploration. For legal matters, this may be implemented by the Corporate Secretary or the Vice President for Legal Affairs.</p>
The Audit Committee or a director or group of directors may retain and obtain advice from special counsel and other experts at reasonable fees without need for Board approval. (Art. II, Sec. 2.1, Audit Committee Charter ¹²)	The Audit Committee or the director/s who wish to seek external advice will implement the decision. The only role of the CEO and other officers or of employees is to provide information as requested.

¹² <http://www.philexmining.com.ph/userfiles/Revised%20Audit%20Committee%20Charter.pdf>

7. Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Internal Audit	Updated	Included Risk Management Policies in charter
Mine Safety	Prioritized, reinforced and improved mine safety measures and culture. The Board directed management to improve safety equipment, structures and policies, and approved increased budget allocations for these measures. Detailed safety performance reports were also required of management in monthly Board meetings, and made first item of agenda in every Board meeting.	To reinforce the Company's commitment to be a socially and environmentally responsible mining company.
Audit Committee Policies	Revised and updated the Audit Committee Charter	Revised and updated in accordance with the Guidelines for the Assessment of Performance of Audit Committees of Companies Listed on the Exchange (SEC Memorandum Circular No. 4, Series of 2012) promulgated by the SEC.

D. REMUNERATION MATTERS

1. Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Compensation Committee in consultation with Chairman	Compensation Committee in consultation with the CEO and the SVP for Human Resources
(2) Variable remuneration	<p>Compensation Committee in consultation with the Chairman. Stock option grants that are determined by the said Committee are subject to Board approval.</p> <p>Variable compensation for the CEO are in the form of:</p> <p>(1) Stock options under the Company's Stock Option Plan</p> <p>(2) Bonuses under duly approved plans applying to groups or levels of employees (may be across the board or</p>	<p>Compensation Committee in consultation with CEO and SVP for Human Resources. Stock option grants that are determined by the said Committee are subject to Board approval.</p> <p>Variable compensation for the 4 highest paid management officers are in the form of:</p> <p>(1) Stock options under the Company's Stock Option Plan</p> <p>(2) Bonuses under duly approved plans applying to groups or levels of employees (may be across the board or based on productivity)</p>

Process	CEO	Top 4 Highest Paid Management Officers
	based on productivity) The CEO receives bonuses solely under the above plans. No bonus (<i>except</i>) is paid to the CEO outside of these plans.	The officers receive bonuses solely under the above plans. No bonuses are paid to any officer outside of these plans.
(3) Per diem allowance	The Board determines the per diem rate. No per diems other than for attendance at meetings are paid to directors.	There is a schedule of per diems for official travel.
(4) Bonus	Compensation Committee in consultation with the Chairman The CEO does not receive any bonus other than bonuses under duly approved plans that apply generally to particular groups or levels of officers or employees.	Compensation Committee in consultation with Chairman and with the CEO, with inputs provided by the SVP for Human Resources Officers do not receive any bonus other than bonuses under duly approved plans that apply generally to particular groups or levels of officers or employees.
(5) Stock Options and other financial instruments	Compensation Committee (grants are submitted to the Board for confirmation)	Compensation Committee (grants are submitted to the Board for confirmation)
(6) Others (specify)	As a director, the CEO shares in the compensation of directors as provided in the By-Law of the Company <i>The By-Laws provide that directors do not receive compensation in an amount exceeding 1½% of net income before income tax, distributed among all directors as approved by the Board</i>	None

2. Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the Company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Remuneration of executive director and other officers must be competitive and at a level that will attract and retain talent and motivate them to continue their efforts in contributing to the long-term success of the Company.	Four components: (1) Fixed salary; (2) Bonus under duly approved plans that apply generally to particular groups or levels of officers or employees; (3) Stock options under the duly approved Stock Option Plan (4) Share in directors' fees	Compensation Committee determines the first three items – fixed salary, bonus under the bonus plan, and stock options - in consultation with the Chairman and with inputs from an external consulting firm with expertise in HR. With respect to a share in the fees of directors, the By-Law allows a

		from net income as provided in the By-Laws <i>(Applicable to executive directors only.)</i>	maximum of 1½% of net income before income tax to be shared among the directors as determined by the Board.
Non-Executive Directors	<p>Compensation of non-executive directors is in accordance with the Corporation Code, which permits only two kinds of fees for directors:</p> <p>(1) A reasonable per diem for attendance at Board meetings; and</p> <p>(2) A share in the net income before income tax, which must be provided in the By-Laws or approved by the shareholders. The law allows directors' fees in the total amount of 10% of net income before income tax.</p> <p>The Company's By-Laws set the limit at 1½%, significantly lower than allowed under the law.</p>	<p>There is no "compensation package" for non-executive directors.</p> <p>In accordance with law, there are two components:</p> <p>(1) A reasonable per diem for attendance at Board meetings; and</p> <p>(2) A share of 1½% of net income before income tax, to be shared among executive and non-executive directors as determined by the Board.</p>	<p>(1) The Board determines the first component, the per diem for attendance at Board meetings, which must be reasonable as provided by law. At present, the per diem for attendance at meetings of the Board and its Committees is set at Php 8,000 (about US\$200) for each meeting attended.</p> <p>(2) Directors' fees are calculated on the basis of the audited financial statements, with a limit of 1½% of net income before income tax.</p>

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Directors' fees not to exceed 1½ % of net income before income tax, based on the Company's audited financial statements	Provided in the By-Laws duly approved by the shareholders, and reported to the shareholders in the materials provided at each annual meeting
Stock Option Plan	Approved by vote of 66 2/3% of outstanding shares at the June 2011 annual shareholders' meeting
NIL	NIL

3. Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

In 2013, no director has received fee provided in the By-Laws of 1½% of net income before income tax losses incurred in 2012.

Total remuneration of the top 5 executive officers, including the CEO who is an executive director, is reported in the Company's Annual Report on SEC Form 17-A.¹³

¹³ http://www.philexmining.com.ph/assets/SEC_17_2013_PMC.pdf

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Please see remuneration portion in 2013 Annual Report (17-A) for items under this column	Please see remuneration portion in 2013 Annual Report (17-A) for items under this column	Please see remuneration portion in 2013 Annual Report (17-A) for items under this column
(b) Variable Remuneration			
(c) Per diem Allowance			
(d) Bonuses			
(e) Stock Options and/or other financial instruments			
(f) Others (Specify)			
Total			

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
(a) Advances	N/A	N/A	N/A
(b) Credit granted	N/A	N/A	N/A
(c) Pension Plan/s Contributions	In accordance with the Company's Retirement Plan approved by the Bureau of Internal Revenue (BIR)	N/A	N/A
(d) Pension Plans, Obligations incurred	Other than the benefit under BIR-approved Retirement Plan, no other pension benefit	N/A	N/A
(e) Life Insurance Premium	N/A	N/A	N/A
(f) Hospitalization Plan	The Company has a medical insurance plan and executive director is covered; no other medical benefit	N/A	N/A
(g) Car Plan	The Company has a car plan for executives & managers. Executive director is covered; no other car plan. <i>In 2012, the car plan was suspended due to loss incurred by the Company on that year.</i>	N/A	N/A
(h) Others (Specify)		N/A	N/A
Total	-----	-----	-----

4. Stock Rights, Options and Warrants

a. Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

General notes:

- (1) The Company submits regular reports to the SEC and the Philippine Stock Exchange on the exact number of stock options granted to each eligible participant, including directors. All exercises of stock options are duly reported to the Exchange and the SEC in accordance with the rules.
- (2) Under the Stock Option Plan approved by a vote of 66 2/3% of the outstanding capital stock and by the SEC, and consistent with an amendment to the Company's Articles likewise approved by a vote of 66 2/3% and by the SEC, the total number of shares for the Stock Option Plan cannot exceed 5% of outstanding capital as of the date of the approval of the Plan by the shareholders.

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Manuel V. Pangilinan	See General Note 1	N/A	One share for each option granted	See General Note 2
Juan B. Santos	See General Note 1	N/A	One share for each option granted	See General Note 2
Eulalio B. Austin, Jr.	See General Note 1	N/A	One share for each option granted	See General Note 2
Robert C. Nicholson	See General Note 1	N/A	One share for each option granted	See General Note 2
Marilyn V. Aquino	See General Note 1	N/A	One share for each option granted	See General Note 2
Edward A. Tortorici	See General Note 1	N/A	One share for each option granted	See General Note 2

b. Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
2007 Stock Option Plan	Adjusted in view of the effects of the following stock dividend declarations: (1) 30% stock dividend; and (2) 25% stock dividend	(1) 21 February 2008 special stockholders meeting (2) 21 April 2009 special stockholders meeting
2011 Stock Option Plan	No amendment	N/A

5. Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year 2013

Name of Officer/Position	Total Remuneration Year 2013
Renato N. Migrifio	<i>Total remuneration P53.3M</i>
Michael T. Toledo	
Benjamin R. Garcia	
Redempta A. Baluda	
Brett C. Medel	

E. BOARD COMMITTEES

1. Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	1	4	None	None	As provided in Sec. 35 of the Corporation Code.	See column to the left.	The Executive Committee may act on such specific matters within the competence of the Board in accordance with Sec. 35 of the Code.
Audit	None	3	2	Yes	As provided in the Audit Committee Charter (Art. II, Sec. 1)	As provided in the Audit Committee Charter (Art. II, Sec. 3)	As provided in the Audit Committee (Art II, Sec. 2)
Nomination	None	4	1	Yes	As provided in the CG Manual (Nominations Committee, Annex E)	As provided in the CG Manual (Nominations Committee, Annex E)	As provided in the CG Manual (Nominations Committee, Annex E)
Remuneration	None	3	2	Yes	As provided in the CG Manual	As provided in the CG Manual	As provided in the CG Manual (Compensation

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
					(Compensation Committee, Annex F)	(Compensation Committee, Annex F)	Committee, Annex F)
Finance	1	3	1	None	The Finance Committee has primary responsibility for oversight of the Company's corporate finance activities including management of equity; financial risk management; and financing for major acquisitions.	See column to the left.	To recommend programs for corporate finance activities relating to financial management of equity, financial risk management and financing for major acquisitions.

2. Committee Members

Number of Meetings held and attended *as of December 2013*

a. Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Manuel V. Pangilinan	Appointed first on 11/28/2008; last appointed on <u>06/26/2013</u>	N/A	N/A	N/A	<u>5 yrs., 1 month</u>
Member (ED)	Eulalio B. Austin, Jr.	Appointed <u>06/26/2013</u>	N/A	N/A	N/A	<u>6 months</u>
Member (NED)	Robert C. Nicholson	Appointed first on 01/26/2010; last appointed on <u>06/26/2013</u>	N/A	N/A	N/A	<u>3 years, 11 months</u>
Member (NED)	Juan B. Santos	Appointed first on 09/28/2010; last appointed on <u>06/26/2013</u>	N/A	N/A	N/A	<u>3 years, 3 months</u>
Member (NED)	Edward A. Tortorici	Appointed first on 01/26/2010; last appointed on <u>06/26/2013</u>	N/A	N/A	N/A	<u>3 years, 11 months</u>

b. Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Oscar J. Hilado	Appointed first 01/26/2010; last appointed on <u>06/26/2011</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>3 years, 11 months</u>
Member (ED)	No ED on Committee					
Member (NED)	Robert C. Nicholson	Appointed first on 11/28/2008; last appointed on <u>06/26/2011</u>	<u>4</u>	<u>2</u>	<u>50</u>	<u>5 years, 1 month</u>
Member (NED)	Eliza Bettina R. Antonino	Appointed first on 07/27/2011; last appointed on <u>06/26/2011</u>	<u>4</u>	<u>2</u>	<u>50</u>	<u>2 years, 5 months</u>
Member (NED)	Marilyn A. Victorio-Aquino	Appointed first on 01/26/2010; last appointed on <u>06/26/2011</u>	<u>4</u>	<u>3</u>	<u>75</u>	<u>3 years, 11 months</u>
Member (ID)	Wilfredo A. Paras	Appointed first on 07/27/2011; last appointed on <u>06/26/2011</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>2 years, 5 months</u>

Disclose the profile or qualifications of the Audit Committee members.

- (1) Oscar J. Hilado – Chairman; Independent Director: A Certified Public Accountant, Mr. Hilado completed his undergraduate studies at the De La Salle College (Bacolod) and obtained his Masters in Business Administration from the Harvard Graduate School of Business Administration (Smith Mundt/Fulbright Scholar). He is Chairman of the Board of the Philippine Investment Management (PHINMA), Inc., Phinma Corporation; Trans Asia Oil and Energy Development Corp., Phinma Properties and Union Galvasteel Corp. He is a Director of A. Soriano Corporation and other corporations and is an Independent Director of First Philippine Holdings Corporation. He has been President of the Management Association of the Philippines (MAP) and was honored as MAP Management Man of the Year for 1991. He holds a Doctorate in Business Management, Honoris Causa, from the De La Salle University and a Doctorate of Laws, Honoris Causa, from the University of St. La Salle.
- (2) Wilfredo A. Paras – Member; Independent Director: Mr. Paras completed his undergraduate studies at the University of the Philippines (Bachelor of Science, Industrial Pharmacy), his Master in Business Administration at the De La Salle University, and the Managing Managers Program at the University of Michigan at Ann Arbor, Michigan. He is currently President of WAP Holdings, Inc., a director of CIIF Oil Mill Companies, Granexport Manufacturing Corporation, Cagayan de Oro Oil Mills, Inc. and Iligan Oil Mills, Inc., Independent Director of GT Capital Holdings, Inc. and a Trustee of Dual Tech Training Center. He was formerly President/COO and a director of JG Summit Petrochemical Corporation, President of Union Carbide Philippines, President and Director of Union Carbide Indonesia, Managing Director of Union Carbide Singapore, and Business Director for Union Carbide Asia and the Pacific.
- (3) Robert C. Nicholson –A graduate of the University of Kent at Canterbury in the United Kingdom, Mr. Nicholson qualified as a solicitor in England and Wales and in Hong Kong. He is Executive Director of First Pacific Company Limited (since November 2003). He is an Executive Chairman of Forum Energy plc, a

Commissioner of PT Indofood Sukses Makmur TBK and a director of Metro Pacific Investments Corporation. He is an independent non-executive director of QPL Investment International Holdings Limited and Pacific Basin Shipping Limited. Previously, he was a Senior Partner at Reed Smith Richards Butler, where he established a corporate and commercial department. He was Senior Adviser to the Board of Directors of PCCW Limited between August 2001 and September 2003.

- (4) Marilyn V. Aquino – Ms. Aquino was educated at the University of Santos Tomas (AB) and the University of the Philippines (LLB, cum laude), where she was Salutatorian. She placed second in the nation-wide Philippine Bar Examination in 1980. She is currently Assistant Director of First Pacific Company Limited, and Director of Philex Gold Philippines, Inc., Silangan Mindanao Mining Corporation, Philex Petroleum Corporation, Pitkin Petroleum plc (all part of the Philex Group) and of Lepanto Consolidated Mining Company, an investee company of Philex. She joined the Sycip Salazar Hernandez and Gatmaitan Law Offices in 1981, and was Senior Partner from 1989 to 2012. Ms. Aquino has extensive experience in mining and natural resources, having represented some of the world’s biggest natural resource companies, junior resource companies, as well as financial institutions and other participants of the Philippine Mining sector. Ms. Aquino is presently a member of the Finance Committee of the Philippine Chamber of Mines.
- (5) Eliza Bettina R. Antonino – A graduate of the University of the Philippines (Bachelor of Science in Hotel and Restaurant Administration), Ms. Antonino is presently a Commissioner of the Social Security Commission. She is a director of Union Bank of the Philippines and a member of its Executive, Operations Risk Management, Audit and Nominations Committees, and a director of Philam Life Tower Management Corporation. She was formerly a consultant of the Philippine Senate’s Bio Fuel Act Oversight Committee, Director V, Office of Senator Manuel A. Roxas II, a consultant of the Commission on Appointments, an independent Constitutional body, and was Vice President of Wemilco Management and Development Company.

Describe the Audit Committee’s responsibility relative to the external auditor.

With respect to the External Auditor, the primary responsibility of the Audit Committee is oversight. The External Auditor reports directly to the Committee, and the Committee has the direct responsibility for the appointment, setting of compensation, retention, removal and oversight of the work of the External Auditor, in a manner consistent with applicable laws, regulations and valid corporate practice. The responsibilities of the Audit Committee include the duty to:

- a) Review and evaluate the qualifications, performance and independence of the External Auditor and its lead audit partner primarily responsible for the audit of the Company’s financial accounts;
- b) Recommend to the Board, for appropriate action as may be required by law, regulation or corporate practice, the selection and appointment of the External Auditor and, should the Committee deem necessary or appropriate, the removal or replacement of the External Auditor;
- c) Review and approve in consultation with the Internal Audit Head and the head of the finance organization, all audit and non-audit services to be performed by the External Auditor and all fees to be paid to the External Auditor for such services; and ensure that non-audit services, if allowed or approved, are disclosed in the Company’s annual report;
- d) Periodically review fees for non-audit services paid to the External Auditor in relation to their significance to the total annual income of the External Auditor and to the Company’s overall consultancy expenses, and disallow any non-audit services that will conflict with the External Auditor’s duties to the Company as such or may pose a threat to its independence;

- e) Ensure that the External Auditor prepares and delivers annually a formal written statement delineating all relationships between the External Auditor and the Company (Statement as to Independence) as required by the prevailing applicable Independence Standards, and discuss with the External Auditor and evaluate any relationships or services disclosed in such Statement that may impact the objectivity, independence or quality of services of the External Auditor and take appropriate action in response to such Statement to satisfy itself of the External Auditor's independence;
- f) Review, based upon the External Auditor's formal written statement (Auditors' Statement) submitted at least annually, the External Auditor's internal quality control procedures; any material issues raised by the most recent internal quality-control review or peer review of the External Auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five (5) years, regarding one or more Independent audits carried out by the External Auditor; and any steps taken to deal with any such issues; and ensure that the External Auditor, or its lead audit partner primarily responsible for the audit or review of the Company's financial accounts is rotated at least once every five (5) years or such shorter or longer period provided under applicable laws and regulations.

c. Nominations Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Manuel V. Pangilinan	<i>Appointed first 03/30/2011; last appointed on 06/26/2013</i>	<u>2</u>	<u>2</u>	<u>100</u>	<u>2 years 9 months</u>
Member (NED)	Juan B. Santos	<i>Appointed first on 09/28/2010; last appointed on 06/26/2013</i>	<u>2</u>	<u>2</u>	<u>100</u>	<u>3 years 3 months</u>
Member (ID)	Wilfredo A. Paras	<i>Appointed first on 07/27/2011; last appointed on 06/26/2013</i>	<u>2</u>	<u>2</u>	<u>100</u>	<u>2 years 5 months</u>
Member (NED)	Robert C. Nicholson	<i>Appointed first on 11/28/2008; last appointed on 06/26/2013</i>	<u>2</u>	<u>2</u>	<u>100</u>	<u>5 years 1 month</u>
Member (NED)	Marilyn A. Victorio-Aquino	<i>Appointed first on 01/26/2010; last appointed on 06/26/2013</i>	<u>2</u>	<u>2</u>	<u>100</u>	<u>3 years 11 months</u>

d. Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Juan B. Santos	Appointed first on 09/28/2010; last appointed on 06/26/2013	N/A	N/A	-	<u>3 years 11 months</u>

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (ED)	No ED in Compensation Committee.					
Member (NED)	Robert C. Nicholson	Appointed first on 11/28/2008; last appointed on <u>06/26/2013</u>	N/A	N/A	-	<u>5 years, 9 months</u>
Member (NED)	Edward A. Tortorici	Appointed first on 01/26/2010; last appointment on <u>06/26/2013</u>	N/A	N/A	-	<u>4 years, 7 months</u>
Member (ID)	Oscar J. Hilado	Appointed first on 06/23/2010; last appointment on <u>06/26/2013</u>	N/A	N/A	-	<u>4 years 2 months</u>
Member (ID)	Wilfredo A. Paras	Appointed first on 07/27/2011; Last appointed on <u>06/26/2013</u>	N/A	N/A	-	<u>3 years 1 month</u>

e. Others (Finance Committee)

Provide the same information on all other committees constituted by the Board of Directors:

Finance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Robert C. Nicholson	Appointed first on 11/28/2008; last appointed on <u>06/26/2013</u>	<u>1</u>	<u>1</u>	<u>100</u>	<u>5 years 9 months</u>
Member (ED)	Eulalio B. Austin, Jr.	Appointed first on 07/27/2011; last appointed on <u>06/26/2013</u>	<u>1</u>	<u>1</u>	<u>100</u>	<u>3 years 1 month</u>
Member (ID)	Oscar J. Hilado	Appointed first on 01/13/2010; last appointed on <u>06/26/2013</u>	<u>1</u>	<u>1</u>	<u>100</u>	<u>4 years 2 months</u>
Member (NED)	Juan B. Santos	Appointed first on 09/28/2010; last appointed on <u>06/26/2013</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>3 years, 11 months</u>
Member (NED)	Bienvenido E. Laguesma	<u>Appointed first on 11/05/2013</u>	<u>1</u>	<u>1</u>	<u>100</u>	<u>2 months</u>

3. Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	<i>No change in 2013</i>	
Audit	<i>No Change in 2013</i>	
Nomination	<i>No change in 2013</i>	
Remuneration	<i>No change in 2013</i>	
Others (specify) Finance Committee	<i>Mr. Bienvenido E. Laquesma</i>	<i>He was elected to fill the vacancy in the Finance Committee caused by the resignation of Mr. Emilio de Quiros as director of and member of the Finance Committee in December 2012.</i>

4. Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed as of report date of current year.

Name of Committee	Work Done	Issues Addressed
Executive	N/A	N/A
Audit	Complied with duties and responsibilities under the Audit Committee Charter	<p><i>Review of the 2012 annual audited financial statements and discussion with External Auditor of various issues relating thereto recommendation for Board approval financial reports and financial disclosures</i></p> <p><i>Review and approval of the external audit work and all audit fees</i></p> <p><i>Review of Hawcroft Risk Survey Report insurance risk surveyor engaged by Company to secure additional property insurance coverage from international reinsurers)</i></p> <p><i>Review and approval of the Internal Audit Plan</i></p> <p><i>Review of Quarterly Financial Statements</i></p> <p><i>Review of the Safety Performance of Mine and</i></p> <p><i>Review and Audit of Environmental, Health and Safety Risk</i></p> <p><i>Review of Insurance Coverage and Rates</i></p> <p><i>Review of Internal Audit Quarterly Accomplishment Report</i></p>
Nomination	Reviewed and evaluated the qualifications of nominees to the Board and nominees to positions requiring Board approval	Qualifications or disqualifications, if any, of nominees to the Board and nominees to positions requiring Board approval

Name of Committee	Work Done	Issues Addressed
Remuneration	Designated levels of remuneration sufficient to attract and retain the services of qualified and competent directors and senior officers needed to run the Company successfully Overseen the implementation of the Company's Stock Option Plan	An important issue addressed in 2012 was whether the Exercise Price of outstanding options under the Stock Option Plan should be adjusted in view of the significant drop of the share price when the Company's Padcal Mine temporarily suspended operations. The Committee decided it would not be appropriate to adjust the Exercise Price.
Others (specify) Finance Committee	The Finance Committee has primary responsibility for oversight of the Company's corporate finance activities including management of equity; financial risk management; and financing for major acquisitions.	(1) Adopted hedging policy for the gold and copper production of the Company (2) Studied options for the raising of funds for corporate purposes and evaluated obtaining a loan versus raising of equity

5. Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

The Committees will monitor activities and will undertake regular review of matters under their respective areas. The Audit Committee will work to further refine and strengthen internal audit controls and risk management policies. The Compensation Committee will work with the Chairman, the CEO and the SVP for Human Relations towards enhancing policies on compensation. The Finance Committee will evaluate financing for Company activities, including a stock rights offering which is in process.

Name of Committee	Planned Programs	Issues to be Addressed
Executive		
Audit	See discussion above	See discussion above
Nomination		
Remuneration	See discussion above	See discussion above
Others (specify) Finance	See discussion above	See discussion above

F. RISK MANAGEMENT SYSTEM

1. Disclose the following:

a. Overall risk management philosophy of the Company;

"The PHILEX Group shall undertake a Risk Management Program that will mitigate or eliminate identified physical, socio-ecological and economic risks inherent in its mining business thereby ensuring a productive and profitable operation.

Accordingly, the Philex Group employs a comprehensive, integrated risk management program, effected across all levels of the organization, with the goal of identifying, analyzing and managing the Group's risks to an acceptable level, so as to enhance opportunities, reduce threats, and thus sustain competitive

advantage. The Group believes that an effective risk management program will contribute to the attainment of objectives of PHILEX and its subsidiaries, thereby creating value for the business and its stakeholders.”¹⁴

- b. A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Audit Committee issued written confirmation as follows: The Audit Committee of Philex Mining Corporation has conducted a review of the effectiveness of Philex Group’s internal control systems for the year ended 31 December 2013. The review covered all material controls, including financial, operational and compliance controls and risk management functions.” Further, the Letter stated that “Based on our review of the internal audit reports and discussion with the internal auditor, we would like to confirm that the internal controls (including financial, operational and compliance controls) of Philex are adequate and effective. Based on our evaluation of Philex’s ERM process, reviewing the ERM report and interviews with the management of Philex as well as the external auditor, we have assured ourselves that the material risks have been identified, evaluated, managed and reported appropriately.”

- c. Period covered by the review

The review by the Audit Committee covered fiscal year 2013 (January 1 to December 31), 2013

- d. How often the risk management system is reviewed and the directors’ criteria for assessing its effectiveness

The review is conducted at least a year. The Board, principally through the Audit Committee, the criteria consistent with the Audit Committee Manual and sound business and management principles

- e. Where no review was conducted during the year, an explanation why not.

Not applicable; a review was conducted.

2. Risk Policy

- a. Company

Give a general description of the Company’s risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Resource Nationalism - Government seeking a greater take from the mining sector.	<i>Build strong relationship with government regulators</i>	<i>Maintain existing excise tax regime as terms of Mineral Production Sharing Agreement (MPSA)</i>
Maintaining a social license to operate	<i>Full cooperation with the regulators to comply with governmental requirements in ensuring safety and environment protection in all aspects of operations</i> <i>Ensure that safety and environment aspects of our operations are managed protect the environment and to avoid events that would cause harm to the environment.</i>	<i>Acceptance of mining and exploration activities by the LGUs.</i>

¹⁴ <http://www.philexmining.com.ph/corporate-governance/risk-management>

Risk Exposure	Risk Management Policy	Objective
Skill Shortage	<u>Source qualified and experienced Philippine nationals currently working abroad. Access non-traditional labor pool and/or engage expat consultants.</u>	<u>Manage lack of skilled manpower. Reinvigorated investments in the mining industry worldwide are driving demand for skilled workers which could lead to acute skills shortage in the country.</u>
Capital Project Execution	<u>Employ high-calibre management and Consultants for engineering, geologic and exploration work knowledgeable similar Silangan orebody.</u>	<u>Resolve technical and exploration challenges on a timely manner.</u>
Capital Management and access	<u>Review the options for raising funds through the public markets.</u>	<u>Continue to explore and develop existing exploration projects to tap potentials, for possible declaration of additional ore reserves, thereby ensuring business declared at 2Q20.</u>

b. Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The Group's risk management policy and the risks it must manage are essentially the same as those of the Company. Note that all companies within the Group are natural resource companies.

Risk Exposure	Risk Management Policy	Objective
Please see discussion under 2 (a) – the Company	Please see discussion under 2 (a) – the Company	Please see discussion under 2 (a) – the Company

c. Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
<p>As with any other corporation that has various shareholder groups with differing philosophies, concerns and interests, the exercise by the major shareholder/s of voting power may place the minority shareholders at risk in that their concerns and interests may not be prioritized, or that the interests of the major shareholder/s may be given priority at the expense of the minority shareholders.</p> <p>To address this risk, policies are in place towards ensuring that the Board will in all cases consider the corporate interest as a whole among them: (i) Emphasis on the fiduciary responsibilities of the Board and the officers to the Company and its shareholders and the duties of care and prudence; (ii) Emphasis on the avoidance of conflicts of interest and on prompt disclosure of potential conflict; (iii) Prompt, full and fair disclosure of material information; (iv) Adoption of policies on related party transactions; and (v) other policies towards avoidance of actions that will favor the controlling or major shareholder/s at the expense of the minority shareholder.</p>

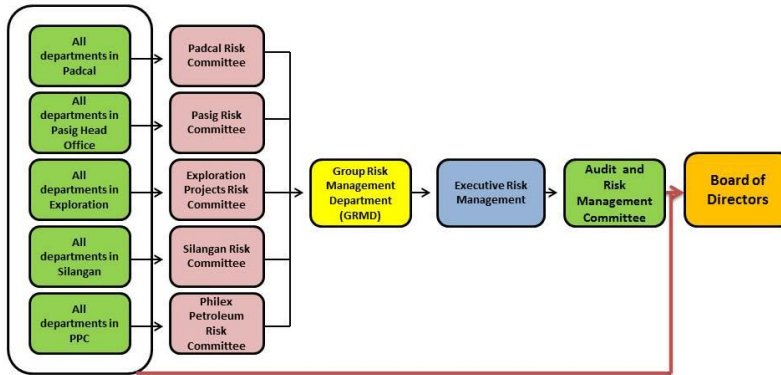
3. Control System Set Up

a. Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

The Company's risk assessment, management and control process is illustrated in the chart below:

PROCESS FLOW – REPORTING OF ENTERPRISE RISKS TO THE BOD



Major risks and other concerns on safety, operations, exploration, and legal matters which need immediate attention, are discussed separately by each respective Officer during the regular board meetings.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
	Probability (P) X Impact (I) = Severity (PxI) **	
Resource Nationalism - Government seeking a greater take from the mining sector.	5 X 4 = 20	<p><u>Continue to build strong relationship government directly and indirectly through the Chamber of Mines of the Philippines.</u></p> <p><u>Increase the transparency of taxes payments to the Government for public awareness. For this, the Company formally joined the EITI (Extractive Industry Transparency Initiative) being advocated by the Chamber.</u></p> <p><u>Make representations to government through public forums.</u></p> <p><u>Continue to effectively communicate the positive impacts of mining through public forums, print and TV media.</u></p>
Maintaining a social license to operate Environmental concerns	5 X 4 = 20	<p><u>Full cooperation with the regulators to comply with governmental requirements in ensuring safety and environment protection in all aspects of operations.</u></p> <p><u>Continue to actively participate in LGUs Community Development Programs on education and alternative learning system construction of community infrastructure and livelihood projects.</u></p> <p><u>Continue to effectively communicate the positive impacts of mining through our Community Relations Office and Corporate Affairs.</u></p>
	4 X 4 = 16	

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Skill Shortage		<p><u>Employed high calibre OFWs for engineering geological and exploration work knowledgeable in similar Silangan orebody.</u></p> <p><u>Continue to engage international consultants to resolve technical issues and concerns.</u></p> <p><u>Explore other means of mining methods.</u> <u>Has committed to finance the project through the DFS (definitive feasibility study) phase.</u></p> <p><u>Company actively looking for funding sources to finance the project (ie. Joint venture, term loan, equity capital market, etc.).</u></p> <p><u>Established Mining Academy cadet programme</u></p> <p><u>Sourcing of qualified and experienced Philippine nationals currently working abroad.</u></p> <p><u>Accessing non-traditional labor pools</u></p> <p><u>Using expatriate consultants</u></p>
Capital Project Execution	3 X 4 = 12	<p><u>Look aggressively for other financing proposals.</u></p> <p><u>Consider different options for raising funds through capital markets.</u></p> <p><u>Implement innovative approaches on capital expenditures and proper operating management.</u></p> <p><u>Increase production at the Padcal mine to compensate for low grades.</u></p> <p><u>Continue to explore and develop existing exploration projects with potentials, for possible declaration of additional ore reserves thereby ensuring business continuity beyond 2025.</u></p>
Capital Management and access	3 X 4 = 12	<p><u>Constantly review and refine Padcal operations to ensure operating costs managed properly.</u></p> <p><u>Engaged 3rd party mining consultants to optimize Padcal operations (mining and milling) continuing effort to improve productivity and safety.</u></p> <p><u>Continue to devise cost saving measures across the organization.</u></p>

Note **

Probability:

1 - Remote (Very Low), 2 - Unlikely (Low), 3 - Possible (Medium), 4 - Likely (High), 5 - Certain (Very High)

Impact:

1- Negligible (Very Low), 2 - Minor (Low), 3 - Moderate (M)

b. Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the Company:

Please see responses to 2(a) above on the Company. The companies within the Group adopt the Company's system for the assessment, management and control of risk with appropriate modifications taking into account the particular corporation's concerns. Note that the Company's principal business is the exploration, development and utilization of natural resources (copper, gold, petroleum and coal) and their risks are essentially similar.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Please see discussion above	Please see discussion above	Please see discussion above

c. Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Regular review of risk policies and management. (Please see Secs. 3.4.1 to 3.4.2 of Audit Committee Charter.)	Under Section 3.4 [With respect to enterprise risks] of the Audit Committee Charter: 3.4.1. review and discuss with Management and the Internal Audit Head and/or the External Auditor the policies and processes adopted by Management with respect to risk identification, assessment and management; and 3.4.2. Require Management to provide a report to and discuss with the Committee about the Company's significant or major risk exposures, if any, and the steps taken by Management to monitor or manage such risks such.
Corporate Risk Management Committee (composed of Officers)	Review and implementation of activities of committees in charge of specific risks.	Monitors compliance of each risk committee to the actions taken in respect to identified risks within its division.

G. INTERNAL AUDIT AND CONTROL

1. Internal Control System

Disclose the following information pertaining to the internal control system of the Company:

a. Explain how the internal control system is defined for the Company

As summarized from the references specified below the internal control is a process effected by the entity's board of directors, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (i) Effectiveness and efficiency of operations
- (ii) Reliability of financial reporting
- (iii) Compliance with applicable laws and regulations
- (iv) Safeguarding of assets

“The Company shall have in place an internal audit system whereby an internal audit or organization conducts independent and objective internal audit activities designed to add value to and improve the Company’s operations and to help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes through which the Board, Management and stockholders of the Company shall be provided with reasonable assurance that the Company’s key organizational and procedural controls are appropriate, adequate, effective and complied with.” (Manual on Corporate Governance, 2.6.1.(a) Internal Audit Functions; Audit Charter Items 3.2, 3.3, 3.4, 3.5, 3.6).

- b. A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Audit Committee issued confirmation statement dated 24 February 2014 that based on the review of the internal audit reports and discussion with the internal auditor the internal controls of the Company are effective and adequate.

- c. Period covered by the review;

The review covered the year 2013.

- d. How often internal controls are reviewed and the directors’ criteria for assessing the effectiveness of the internal control system; and

The Audit Committee Manual mandates that the Audit Committee shall review on a regular basis (a) internal control, (b) financial reporting, (c) internal audit activities, (d) external audit activities, (e) regulatory, legal and tax matters, (f) reporting responsibilities. (Audit Committee Charter, Item 3.3.6).

Such review as mandated under the Audit Committee Manual is done each quarter and a comprehensive review is undertaken in February.

- e. Where no review was conducted during the year, an explanation why not.

Not applicable, a review was conducted.

2. Internal Audit

- a. Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
To provide an independent, objective assurance and consulting services to management designed to add value and improve the Company’s operations. (Internal Audit Charter Mission and	To determine whether the Company’s network of risk management, control, and governance processes, as designed and represented by the management, is adequate and functioning in a manner to ensure: (1) Employee’s actions comply with policies, standards, procedures, and	In-house; Internal Audit may consult External Auditor as necessary or appropriate	The Head of the Internal Audit Department is Ms. Geraldine B. Ateo-an	Internal Audit reports to the Audit Committee directly

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Scope of Work)	<p>applicable laws and regulations.</p> <p>(2) Resources are acquired economically, used efficiently, and adequately protected.</p> <p>(3) Programs, plans, and objectives of the Company are achieved.</p> <p>(4) Quality and continuous improvement are fostered in the Company's control processes.</p> <p>(5) Significant financial, managerial, and operating information are accurate, reliable, and timely.</p> <p>(6) Significant legislative or regulatory issues affecting the Company are recognized and addressed appropriately.</p> <p>(7) Risks management of the Company is in place.</p> <p>(8) Interaction with the various governance groups occurs as needed.</p> <p>Opportunities to improve management control, profitability, and the Company's image maybe identified during audits. It should be communicated to the appropriate level of management</p>			

- b. Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes, the appointment/removal of the Internal Auditor requires the approval of the Audit Committee. Should there be a decision in the future to outsource the internal audit function the appointment of the accounting/auditing firm shall also be subject to prior approval of the Audit Committee. (Reference: Internal Audit Charter Mission and Scope of Work)

- c. Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The internal audit organization, headed by the Internal Auditor, report functionally to the Audit Committee. It is a support unit reporting functionally to the Audit Committee and administratively to Senior Vice President for Finance and Chief Finance Officer. (Manual on Corporate Governance, 2.6.2[a]; Audit Committee Charter, Item 3.2.1; PMC Internal Audit)

Yes, the Internal Auditor has direct and unfettered access to the Board of Directors and the Audit Committee and to all records, properties and personnel. (Internal Audit Charter)

d. Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

There was no resignation/assignment/s of the internal audit staff December 2013

Name of Audit Staff	Reason
N/A	N/A

e. Progress against Plans, Issues, Findings and Examination Trends

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- (1) Preparation of an audit plan inclusive of a timeline and milestones;
- (2) Conduct of examination based on the plan;
- (3) Evaluation of the progress in the implementation of the plan;
- (4) Documentation of issues and findings as a result of the examination;
- (5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results
- (6) Conduct of the foregoing procedures on a regular basis.

Progress Against Plans	Plans were generally attained
Issues ¹⁵	There were no significant issues
Findings ¹⁶	There were no material findings
Examination Trends	There were no Examination Trends (see definition of the term “examination trends” above)

f. Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

Policies & Procedures	Implementation
A. Corporate Office	
Implementing Rules and Regulations of Philippine Mining Act	Implemented
Risk Management Policy Statement	Implemented
Crisis Management and Recovery Policy	Implemented
Pasig Risk Committee	Implemented
Internal Audit Manual	Implemented
Company Property Insurance and Other Coverage	Implemented
Policy on Dealings in Company Shares of Stock	Implemented
Policy on Final Signing Authorities for Purchase Orders, Contracts, Donations and Others	Implemented
Human Rights Policy	Implemented
Social Development Policy	Implemented
Budget Policies	Implemented
Procedures of Cash Purchases	Implemented

¹⁵ @ _____ pretations.

¹⁶ 7

Policies & Procedures	Implementation
Password Policy	Implemented
Logo Discipline Manual	Implemented
Policy on Donations	Implemented
General Policies in Exploration Projects of the Company	Implemented
Legal Advisory on the New Supreme Court Procedure on Environmental Cases	Implemented
Internet Usage Policy	Implemented
Medicine Reimbursement and Educational Assistance Benefits	Implemented
Medicine Reimbursement Guidelines	Implemented
Gasoline Allowance	Implemented
B. Mine Site (Padcal)	
1. Various Health and Safety Policies	
Reiteration of Guidelines for Visitors and Supplier Entering Industrial Areas	Implemented
Addendum Policy on the Strict Implementation of Accident/Illness Reporting	Implemented
Housing Electrical Installations and Fire Protection	Implemented
Safety Incentive for Workers	Implemented
2. Finance	
Payroll Processing of Monthly Paid Employees	Implemented
Payroll Processing of SSU Paid Employees	Implemented
Various Payroll Processing of Monthly Paid Employees	Implemented
Various Payroll Processing of SSU Paid Employees	Implemented
Medical Emergency Fund	Implemented
3. Admin/HR	
Hiring Policy	Implemented
Hiring of Casual Employees	Implemented
Extension of Casual/Contractual Employment	Implemented
Processing of Employee Promotions/Reclassification and Transfers	Implemented
Processing of Separation/Retirement Benefits of Retired/Separated Employees	Implemented
Updated Transportation Assistance for Optional/Mandatory Retirees Among Rank-and-File Employees	Implemented
Appointments to Acting Capacity	Implemented
Appointment to Positions of Higher Responsibility	Implemented
Official Implementation of the HuRIS-Timekeeping Module	Implemented
Revised Padcal CAPEX Acquisition Workflow	Implemented
Attendance-Related Reminders for Managers	Implemented
Attendance-Related Reminders for Monthly-Paid Employees (OAC/PT/STS)	Implemented
Wage Orders of DOLE	Implemented
Policy on Approval of Documents	Implemented
Special Leave Benefits for Women Employees in the Private Sector	Implemented
Implementation of the Parental Leave	Implemented
One Month Leave with Pay Due Retirees	Implemented
Policy on AVL Recall	Implemented
Approving Authority for Vacation Leave Applications	Implemented
Filing of Annual Vacation Leave Credits	Implemented
Proportionate AVL and Co. Sick leave for Separated Employees	Implemented
Annual Vacation Leave (AVL) Benefit for Managers	Implemented
Recall of Employees from Annual Vacation Leave (AVL)	Implemented
Application for Leave with Pay for Board Examination	Implemented
Suggested Additional SOP in Returning to Work After Sick leave	Implemented
Confinement of Employees on Sick Leave	Implemented
Work on Scheduled Rest Days	Implemented
Submission of Rest Day/Holiday Work Authorization	Implemented
Implementation of Flexible Rest Day Policy	Implemented
Filing of Overtime	Implemented
Claims for Overtime Payment	Implemented

Policies & Procedures	Implementation
Premium Payments for Non-Regular Employees	Implemented
Early Quitting/Tardiness	Implemented
Policy on Hospital Visits of Employees During Working Hours	Implemented
Representation & Entertainment Expenses	Implemented
Per Diem and OB Money	Implemented
Per Diem of Supervisors on Official Business	Implemented
Per Diem – OB in Poro	Implemented
Updated Per Diem	Implemented
Amendment-Per Diem and OB Money (For Padcal Only)	Implemented
Food Allowance for Project/Casual Employees	Implemented
Meal Allowance for Dozer Operator/Mechanic at Road Widening Project	Implemented
Exploration Field Allowance	Implemented
Updated Contract Rate	Implemented
Updated Transportation Assistance	Implemented
Updated PMSEU CBA – Negotiated Wages/Benefits & Other Matters	Implemented
PRFEU Negotiated Wages/Benefits & Other Matters	Implemented
Negotiated Benefits for Supervisory Employees	Implemented
Negotiated Benefits for Rank-and-File Employees	Implemented
Updated STS Benefits	Implemented
Updated PT/OAC Benefits	Implemented
Guidelines in the Grant of Consideration for Rice Ration	Implemented
Medicine Reimbursements and Referrals	Implemented
New Medicine Reimbursement Procedures	Implemented
Processing of Request for Reimbursement of Medicine Expense	Implemented
Treatment of Medical Expense in Case of Apparatus Bog Down	Implemented
Processing of Medicine Refund of Managers	Implemented
Managerial Outside Medical Assistance Benefit (Updated)	Implemented
Outside Medical Assistance – PT/OAC Employees	Implemented
Revision – OMA Benefit of Daily-Paid Employees	Implemented
Guidelines Governing the College Educational Assistance Program (CEAP) of Philex Mining Corporation – Padcal	Implemented
Policy on Contractor’s Materials & Supplies Withdrawals	Implemented
Company Proprietary Information	Implemented
Security Controls for Changes in Application Programs & Transaction Data	Implemented
Request of Hotel Accommodation at Pasig Office	Implemented
Use of Company Vehicles	Implemented
Vehicles to be Used During OB Trips	Implemented
Policy on the Rental of Company Vehicles	Implemented
Lodging & Transportation Expenses During Official Business Trips	Implemented
Revision-Outside Medical Assistance of Spouses Both Employed with the Company	Implemented
Medical Check-up Benefit (ECU) of Managerial Employees	Implemented
Executive Check-up with Notre Dame	Implemented
Executive Check-up Package	Implemented
Executive Check-up – Additional Amount	Implemented
Claim for the OMA Benefits for Diagnostic Procedure	Implemented
Guidelines on the Implementation of the Emergency Medical Loan	Implemented
Maximization of Use of Company Hospital Facilities	Implemented
Availment of Managerial Hospitalization Benefit	Implemented
Increase in SSS/ECC Premiums	Implemented
PAG-IBIG Fund Coverage of Casual/Project Employees	Implemented
Increase in Philhealth Contributions	Implemented
Insurance Coverage Renewal	Implemented
Amendments of the Rank and File Company Rules and Regulations	Implemented
Request for Padcal Outside Contract Works	Implemented

Policies & Procedures	Implementation
Kilometer Check Up and Outside PMS	Implemented
Accountability Policy on Tools, Equipment & Other Materials	Implemented
Internet Usage Policy for Residents	Implemented
Guidelines on Internet Use at the Philex Padcal Guesthouse	Implemented
Smart Bro Internet Connection & Related Issues	Implemented
SOP on Escorts RE: Company Trailers & Heavy Loads from Manila & Others	Implemented
Policy on College Assistance Benefits	Implemented
Vaccination Policy	Implemented
Guideline on Responsible Momma Spitting	Implemented
Strict Implementation of the Guidelines for Cigarette Smoking	Implemented
4. Materials Management	
Policy on Declaring Obsolescence	Implemented
Policy on Equipment in Declaring Obsolescence	Implemented
Policy on Materials and Supplies and Spare Parts in Declaring Obsolescence	Implemented
Policy on Accountability of M/S @ Warehouse	Implemented
Guidelines and Procedures for Order Lists Covering Fast Track Items	Implemented
Various Equipment, Materials and Supplies for Disposal Transfer	Implemented
Procurement of Materials and Supplies	Implemented
Processing of Transaction Documents	Implemented
Purchase of Materials and Supplies	Implemented
Emergency Cash Purchase of M/S in Baguio	Implemented
Disposal of Bunker Sludge/Used Oil Thru Sale	Implemented
Receiving of Materials and Supplies	Implemented
Shipping of Outgoing Materials and Supplies	Implemented
Warehousing Operation	Implemented
Storage and Handling of LPG/OXY-Acetylene	Implemented
Scrap Management	Implemented
Handling/Disposal of Bunker Sludge/Used	Implemented
Storage and Dispensing of Fuel/Oil	Implemented
Accrediting New Suppliers	Implemented
Purchase of M/S Where No PO is Required	Implemented

g. Mechanism and Safeguards

State the mechanism established by the Company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the Company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the Company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>(1) Internal Auditor is a corporate insider subject to corporate policy and rule on insider trading.</p> <p>(2) Internal audit reports directly to the Audit and Risk Committee.</p> <p>(3) External auditor's non-audit services and fees for both audit and non-audit work are subject to prior approval of the Audit</p>	<p>Financial analysts – the Company does not retain financial analysts; question is not relevant to the Company.</p> <p>Financial advisors – are asked to sign agreements that contain a prohibition on dealing or trading in shares of Company.</p>	<p>Asked to sign agreements that contain a prohibition on dealing or trading in shares of Company.</p>	<p>The Company does not contract with rating agencies.</p>

<p>Committee. Criteria – (i) the significance of the fee in relation to total annual income of external audit firm; (ii) conflict of interest (Audit Committee Charter, 3.1.4)</p> <p>(4) External auditor Statement of Independence – written statement that should be delivered annually, delineating all relationships with the Company and whether any of such relationships will have an impact on objectivity, quality of service, and independence (Audit Committee Charter, 3.1.4)</p>			
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- h. State the officers (preferably the Chairman and the CEO) who will have to attest to the Company’s full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the Company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Officers who will attest to full compliance with SEC Code of Corporate Governance: The Chairman; President and CEO; Audit and Risk Committee Chairman; Management.

H. ROLE OF STAKEHOLDERS

1. Disclose the company’s policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Fair and transparent dealings with customers. It ships all production to two smelters (off-takers) located outside the Philippines and its relationship with them is governed by long and short-term contracts.	Representatives of the Company and the customer meet annually to review the preceding year’s activities. There are also discussions whenever a shipment is made.
Supplier/contractor selection practice	<p>Basic policy:</p> <p>The Company shall deal only with committed, reliable, reputable, competent and qualified suppliers and service providers who have complied with and passed the accreditation process and obtained an Accreditation Certificate.</p> <p>(1) The Purchasing Manual contains the policies for ensuring integrity of the procurement process.</p> <p>(2) Vendor accreditation policy – objective is to ensure that all suppliers or contractors are</p>	<p>(1) For vendor accreditation:</p> <p>(a) Prospective vendor must accomplish a new Vendor form (NVAAD) and existing Vendors must update their information periodically through the submission of Vendor Information Update form (EVIUF), duly accomplished. These are detailed forms that require information regarding the Vendor’s financial condition, ownership, product lines, agreements with respective principals/OEM, experience and expertise.</p> <p>(b) Financial Ratios for vendor accreditation – a review of each vendor’s financial ratios is undertaken as part of the</p>

	Policy	Activities
	<p>responsible entities that are competent and financially able to comply with their contractual commitments.</p> <p>(3) Criteria for accreditation – please see 1(a) and (b) in third column of this response. Additional criteria are:</p> <p>(i) Vendor must have a Dun and Bradstreet number; and</p> <p>(ii) Vendor must have an Environmental Policy or must be a member of an organization for environment protection awareness.</p> <p>(4) Supplier Information policy – the Company shall maintain an orderly, complete, updated and secured electronic file of all supplier information in the PCS or ERP System. Data integrity and confidentiality must be maintained.</p> <p>(5) Risk Indicator Monitoring policy – the Company shall monitor risk indicators that may impact its Supply Chain Operations to avoid disruption of supply, ensure availability of materials, avoid delays in the provision of services or the stoppage of operations</p>	<p>accreditation process</p> <p>(c) Vendor must submit a statement that:</p> <p>(i) the information provided in the NVAAF or the EVIUF regarding financial condition, ownership, product lines; agreements with respective principals/OEM are true and correct;</p> <p>(ii) Vendor will comply with its commitments in terms of product and service quality, competitive cost, timely delivery of service</p> <p>(iii) Vendor will avoid any potential and actual conflict of interest, observe ethical and fair practices to ensure fair and transparent dealings with the Company</p> <p>(iv) Vendor will cooperate with and welcome evaluation of their performance as a tool for compliance and continuing improvement</p>
Environmentally friendly value-chain	<p>Environmental policy:</p> <p>As a socially and environmentally responsible Company, Philex Mining is committed to the continuous improvement of its operations, avoiding or rehabilitating any adverse environmental impacts, the faithful compliance with all laws, legislations and other regulations, and the promotion of environmental awareness and commitment for environmental protection among its workers at all levels.</p>	<p>(1) Consistent with the Company's environmental policy, one of the criteria in its procurement process is that the Vendor must have an Environmental Policy or must be a member of an organization for environment protection awareness.</p> <p>(2) Also consistent with such policy, which mandates environmental awareness, there is focus on efficient, recyclable materials related to Energy Efficiency, Shipping Materials, Content and Supplier Waste Management.</p> <p>Environmental activities for the Company's mine sites and their environs</p> <p>1. Land Resources Management</p> <p>a) Reforestation and Forest Protection</p> <p>(i) Forest Nursery Management</p> <p>(ii) Plantation Operation and Protection</p> <p>a(ii)1: New Plantation Establishment</p> <p>a(ii)2: Plantation Care and Maintenance</p> <p>a(ii)3: Fireline/Firebreak Construction</p> <p>b) Slope Stabilization and Erosion Control Measures</p> <p>(i) Benching</p> <p>(ii) Wattling</p> <p>(iii) Shotcreting</p> <p>(iv) Toe wall construction</p> <p>c) Surface Subsidence Control/Backfilling Operation*</p>

	Policy	Activities
		<p>d) Solid Waste Management e) Rehabilitation of mine disturbed areas (PGPI and SMMCI)</p> <p>2. Water Resources Management a) Maintenance and Operations of Tailing Ponds b) Effluent Monitoring c) Chemical Waste Management and Monitoring d) Used Oil and Fuel Management</p> <p>3. Air Quality Management a) Underground Ventilation System Repair and Maintenance b) Maintenance of Dust Suppressor* c) Air Ambient Monitoring</p>
Community interaction	<p>The Company recognizes the desires and aspirations of the communities and indigenous peoples hosting our projects, and respects their cultural practices. We commit that we will act responsibly and will obey the applicable laws, in order to minimize the impact of our projects on the environment, protect the health and safety of those directly affected by our activities, and ensure that they receive real benefits from our operations.</p> <p>The Company treats its host communities and indigenous peoples as our partners in the exploration and development of our mining projects. Social acceptability is very important for long-term, stable, and beneficial resource development. We strive to give the communities and indigenous peoples the real benefits from our operations, and to leave them a lasting legacy by adopting programs geared toward developing their livelihood and capacity requirements, as well as their social, cultural, educational, health, safety, and environmental needs.</p> <p>The Company has a Community Relations Department, headed by the Vice President for Community Relations, charged with the responsibility of formulating and implementing policies and programs for the welfare and benefit of its partner or host communities.</p> <p>Social Development Policy</p> <p>Philex Mining Corporation as part of its corporate character commits itself to the environmental, social and economic progress of its partner communities and believes that their development is a means of contributing to national development.</p> <p>Its sustainable environment and community development program was conceptualized to act as a medium and help facilitate an</p>	<p>Philex Mining Corporation strives and continues to be a strategic partner for its host and its neighboring communities towards their development. To this end, the Company implements the following programs:</p> <p>(1) Social Development and Management Program (SMDP) for the Company's Padcal Mine in Benguet province; and</p> <p>(2) Community Development Program (CDP) for Philex Gold and Silangan Mindanao projects.</p> <p>The SMDP and CDP serves as a vehicle to attain community self-reliance and development. They focus on five areas - under the acronym of I-H.E.L.P.</p> <p>1. Information Education Communication</p> <p>(a) Community immersion</p> <p>(b) Dialogues with local group leaders and focused group discussions with various sectors such as the academe, religious groups, and Non-Government Organizations (NGOs)</p> <p>(c) Courtesy calls to Local Government Units (LGUs)</p> <p>(d) Mine visits at operating, exploration and care and maintenance project sites of the stakeholders from host and neighboring communities</p> <p>2. Health</p> <p>(a) Medical and Dental Projects</p> <p>(b) Free consultation and treatment at Philex Sto. Nino Hospital (PMC-Padcal)</p> <p>(c) Health Trainings and Seminars</p>

	Policy	Activities
	<p>appropriate “fit” of environmental conservation and community self-reliance. The program is headed by the mine site’s Community Development Manager whose underlying function is to promote and maintain the company’s license to operate by building goodwill, trust and support from communities in line with the corporate perspective of promoting sustainable development through partnerships.</p> <p>Statement of Policies:</p> <p>In its effort to fulfill its mandate, and knowing that the success of the Company’s social development and management program (SDMP) and community development program (CDP) depends heavily on the community’s social preparedness, cooperation, and internalization of the program’s objectives, Philex Mining Corporation:</p> <p>(1) Commits to improve the quality of life of partner communities by working towards sustainable resource management by combining local knowledge and skills with appropriate technologies;</p> <p>(2) Acknowledges that communities are capable of making responsible decisions and that their active and meaningful participation is essential in addressing poverty and environmental degradation;</p> <p>(3) Believes that partnerships among stakeholders and the sharing of resources, capabilities and responsibilities are keys to community development;</p> <p>(4) Believes that community development projects should be geared towards self-reliance.</p>	<p>(d) Provision of Accident Insurance and Health Cards</p> <p>3. Education</p> <p>(a) Scholarship Program: Elementary, High School, College, Technical-Vocational (includes scholarship programs for Indigenous People (IP)</p> <p>(b) Provision of Educational Equipment and Materials</p> <p>(c) Construction and Improvements of School Buildings and Facilities</p> <p>(d) Financial Assistance to volunteer teachers</p> <p>(e) Nutrition Program</p> <p>4. Livelihood</p> <p>(a) Employment Enhancement Projects</p> <p>(b) Provision of technical and financial assistance to various cooperatives and peoples organizations to enhance their projects which include agro-forestry, natural farming, and livestock-raising</p> <p>5. Public Infrastructure</p> <p>(a) Construction and improvement of roads</p> <p>(b) Waterworks and irrigation systems</p> <p>(c) Electrification</p> <p>(d) Other public infrastructure support such as construction of health care centers, hanging bridges, waiting sheds, and other community buildings.</p>
Anti-corruption programmes and procedures?	<p>(1) Supply Chain Management Conduct: Supply Chain professionals shall maintain a reputation that is beyond reproach and in accordance with the Institute of Supply Management (ISM) and Philippine Institute for Supply Management (PISM) Standards of Conduct aligned with Industry Best Practices.</p> <p>(2) Supplier Relations: Procurement Department is the primary source of contact and channel of communications with all vendors. It is therefore our policy to maintain and practice the highest possible standard of business ethics, professional courtesy and competence in all our dealings with existing and potential vendors</p> <p>(3) Gifts & Gratuities: No company employee shall accept gifts, personal loans,</p>	<p>(1) The Supply Chain Management Conduct Policy focuses on avoiding impropriety in the conduct of the profession pertaining to relationships, actions and communications; avoiding conflict or interest where an employee (of Philex) has an interest in another company dealing with Philex, among others.</p> <p>(2) Supplier Relations policy puts emphasis on the decorum required when dealing with suppliers.</p>

	Policy	Activities
	entertainment or other special considerations from an individual. Supplier or organization doing business with the Company	(3) The Policy on Gift & Gratuities is specific on tokens, particularly during Christmas Season, where suppliers are discouraged to give lavish gifts and tokens. This is relayed to suppliers every November through an official letter from the Company.
Safeguarding creditors' rights	<p>The Company honors all of its obligations, including obligations to any creditor it may have. There has been no case where a creditor brought the Company to court for non-payment of a loan or financial obligation.</p> <p>The Company also upholds the rights of major creditors by publicly disclosing all material information, such as earning results and risk exposures relating to loan covenants. Our disclosures, controls, and procedures also include periodic reports to creditors, such as the latest certified financial statements, among others.</p>	

2. Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes. The annual report distributed at the annual stockholders' meeting contains separate sections for corporate social responsibility, environmental programs, and community development projects. These reports may also be viewed on the Company's website.¹⁷

3. Performance-enhancing mechanisms for employee participation.

a. What are the company's policy for its employees' safety, health, and welfare?

Policy: The Company promotes safety, non-discrimination, environmental awareness, and commitment in the workplace, and we support programs that promote the development and potential of our employees. We encourage transparency, professionalism, and accountability among our employees.

Philex Mining Company is a Filipino mining company that values the dignity of every individual and the basic human rights recognized under the Philippine Constitution and the Universal Declaration of Human Rights. In all our endeavors, we are committed to respect human rights and to conduct our activities in a manner that is consistent with all applicable laws and in accordance with best practices in mineral exploration and development, environmental stewardship, health and safety, and community relations.

Ethics

¹⁷ <http://www.philexmining.com.ph/sustainability/environmentalstewardship>
<http://www.philexmining.com.ph/sustainability/communitydevelopment/health>
<http://www.philexmining.com.ph/sustainability/communitydevelopment/education>
<http://www.philexmining.com.ph/sustainability/communitydevelopment/publicinfrastructure>
<http://www.philexmining.com.ph/sustainability/communitydevelopment/livelihood>
<http://www.philexmining.com.ph/sustainability/communitydevelopment/technologycenter>

We conduct our business fairly, honestly, responsibly and with due regard to the dignity and human rights of every individual, in accordance with all laws in all jurisdictions in which we operate, including those that guarantee protection to human rights and labor laws that guarantee rights of workers and employees.

Employees

We conduct our business and activities fairly, honestly, and with due regard for the dignity and human rights of our employees, including the rights guaranteed by our labor laws. We promote safety, non-discrimination, environmental awareness, and commitment in the workplace, and we support programs that promote the development and potential of our employees. We encourage transparency, professionalism, and accountability among our employees.

These are embodied in the Company’s Mission-Vision which may be viewed at the Company’s website.¹⁸

b. Show data relating to health, safety and welfare of its employees.

The Company’s programs for the health, safety and welfare of its employees include a retirement program, medicine allowance and assistance, free hospital services, free housing, educational assistance for employees’ dependents, rice subsidy, meal allowance, life and accident insurance, recreation, sports & entertainment, gasoline and transportation allowance, and bereavement assistance.

c. State the company’s training and development programmes for its employees. Show the data.

Level	Program Title	Runs	Date/s of Session	Attendance
o	7 h	-	- K	-
U	-	-	- K	-
o	- U 7	-	7	-
	@ u	-	7 7	-
o U	O	-	U	-
U) 7 t	-	K	-
U U	- u	-	- K	-
U	# v	-	K	-
	@ o @	-		-
U	h @	-	o	-
U	u U O) v	-	o o o v v	-

¹⁸ <http://www.philexmining.com.ph/about-us/mission-and-vision>

Level	Program Title	Runs	Date/s of Session	Attendance
<u> </u> <u>o</u>	<u>o</u> <u>)</u>	-	<u>o</u>	-
<u>U</u>	<u>o</u>	-	<u>- o</u>	-
<u>o</u>	<u>- #</u> <u>h</u>	-	<u>v</u> <u>)</u>	-
<u>U</u>	<u>h U</u> <u>i</u>	-	<u>v</u> <u>v</u> <u>)</u> <u>)</u>	-
<u>U U</u>	<u>u</u>	-	<u>v</u>	-
<u> </u> <u>o</u>	<u>v</u> <u>v</u>		<u>k</u>	-

Safety Trainings

Level	Program Title	Runs	Date/s of Session	Attendance
<u>k 7 o</u>	<u>-</u> <u>h</u> <u>o</u> <u>h</u>	-	<u>K</u>	-
<u>k 7 o</u>	<u>7</u>	-	<u>o</u> <u>o</u> <u>o</u>	-
<u>k 7 o</u>	<u>o \</u> <u>u \</u> <u>o</u>	-	<u>o</u> <u>o</u> <u>o</u>	-
<u>k 7 o</u>	<u>o</u> <u>\</u> <u>h</u> <u>o O</u> <u>U o</u> <u>o</u>	-	<u>o</u> <u>o</u> <u>o</u>	-
<u>k 7 o</u>	<u>#</u> <u>U</u> <u>) o</u> <u>o</u>	-	<u>\</u> <u>\</u> <u>\</u> <u>\</u>	-
<u>R/F, Supervisory</u>	<u>Defensive Driving Orientation</u>	<u>4</u>	<u>Oct. 10, 2013</u> <u>Oct. 11, 2013</u> <u>Dec. 17, 2013</u> <u>Dec. 18, 2013</u>	<u>16</u> <u>23</u> <u>31</u> <u>51</u>
<u>R/F, Supervisory</u>	<u>Underground Emergency Management Seminar</u>	<u>4</u>	<u>Nov. 4-6, 2013</u> <u>Nov. 7-9, 2013</u> <u>Nov. 11-13, 2013</u> <u>Nov. 14-16, 2013</u>	<u>29</u> <u>37</u> <u>40</u> <u>44</u>

d. State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Compensation Philosophy/Principles of the Company are as follows:

1. Pay-for-Performance
 - Performance defined as achievement of results aligned to business objectives and behaviors consistent with Philex Values
 - Performance given more weight and importance than other pay components
 - Significant variable compensation tied to individual and company performance
 - Differentially reward those that consistently exceed performance objectives
2. Pay for competencies and skills that are valuable to Philex
3. Pay competitively versus local competitors and other comparator companies
4. Provide a Total Rewards Package that includes pay, benefits, employee recognition, employee development and a work environment conducive to high performance
5. Founded on an effective Performance Management Process
6. Line Managers are primarily responsible for implementing the Philex Compensation Philosophy with HR serving as a resource.

The Company's Stock Option Plan covers managers and supervisors in accordance with the above philosophies and principles. On April 27, 2011, the Company's Board approved the 2011 Stock Option Plan (the 2011 SOP). The objectives of the 2011 SOP are to enable qualified participants who are largely responsible for the further growth and development of the Philex Group of Companies to obtain an ownership interest in the Company; to encourage long-term commitment to the Group; to motivate them to continue their efforts in contributing to the long-term financial success of the Group; and to encourage other talents needed for the business to join the Group.

4. What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

Under the Grievance Machinery provision of the Collective Bargaining Agreement (CBA) between Philex Mining Corporation and Philex Pasig Metro Manila Employees Union (PPMMEU) and the Philex Mining Supervisory Employees Union (PMSEU), whenever any dispute arises between the Company and its employees and/or the Union as to the interpretations, application, or administration of or compliance with the terms and conditions of the Agreement, earnest effort shall be made to settle such dispute by following the grievance procedure outlined in the CBA. (Article XXXIII, CBA)

Further, should there be any report of alleged violation of Company Rules and Regulations (CRR) and Safety Rules and Regulations (SRR) committed by a certain employee, the Company will notify the concerned employee and his immediate supervisor of the alleged violation in writing, and all parties shall faithfully with the grievance procedure outlined in the CBA. (Article XXII, Section 2, CBA)

The Company recognizes the need for more effective communications not only between superior and subordinate but, likewise, between and among co-employees. To fill this need, the Company recognizes the necessity of providing all employees with a code of rules by which their actions may be accordingly guided. These rules are not meant to punish employees but to correct and give them a chance to change their undesirable behavior.

These rules and regulations are embodied in the Company's Code of Employee Discipline manual which defines the framework of disciplinary actions for the attention and compliance of all employees and in order to promote efficiency in the operations of the Company to maximize profit, to prevent taking unfair advantage or fellow employees and, to assure that each employee shall fulfill his obligations to the Company.

I. DISCLOSURE AND TRANSPARENCY

1. Ownership Structure

a. Holding 5% direct shareholding or more as of December 2013:

Shareholder	Number of Shares	Percent	Beneficial Owner
Asia Link BV	1,023,275,990	20.73%	First Pacific Company Limited
Social Security System	1,012,011,428	20.50%	Social Security System
PCD Nominee	<u>984,744,875</u>	<u>19.95%</u>	Under SEC and PSE rules, the Company is unable to determine beneficial ownership of shares held under the PCD. However, beneficial owners meeting the 5%/10% thresholds are required to report beneficial ownership
Two Rivers Pacific Holdings Corp.	738,871,510	14.97%	Two Rivers Pacific Holdings Corp.

u. ~~senior management~~ *senior management as of December 2013 as follows:*

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Manuel V. Pangilinan (Non-executive Chairman; included here for full transparency)	4,655,000	None	0.094%
Eulalio B. Austin, Jr. President and CEO	1,360,937	None	0.028%
Michael T. Toledo Senior Vice President, Corporate Affairs	0	None	0.000%
Benjamin R. Garcia Senior Vice President, Human Resources	149,500	None	0.003%
Barbara Anne C. Migallos Corporate Secretary	203,875	None	0.004%
Danny Y. Yu SVP and Chief Financial Officer	40,000	None	0.001%
Manny A. Agcaoili SVP for Operations	0	None	0.000%
Redempta P. Baluda VP- Exploration	20	None	0.000%
Victor A. Francisco VP-Environment and Community Relations	155,000	None	0.003%
Enrique C. Rodriguez, Jr. VP-Legal	615,000	None	0.013%

Raymund Brett C. Medel VP-Information and Technology	0	None	0.000%
TOTAL	7,179,332		0.146%

2. Does the Annual Report disclose the following:

Key risks	ⓧ
Corporate objectives	ⓧ
Financial performance indicators	ⓧ
Non-financial performance indicators	ⓧ
Dividend policy	ⓧ
Details of whistle-blowing policy	ⓧ
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	ⓧ
Training and/or continuing education programme attended by each director/commissioner	ⓧ
Number of board of directors/commissioners meetings held during the year	ⓧ
Attendance details of each director/commissioner in respect of meetings held	ⓧ
Details of remuneration of the CEO and each member of the board of directors/commissioners	ⓧ (As a group)

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3. External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Sycip Gorres Velayo & Co.	<i>Php 6.05 Million</i>	<i>Php 14.5 Million</i>

4. Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

1. Company website - www.philexmining.com.ph
2. PSE website - Reports, announcements and disclosures are uploaded to the website of the Philippine Stock Exchange (<http://www.pse.com.ph>)
3. Print media - Press statements or publications as necessary; usually printed in the three newspapers with the highest circulation, Manila Bulletin, The Philippine Star, and the Philippine Daily Inquirer
4. Email - philex@philexmining.com.ph (posted in the Company's website)
5. Postal mail - 27 Brixton Street, Pasig City 1600 (indicated in the company's website and letterheads)

5. Date of release of audited financial report:

The 2013 financial results based on figures audited by the external auditor were released on 27 February 2014. The full audited financial statements were subsequently released on 16 April 2014.

6. Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	£
Financial statements/reports (current and prior years)	£
Materials provided in briefings to analysts and media	£
Shareholding structure	£
Group corporate structure	£
Downloadable annual report	£
Notice of AGM and/or EGM	£
Company's constitution (company's by-laws, memorandum and articles of association)	£

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7. Disclosure of RPT

RPT	Relationship	Nature	Value
Loan from Asia Link B.V.	Shareholder	US\$100 Million loan under a March 2013 loan agreement with a one year term and subject to 5% interest rate	US\$50 Million
Loan from Maxella Limited	Shareholder	US\$25 Million loan under a March 2013 loan agreement with a one year term and subject to 5% interest rate	US\$ 15 Million
Loan from Kirtman Limited	Shareholder	US\$25 Million loan under a March 2013 loan agreement with a one year term and subject to 5% interest rate	US\$ 15 Million
Loan from Kirtman Limited	Shareholder	P2.1 Billion loan under an October 2012 loan agreement with a one year term and subject to 5% interest rate	<i>Paid as of December 31, 2013</i>
The Company also extends non-interest bearing advances to subsidiaries, the details of which are in the Company's Audited Financial Statements, which may be viewed on the Company's website. ¹⁹	Subsidiaries Details are in the Company's Audited Financial Statements, which may be viewed on the Company's website	Please see the Company's Audited Financial Statements, which may be viewed on the Company's website	Please see the Company's Audited Financial Statements, which may be viewed on the Company's website

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

¹⁹ http://www.philexmining.com.ph/userfiles/PX_CD_26Mar13_FRs.pdf

Please see discussion on related party policies and procedures in Section B4 of this Report. These policies and procedures are intended to safeguard the interests of the Company and its shareholders and stakeholders.

J. RIGHTS OF STOCKHOLDERS

1. Right to participate effectively in and vote in Annual/Special Stockholders’ Meetings

a. Quorum

Give details on the quorum required to convene the Annual/Special Stockholders’ Meeting as set forth in Its By-laws.

Quorum Required	<p>The Company’s By-laws comply with the requirements under the Corporation Code:</p> <p>The general rule is that at least a MAJORITY of the total outstanding capital must be present in person or represented by proxy to constitute a quorum.</p> <p>Certain corporate actions require the presence and positive vote of 66 2/3% of the total outstanding capital stock: (i) amendments to the articles and increase or decrease of capital; shortening or extension of corporate life; (ii) declaration of stock dividends; (iii) sale, mortgage, or other disposition of all or substantially all of the assets of the corporation; (iv) incurring of bonded indebtedness; (v) denial or waiver of pre-emptive right; (vi) investment in a business other than the corporation’s primary purpose; (vi) merger and consolidation; (vii) amendment of by-laws; and (viii) delegation to the board of the power to amend the by-laws.</p>
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b. System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Tabulation of proxies submitted by the shareholders
Description	<p>(1) At least 28 working days prior to each shareholders’ meeting, the Company provides all shareholders of record with the materials for the meeting, including a proxy form that enumerates all items on the Agenda and provides a space for each item for the shareholder to indicate “Yes,” “No,” or “Abstain.” Brokers and custodian banks are likewise provided with a number of copies for shares held under PCD accounts.</p> <p>(2) Proxies are tabulated.</p> <p>(3) A motion is made and seconded for the approval of each item on the agenda requiring the vote of the shareholders. The votes are announced based on the proxy tabulation.</p> <p>(4) The Chairman inquires whether there are any objections from the shareholders present. If there are no objections, the Chairman declares the motion carried and the corporate act approved. If there are objections, the Chairman requests the Corporate Secretary to record the objection and proceeds to declare the corporate act approved. Please note that prior to the meeting, the votes per agenda item have been tallied.</p>

c. Stockholders’ Rights

List any Stockholders’ Rights concerning Annual/Special Stockholders’ Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
Rights Concerning Annual/Special Stockholders' Meeting:	
1.) To be furnished with written notice of annual meetings at least two weeks prior to an annual meeting or one week prior to a special meeting, which notice must state the time and place of the meeting.	The Company sends to its stockholders notice of annual meeting or special meeting at least 21 business days prior to the meeting. The notice contains not only the time and place thereof but also detailed agenda for the meeting, which includes each matter to be voted upon by the stockholders. In addition to the notice and agenda, the Company provides each stockholder with the Information Statement and Annual Report required under SRC Rule 20. These materials are also posted on the Company's website at least 28 business days prior to the meeting as soon as they have been cleared by the SEC.
2.) Attend and vote in person by proxy at shareholders meeting.	
3.) Elect and remove directors.	
4.) To request for voting by ballot for purpose of electing directors.	The Company implements voting by poll by which are validated, tabulated and cast (as opposed to show of hands) in the stockholders' meeting.
	The voting results on matters presented for stockholders' approval at the meeting are posted on the Company's website immediately after the meeting.
5.) To receive at the annual meeting financial report of the operations of the corporation for the preceding year, which shall include financial statements, duly signed by an independent certified public accountant.	The Company sends to its stockholders its Notice of AGM containing the audited financial statements at least 21 business days prior to the meeting. The Annual Report (SEC17-A) is also posted in the company's website 2 months prior to the stockholders' meeting.
6.) To approve certain corporate acts.	
7.) To petition for the calling of meeting of stockholders when for any cause there is no person authorized to call a meeting.	Propose the holding of meetings feasible or practicable and the items for discussion in the agenda that relate directly to the business of the Company.
Other Rights:	
8.) To issuance of certificate of stock or other evidence of stockholder ownership and be registered as shareholder	
9.) To receive dividend as may be declared by board of directors out of unrestricted earnings.	
10.) Participate in distribution of corporate asset upon dissolution.	
11.) To be furnished with the Company's most recent financial statements, upon written request	Without the need for any request the Company sends to all its stockholders its financial statements (Audited Financial Statements are part of the Notice of AGM). Also, these are posted in the Company's website. SEC-17A, Glossy Annual Report which are given out to Company's stockholders every Stockholders' meeting.
12.) To inspect records of business transactions and minutes of any meeting, subject to refusal under the circumstances stated in stated in Section 74 of the Corporation Code (such as when a stockholder is not acting in good faith or for a legitimate purpose).	
13.) Preemptive right or right to subscribe to all issues or disposition of shares of any class in proportion to their shareholdings, unless such right is denied in the Articles of Incorporation or an amendment thereto.	
14.) Appraisal right or the right of a dissenting stockholder to demand for the fair value of his shares in any of those instances provided in Section 81 of the Corporation Code.	

Dividends

Declaration Date	Record Date	Payment Date
<i>No dividends declared in 2013</i>		

d. Stockholders' Participation

(1) State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Early announcement of date, time, venue and agenda of the meeting.	PSE website Company website Newspapers of general circulation – at least 3 times in the three newspapers with largest circulation
Preliminary and Definitive Information Statement with the Management Report and audited financial statement attached. A proxy form that indicates the items on the agenda and provides spaces where the shareholder may indicate Yes, No or Abstain is also provided to the shareholders well ahead of the meeting.	PSE website Company website Copies are distributed to shareholders at least 21 business days before the annual or special meeting. Brokers and custodian banks are also provided with a sufficient number of copies for distribution to their clients who are beneficial owners of shares of the Company.
Meetings are held in a comfortable venue easily accessible to shareholders to encourage more attendance. Registration process is simplified and identification is not required unless there is reason to believe that the person is not a legitimate shareholder. Shareholders are not prohibited from bringing companions. This is particularly beneficial for elderly or disabled shareholders who may have difficulty attending on their own.	Details of the date, time and venue are announced well ahead of the meeting (please see above for the communication procedure) There is no particular procedure followed to communicate the Company's measures intended to encourage attendance and participation at shareholders meetings. These corporate practices are well known to shareholders, the Company having been in operation for over 50 years and having held shareholders meetings annually since it was listed in 1956.
Chairman, Directors (including the Audit Committee Chairman), and Management are present at shareholders meetings.	An open forum is held after the annual report and audited financial report are presented. There is also an item Other Matters, during which shareholders are also invited to raise their questions or concerns. The Chairman also gives shareholders the opportunity to object or interject before a motion is carried during the meeting.

Measures Adopted	Communication Procedure
Chairman introduces the Directors and Officers at the start of the meeting.	

- (2) State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- Amendments to the Company's constitution
 - Authorization of additional shares
 - Transfer of all or substantially all assets, which in effect results in the sale of the company

The policy is to encourage the highest possible attendance of shareholders at all stockholders' meetings. However, the affirmative vote of shareholders holding at least 66 2/3% of the total outstanding capital of the Company's outstanding capital stock being required for the approval of the above-enumerated corporate actions, the Company's efforts are particularly intensive for meetings where such matters will be submitted for approval. A campaign to encourage attendance is undertaken, and materials explaining these actions are distributed to shareholders, posted on the Company website and disclosed to the stock exchange, where it will be posted on the website of the exchange.

- (3) Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

Yes. The Company sent notices of AGM which contain detailed agenda in compliance with minimum of 20/Notice of AGM is disclosed to PSE and posted at Company website on 14 March, 2013 for the AGM scheduled 26 June 2013.

- Date of sending out notices: 24 May 2013
- Date of the Annual/Special Stockholders' Meeting: 26 June 2013

- (4) State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Stockholder Atty. Pacifico Tacup called on stockholders to rally behind the Company as it recovers from the accident. He said that the Company is doing its best and should not be blamed for the accident as it was a fortuitous event. Atty. Tacup then asked if there was any truth to news reports that the Company was eyeing coal mining investment. The Chairman thanked Mr. Tacup for his support. He noted that the Company could reported profitability in 2012 under normal conditions, and is already profitable in 2013 despite resumption of operations only in March. He said that there is no reason why the second half of the year should not also be profitable. He said that the new coal mining investment; the Chairman said that there is no truth to the news reports. The Company is not eyeing any coal mining investments and, in fact, just recently shut down its coal mining plant in Zamboanga.

One stockholder expressed concern about the situation in Negros Occidental near the old Bulawan mine. He asked what the Company has done to address this incident. Eulalio B. Austin, Jr., President and Chief Executive Officer said that the incident occurred at an exploration site 30 kilometers away from the Bulawan mine and far from the military presence in the area. The Company reinforced security but has decided to pull out employees and equipment from the area. The Company will also seek to improve its community relations. Mr. Austin said that this is the best that can be done under the circumstances until the peace and order issues of the area are resolved. The same stockholder asked if a similar to the one in Taganaan can also happen to Silangan. Mr. Austin said that the Silangan mine is heavily secured against such an attack with private security and assistance of police and military troops.

One stockholder asked at what gold price would the Company be at its breakeven point. Mr. Austin explained that the better measure is breakeven grade which is at the copper equivalent cutoff grade of 0.4%. The stockholder then asked about the interest rate on the \$200 million loan. Mr. Austin said that the loan was extended at 6% interest. He confirmed that 6% is a competitive interest rate.

The same stockholder then asked about exploration activities in Padcal. Mr. Austin said that exploration in Padcal is currently limited to underground drilling to prove the depth of the Padcal ore body. Other drill rigs are being used to assist in and speed up the construction of TSF 4. The same stockholder also asked if the Company has plans to increase its investment in Lepanto or other mining companies. The Chairman said that he cannot comment on a specific company but acknowledged that the softness of metal prices may present opportunities to invest in other mining companies.

The stockholder also asked if the Company will file cases against the false and malicious allegations hurled against the Company in connection with the Padcal accident. Atty. Mariberto said that rather than filing cases with the truth, she said that bringing out the truth will be more effective than any suit.

Two stockholders asked about developments in SC 72. The Chairman said that preliminary discussions are on-going with China National Offshore Oil Corporation (CNOOC) on a possible joint approach. He clarified that discussions are limited to business and technical matters and do not deal with sovereignty issues.

The Company currently has a temporary permit that will expire July 7 but is in continuing discussions with the government for authority to operate at a more permanent capacity. The Chairman said that uncertainty over the share price will likely remain until the uncertainty over the permit is resolved.

Stockholder Franklin Go expressed concern over the influx of foreign mining companies. He asked how local mining companies such as Philex can be protected against such foreign companies. The Chairman said that there is a wide scale of mining interests in any country. There are small mining opportunities; and large opportunities that require significant capital investment. As for mining projects in the country such as Tampakan and Silangan would require foreign funding. He said that the Philippines is better served when foreign investors take interest in our highly mineralized country and provide funding to develop the mining industry. The Filipino people should therefore not be insecure or paranoid about foreign investors, and regard them as partners in development. Domestic companies like Philex should be open to explore opportunities to partner with foreign companies to develop mining projects.

(5) Result of Annual/Special Stockholders' Meeting's Resolutions

The Company had a Special Stockholders' Meeting last April 30, 2013 with the following results:

Resolution	Approving	Dissenting	Abstaining
Amendment of Article seventh of the Articles of Incorporation	3,557,060,595	37,019,367	976,636

The Results of the Annual Stockholders' Meeting last June 26, 2013

Resolution	Approving	Dissenting	Abstaining
Approval of minutes of meeting	3,424,660,017	0	0
Approval of annual report and Audited Financial Statements for the year 2012	3,424,660,017	0	0
Ratification and approval acts of the Board of Directors and executive officers	3,424,660,017	0	0

Resolution	Approving	Dissenting	Abstaining
<u>Appointment of Sycip, Gorres Velayo & Co. as independent auditors</u>	<u>3,424,660,017</u>	<u>0</u>	<u>0</u>
<u>Appointment of election inspectors</u>	<u>3,424,660,017</u>	<u>0</u>	<u>0</u>

(6) Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

Voting results of the June 26, 2013 AGM was disclosed to the Philippine Stock Exchange (PSE) and posted at Company website both on June 27, 2013.

e. Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

None.

Modifications	Reason for Modification
N/A	N/A

f. Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	1. Manuel V. Pangilinan, Chairman of the Board 2. Juan B. Santos, Vice Chairman of the Board 3. Eulalio B. Austin, Jr., Director, President & CEO 4. Eliza Bettina R. Antonino, Director 5. Marilyn A. Victorio-Aquino, Director 6. Robert C. Nicholson, Director 7. Wilfredo A. Paras, Independent Director 8. Emilio S. de Quiros, Jr., Director 9. Edward A. Tortorici, Director 10. Jose Ernesto C. Villaluna, Jr., Director 11. Renato N. Migriño, Treasurer, CFO, SVP – Finance & Compliance Officer 12. Barbara Anne C. Migallos, Corporate Secretary 13. Benjamin Deodato R. Garcia, SVP – Human Resources 14. Michael T. Toledo, SVP – Corporate Affairs	<u>June 26, 2013</u>	A stockholder may vote in person or by proxy executed in writing by the stockholder or his duly authorized representative in accordance with the By-laws of the Company. Voting is conducted by poll for shareholders attending in person, and by tabulation of proxies for shareholders represented by proxy. The Company has election inspectors appointed by vote of shareholders.	-	-	<u>69.45%</u>
Special	1. Manuel V. Pangilinan, Chairman of the Board 2. Juan B. Santos, Vice Chairman of the Board 3. Eulalio B. Austin, Jr., Director, President & CEO	<u>April 30, 2013</u>	Voting is conducted by poll for shareholders attending in person, and by tabulation of proxies for shareholders			<u>72.87%</u>

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
	4. Eliza Bettina R. Antonino, Director 5. Marilyn A. Victorio-Aquino, Director 6.) Bienvenido E. Laguesma, Director 7. Wilfredo A. Paras, Independent Director 9. Edward A. Tortorici, Director 10. Jose Ernesto C. Villaluna, Jr., Director 11. Renato N. Migriño, Treasurer, CFO, SVP – Finance & Compliance Officer 12. Barbara Anne C. Migallos, Corporate Secretary 13. Benjamin Deodato R. Garcia, SVP – Human Resources 14. Michael T. Toledo, SVP – Corporate Affairs		represented by proxy. The Company has election inspectors appointed by vote of shareholders.			

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes. At each annual shareholders meeting, the shareholders elect election inspectors, usually auditors of Sycip Gorres Velayo & Co., to serve as such for all shareholders' meeting held in the ensuing year and until the next annual meeting.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes. The Company's common shares carry one vote for one share. The Company has only one class of shares. All shares have the same voting right.

g. Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The Company encourages shareholders to submit proxies. Its policies on the execution and acceptance of proxies are liberal and are intended to allow the counting of proxy votes to the extent possible.
Notary	Notarization is NOT required.
Submission of Proxy	Submission may be done by personal delivery, by mail, by electronic mail or by facsimile.
Several Proxies	There has been no instance where a shareholder executed several proxies. Should this situation arise, it is believed that the latest dated proxy should be recognized.

Validity of Proxy	Valid for the meeting for which it was executed (valid for one meeting only)
Proxies executed abroad	Accepted; may be sent by electronic mail or by facsimile
Invalidated Proxy	There has been no instance where a proxy was invalidated.
Validation of Proxy	Date, time and venue of proxy validation is announced and contained in the notice of meeting. Shareholders and/or their representatives are welcome to attend.
Violation of Proxy	Votes are tabulated on the basis of itemized proxies that are accomplished by the shareholder and submitted to the Company. Instructions of the shareholder on voting are always honored. However, if a proxy designates a representative other than the Chairman of the meeting, the Company may not be in a position to determine whether such representative acted in accordance with the instructions of his principal.

h. Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
The policy of the Company is fair, full and maximum compliance with the rules of the SEC and the PSE.	<p>(1) The Company's Board approves the date, time and venue of the annual stockholders' meeting several months ahead of the meeting, and is immediately disclosed to the PSE and posted on the Company's website.</p> <p>(2) Copies of all materials for the meeting, including the notice, are posted on the Company website, uploaded to the PSE disclosure system, and submitted to the SEC.</p> <p>(2) For shares held under PCD accounts: Personal delivery to custodian banks and brokers of such number of sets of materials as are needed to provide their clients with copies.</p> <p>(3) For shareholders with addresses in Metro Manila, a courier service is engaged to personally deliver copies at the shareholder's address per corporate records.</p> <p>(4) For shareholders with addresses outside of Metro Manila, the notice and materials are sent by mail, postage prepaid.</p> <p>(5) The notice of the meeting is published in the three newspapers with the highest circulation nationwide on three different dates for each newspaper (a total of nine publications). The size of such publications is sufficiently large to ensure that it will be noticed and easily readable.</p>

i. Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	<u>44,472</u>
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Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	<u>May 24, 2013</u> <u>(for 26 June 2013 Annual meeting)</u>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	<u>May 24, 2013</u> <u>(for 26 June 2013 Annual meeting)</u>
State whether CD format or hard copies were distributed	<u>CD Format</u>
If yes, indicate whether requesting stockholders were provided hard copies	<u>Yes</u>

j. Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	☒
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	☒
The auditors to be appointed or re-appointed.	☒
An explanation of the dividend policy, if any dividend is to be declared.	☒
The amount payable for final dividends.	☒
Documents required for proxy vote.	☒

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2. Treatment of Minority Stockholders

a. State the company's policies with respect to the treatment of minority stockholders.

The Company endeavors to always treat minority shareholders fairly and without discrimination. Please see: (1) Sec. 4.1 and 4.2 of CG Manual; (2) Detailed discussions on shareholders' rights at pages 5 to 8 of this Report; and (3) Detailed discussion on stockholders' participation at Section J.1 of this Report. The Company has a Stockholder Relations Manager who attends to concerns of minority stockholders, including their requests for information regarding the Company.

Policies	Implementation
Please see discussion above	Please see discussion above

b. Do minority stockholders have a right to nominate candidates for board of directors?

Yes. The Company respects rights of the minority shareholders and develops policies toward ensuring that the Board will, in all cases, consider the corporate interests as a whole. Key guidelines include (i) emphasis on the fiduciary responsibilities of the Board and the officers to the Company and its shareholders, and the duties of care and prudence; (ii) emphasis on the avoidance of conflict of interest and on prompt disclosure of potential conflict; (iii) prompt, full, and fair disclosure of material information; (iv) adoption of policies on related party transactions; and (v) other policies toward avoidance of actions that will favor the controlling or major shareholder/s at the expense of the minority shareholder.

The right to nominate is corollary to the right to vote, which is expressly provided in Company's CG Manual and By Laws.

K. INVESTORS RELATIONS PROGRAM

1. Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

There are two departments involved in the Company's external and internal communications:

(1) Corporate Affairs, headed by a Senior Vice President directly reporting to the President and CEO. This department is in charge of press releases, print media, and media briefings. All press releases are reviewed by the Chairman of the Board and the President. Press releases are distributed to the employees internally via email, to the media and other stakeholders through emails and/or press briefings.

(2) Office of the Compliance Officer - the Compliance Officer is the Senior Vice President for Finance and CFO. The Investor Relations Department assists the Compliance Officer, who is in charge of corporate disclosures in consultation with the Corporate Secretary. Disclosures and announcements are reviewed and approved by the Chairman and the President.

Shareholder matters are handled by the Corporate Secretary.

2. Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
<p>(1) Objectives</p> <p>To foster and maintain a good relationship with shareholders.</p> <p>To ensure that shareholders receive relevant, material information on a timely basis</p> <p>To ensure investors have a point of contact to provide business information and listen to their feedback about the Company.</p>	<ol style="list-style-type: none"> 1. The Company maintains a website with up-to-date, relevant and material information about the Company. (Please see http://www.philexmining.com.ph) 2. The Company designated a full-time Investor/Stockholder Relations Manager to assist stockholders and address their concerns in a timely manner. 3. The contact details of the Investor/Stockholder Relations Manager and stock transfer agent are posted on the Company website.²⁰ 4. It is the policy of the office of the Investor/Stockholder Relations Manager to respond to queries and concerns immediately, within the day if possible. 5. Personal visits in the office are welcome.

²⁰ <http://www.philexmining.com.ph/investorrelations/contactdetailsstocktransferagent-investorrelations>

	Details
(2) Principles Transparency and fairness in all dealings with investors	<ol style="list-style-type: none"> 1. Provide the stock market through PSE and the SEC with essential, correct, sufficient and up-to-date information on regular and timely basis. 2. Hold investor and media briefings as regularly as practicable to update the public on the affairs and business of the Company. 3. The Company's officers endeavor to be available to stakeholders to answer questions and concerns regarding the Company.
(3) Modes of Communications	Website, Email, postal mail, courier, print media, press briefings, telephone calls, personal visit if required
4) Investors Relations Officer Investors & Stockholder Concerns Trade Creditors and Suppliers Corporate Affairs (Media and Press Relations)	<p>ELISA R. DUNGCA Division Manager - Investor Relations Philex Mining Corporation 27 Brixton St., Kapitolyo, Pasig City Tel. No:(632) 631-1381 to 88 local 202 Email: philex@philexmining.com.ph</p> <p><u>MS. PARBAUMAN M. NAVARRO</u> <u>Division Manager Corporate Finance</u> <u>Tel. No:(632) 631-1381 to 88 local 288</u> <u>Email: pmnavarro@philexmining.com.ph</u></p> <p>MICHAEL T. TOLEDO SVP- Corporate Affairs Tel. No:(632) 631-1381 to 88 Email :mttoledo@philexmining.com.ph</p>

3. What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the Board of Directors of the Company appointed to evaluate the fairness of the transaction price.

The Board either designates a committee of directors or a senior officer to choose an independent consultant (usually an investment bank) and to formulate the objectives and parameters of the study and the desired end product or deliverable.

In cases of mergers and acquisitions, the CEO and the CFO, together with external financial and technical consultants, prepare a detailed recommendation for approval by the Board.

An independent party is named for a specific transaction. In most transactions considered, an independent adviser is retained.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
<p>A. Environmental Management</p> <p>The Company is pro-active in the field of Environmental Management:</p> <p>To date, the Company has reforested a total of 2,290 hectares with more than 7.5 million seedlings of various tree species. Some 172,384 seedlings of various tree species were planted in the reforestation areas, of which 87,110 were planted on newly established plantation areas covering 80 hectares and 82,335 on existing 240 hectares of previously established plantation areas for enhancement.</p> <p>With its unrelenting forest protection and reforestation efforts, the Padcal Mine was adjudged again as the champion in this year's "Best Mining Forest Contest" (Metallic Category) nationwide under the "Adopt-A-Mountain, Adopt-A-Mining Forest Program" during the 59th Philippine Mine Safety & Environment Association's (PMSEA) Annual Mine Safety and Environment Conference held in Baguio City on November 13-16, 2012. Philex-Padcal Operations consistently topped the annual competition as champion for the years 1991, 1994, 2000-2002, 2004, 2007, 2008 and 2011.</p> <p>In support of the DENR's National Greening Program, the Company also donated a total of 24,153 assorted seedlings to various stakeholders, such as local government units (LGUs), small-scale mining associations, schools and other socio-civic organizations. The company also replanted 500 assorted seedlings to enhance the area adopted at Kennon Road, Baguio City, to support the Green Philippine Highways Program.</p> <p>Philex Mining has spent a total of USD2.57 million for the various environmental management and enhancement programs for Padcal in 2012.</p>	<p>Host and Neighboring Communities;</p>
<p>B. Integrated Environmental Management Program (IEMP)</p> <p>The Integrated Environmental Management Program (IEMP) focuses on the environmental rehabilitation and enhancement of the Balog Creek and parts of Agno River.</p> <p>The physical cleanup entails manual, mechanical, and engineering measures in clearing the sediments from the affected water bodies. Sediments are collected, hauled and impounded to a staging area or will be pumped back to TSF3.</p> <p>To supplement the activities of the physical cleanup of the waterways, the IEMP includes the implementation of medium and long-term activities to rehabilitate and enhance the river basin ecosystems.</p> <p>On-going environmental studies are being conducted by third party consultants to help prepare and implement the cleanup and rehabilitation program. Results of their studies will address issues and concerns regarding the incident with supporting empirical data.</p>	<p>Host and Neighboring Communities;</p>
<p>C. Social and Community Development</p> <p>Philex Mining Corporation continues to be a strategic partner towards the sustainable development of its host and neighboring communities.</p> <p>For 2012, the company spent a total of USD0.95 million for its Health, Education, Livelihood and Public Infrastructure (HELP) programs.</p> <p>Under its Health Care program, the Company's Sto. Nino Hospital provided basic health services to about 6,200 patients from the communities free of charge. The Company also constructed additional health facilities that benefited more than 90 households of host communities.</p> <p>Under its Education program, the Company granted full scholarships to 45 college students during the year. An additional of 83 high school students also enjoyed full scholarships at the Saint Louis High School-Philex. The Company also subsidized the education of about 255 pupils enrolled in Philex Mines Elementary School and 65 high school students. 36 qualified students were also provided scholarships in Twin Peaks and Ampucao National High Schools. The Company also participated in Alternative Learning System (ALS) of the Department of Education to enhance the reading and writing skills of out-of-school youth (OSY), and undergraduates. For 2012, 45 local residents were accommodated in the program. 12 deserving residents were also granted technical</p>	<p>Host and Neighboring Communities</p>

Initiative	Beneficiary
<p>vocational scholarships in partnership with Baguio School of Business and Technology College, King's College, Montañosa National College, Inc., Benguet Vocational School, Philippine Women's University, and TESDA-CAR. With the goal of upgrading the quality of education in public schools, complete set of solar powered equipment were provided by the Company benefitting 233 pupils of two (2) public elementary schools located within the host communities.</p> <p>A Livelihood and Employment Enhancement program was also implemented with the primary aim of building self-reliant communities. Technical and financial assistances were also provided to various cooperatives and livelihood associations to enhance their projects which include agro forestry, natural farming, coffee production, and livestock-raising.</p> <p>In support to the basic services, the Company implemented Public Infrastructure programs which include concreting of an aggregate of 1.46 kms. farm-to-market roads as well as construction of several foot bridges, road drainages and water systems for the host communities. This paved the way for increased commerce and delivery of basic services in the area. The Company also assisted in putting up buildings for schools, churches, and other structures in partnership with the communities.</p>	
<p>D. Community-Based Techno-business Centers (CBTC) as part of Mine Transition Plan As a preparation for mine decommissioning, entrepreneurial skills and business opportunities are undertaken at the Company's Community- based Business Technology Centers (CBTC).</p> <p>The program aims to make Philex Mining employees, their families and the host and neighboring communities economically reliant and self-governing. CBTC programs include meat processing, aquaculture, coffee and livestock production.</p>	<p>PMC's employees and their families; Host and Neighboring Communities</p>

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISALS

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Self-assessment and rating	CG Manual
Board Committees	Self-assessment and rating	CG Manual
Individual Directors	Self-assessment and rating	CG Manual
CEO/President	Self-assessment and assessment by Chairman and Board	CG Manual

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

At the level of directors and senior officers, the Board will evaluate possible violation and if after a fair consideration of the facts it is established that there was in fact a violation, the Board will determine sanctions. For other employees, the code of conduct and discipline and policies of the Human Resources Department will be the basis for the imposition of sanctions.

Violations	Sanctions
See answers above	See answers above