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SECURITIES AND EXCHANGE COMMISSION

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Industry Classification	
Company Type	Stock Corporation

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SEC Registration Number

PHILEX MINING CORPORATION

(Company's Full Name)

27 Brixton Streeet

Pasig City

(Business Address: No. Street City/Town/Province)

DANNY Y. YU

(Contact Person)

(632) 631-13-81

(Company Telephone Number)

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Month *Day*

(Calendar Year)

17-A

(Form Type)

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Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

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Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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File Number______

PHILEX MINING CORPORATION
(Company's Full Name)

Philex Building, No. 27 Brixton Street, Pasig City
(Company's Address)

631-1381 to 88
(Telephone Numbers)

December 31
(Fiscal Year Ending)
(month & day)

SEC FORM 17-A Annual Report
Form Type

____
Amendment Delegation (If applicable)

December 31, 2014
Period Ended Date

____
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended **December 31, 2014**
2. SEC Identification Number **10044**
3. BIR Tax Identification No. **000-283-731-000**
4. Exact name of issuer as specified in its charter: **PHILEX MINING CORPORATION**
5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization
6. [ ] (SEC Use Only) Industry Classification Code:
7. **Philex Building, 27 Brixton Street, Pasig City** **1600**
   Address of principal office Postal Code
8. **(632) 631-1381 to 88**
   Issuer's telephone number, including area code
9. **Not applicable**
   Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 & 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares, P1 par value (as of Dec. 31, 2014)	**4,940,399,068**
Debt Outstanding (as of December 31, 2014)	**P10,255,086,327**

11. Are any or all of these securities listed on a Stock Exchange?

    Yes [**X**] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange **Common Shares**

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a) – 1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the issuer was required to file such reports).

    Yes [**X**] No [ ]

    (b) has been subject to such filing requirements for the past 90 days.

    Yes **[X]** No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: **P36.559 billion** based on closing price at the Philippine Stock Exchange on March 30, 2015.

PART 1
BUSINESS AND GENERAL INFORMATION

Item 1. Business

<u>CORPORATE PROFILE</u>

Philex Mining Corporation ("PMC" or the "Company") and its subsidiaries are organized into two main business groupings: the metals business, which are directly under PMC, Philex Gold Philippines, Inc. (PGPI) and Silangan Mindanao Mining Co., Inc. (SMMCI), and the energy and hydrocarbon business under Philex Petroleum Corporation (PPC).

Metal Business

The Company was incorporated in the Philippines in 1955 and has been listed in the Philippine Stock Exchange since November 23, 1956. PMC, PGPI (a wholly-owned subsidiary through a holding company incorporated in the Philippines) and Silangan Mindanao Exploration Co., Inc. (SMECI, a wholly-owned subsidiary incorporated in the Philippines) and its subsidiary, SMMCI, are primarily engaged in large-scale exploration, development and utilization of mineral resources.

PMC operates the Padcal Mine in Benguet for the past 57 years using the underground block-cave method. The mine is one of the oldest operating mines in the country and provides PMC its biggest source of revenue.

PGPI, on the other hand, operated the Bulawan mine in Negros Occidental until the second quarter of 2002. The Company's exploration strategy in the late 1980's was focused on gold exploration, which resulted in the acquisition and staking of a number of primarily gold claim holdings throughout the Philippines. In July 1996, these gold assets were transferred to PGPI. These assets included the Bulawan mine in Negros Occidental, Negros Island, which operated commercially from January 1996 until 2002, when it was decommissioned due to unfavorable metal prices. The Bulawan mine currently has remaining resources of 23.9 million tonnes, including that of the Vista Alegre area. Exploration projects in the Vista Alegre area include the Nagtalay project and the Laburan/Skid 9 project, which are undergoing resource modelling and estimation to ascertain additional resources.

SMECI, through SMMCI, owns the Silangan Project covering the Boyongan and Bayugo deposits in Surigao. SMMCI completed the pre-feasibility study of Boyongan deposit in July 2014, and is currently undergoing definitive or bankable feasibility study, which is expected to be concluded in 2015. The Boyongan copper-gold porphyry deposit in Surigao del Norte was discovered in August 2000 under SMMCI, a joint venture with Anglo American Exploration Plc. On February 6, 2009, the Company acquired Anglo's 50% interest in the Silangan Project under SMMCI for a cash consideration of US$55 million, thereby owning 100% of the Silangan Project.

Energy and Hydrocarbon Business

PPC, a 64.78% owned subsidiary of PMC, is a Philippine corporation organized in December 2007 and listed in the Philippine Stock Exchange. It has interests in various petroleum service contracts in the Philippines and Peru held directly and indirectly through its subsidiaries, Pitkin Petroleum Plc ("Pitkin") and Forum Energy Plc ("FEP").

PPC's direct interests in Philippine petroleum service contracts include: (1) a 50% operating interest in SC 75 NW Palawan, (2) an overriding royalty interest of 1.65% in

SC 6 Cadlao, and (3) 1.67% in SC 6A Octon – all located in the North West (NW) Palawan Basin.

PPC also holds a 53.07% controlling interest in Pitkin, an oil and gas exploration company registered in the United Kingdom with operations in Peru and in the Philippines. The Pitkin assets in Peru include: (a) a 25% participating interest in Peru Block Z-38 located in offshore Tumbes Basin offshore and (b) a 100% operating interest in Peru Block XXVIII located in Sechura Basin. Pitkin's Philippine assets include: (a) a 29.14% participating interest in SC 14 Block C-2 West Linapacan; (b) a 70% operating interest in SC 74 NW Palawan; and (c) a 35% participating interest in SC 53 Mindoro.

PPC also holds a 60.49% controlling interest in FEP, with 36.44% held directly and 24.05% held indirectly through a 51.24%-owned subsidiary, FEC Resources, Inc. – a Canadian company. FEP, a UK incorporated oil and gas company with focus on the Philippines, has: (a) a 70% operating interest in SC 72 Reed Bank, which covers the Sampaguita natural gas discovery in offshore West Palawan, (b) a 100% operating interest in SC 40 North Cebu, and (c) and minority interests in the SC 6 and SC 14 sub-blocks in offshore NW Palawan, including a 2.27% interest in the producing Galoc field.

PRODUCTS/SALES

For the past 57 years, the Company has operated the Sto. Tomas II deposit at Padcal, Tuba, Benguet Province – the first underground block caving operation in the Far East.

The Company's Padcal mine produces copper concentrates, containing copper, gold and silver. Total ore extracted and processed from start of operation to 2014 aggregated to 382.048 million tonnes, producing 2.179 billion pounds of copper, 5.887 million ounces of gold, and 6.373 million ounces of silver.

Of the Company's annual production of concentrates, 60% - representing approximately 45,000 tonnes – is committed to Pan Pacific Copper Co., Ltd. (Pan Pacific), an integrated Japanese copper producer jointly established by JX Nippon Mining & Metals Corporation and Mitsui Mining & Smelting Co., Ltd. in 2000. Pan Pacific processes the concentrates through its smelter plants and produces products, such as refined copper, precious metals and sulfuric acid. Pan Pacific is one of the largest buyers of copper concentrates in the world, with its smelting plants having an annual capacity of 1.5 million tonnes. As such, the volume of the Company's shipments to them is relatively insignificant in comparison to its total output.

In 2004, Pan Pacific provided the Company with a long-term loan to finance the development of the 782 Meter Level of the Padcal mine. As a concession, the Company agreed to contract portions of its production to Pan Pacific up to end of the Padcal mine life.

All of the Parent Company's sales revenues for the years 2012 to 2014 were from copper concentrate shipments made to Japan. The 2014 consolidated revenue of the Company included the net realizable value of mine products inventory at the end of the financial reporting period. About 3% of the 2014 consolidated revenue came from petroenergy contributed by FEP and BEMC, a 100% subsidiary of PPC, which was awarded a Coal Operating Contract ("COC") 130 in Zamboanga, Mindanao. BEMC, however, suspended its underground operations beginning January 1, 2013 and announced its closure effective September 1, 2013. On January 6, 2014, BEMC finalized agreements for the assignment of COC 130 to Grace Coal Mining and Development, Inc. The assignment is subject to the approval of the Department of Energy.

The contributions over the past three years of the gold and copper produced from the Padcal mine to sales revenue are as follows:

	For the Years Ended December 31					
	2014		2013		2012	
(In Thousand Pesos)	Amount	Percent to Total Revenue	Amount	Percent to Total Revenue	Amount	Percent to Total Revenue
Metals						
Gold	5,889,107	54%	5,581,587	53%	4,946,041	54%
Copper	4,615,092	42%	4,579,757	44%	3,865,704	42%
	10,504,199	96%	10,161,344	97%	8,811,745	96%
Total Revenue	10,898,077		10,461,792		9,137,360	

COMPETITION

The Company's sales of copper concentrates are based on internationally accepted pricing in the world market available from the London Metal Exchange. Since no one mine can affect international metal prices, competition among mining companies is virtually non-existent.

SOURCES AND AVAILABILITY OF RAW MATERIALS AND SUPPLIES

The ore that the Company mines from the Padcal ore body is deemed to be the basic raw material of the copper, gold, and silver minerals actually produced by nature. In the process of producing copper concentrates for shipment to smelters, labor, materials and supplies, power, and other services are employed and utilized.

Labor is generally provided by the Company's regular employees, augmented by labor contractors for certain mining activities.

Sourcing of machinery and equipment, direct and indirect materials including Maintenance, Repair and Operating Supplies (MRO) is handled by the Company's Supply Chain Organization. To ensure operational availability of these equipment and prevent supply risk, medium-to long-term contracts are maintained with major mining equipment manufacturers and Original Equipment Manufacturers (OEMs), respectively. Indirect materials, such as explosives, lime, steel, timber, fuel and lubricants, are mostly sourced locally and are either abundant in supply or under Vendor Managed Inventories (VMIs). Imported items, such as grinding balls and mill chemicals which have a high degree of quality and performance assurance requirement, are supplied by preferred vendors through long-term blanket purchase orders.

Energy is currently sourced from TeaM (Philippines) Energy Corporation under a two-year contract for the supply of electricity ending on December 31, 2015, although the Padcal mine has the capacity to self-generate standby electricity principally for mine underground use in case of supply interruptions, using generating sets run by bunker fuel. The National Grid Corporation of the Philippines provides the transmission lines for the delivery of power to the mine. Diesel fuel and gasoline are used mostly for the Load, Haul, Dump equipment and the Low Profile Trucks mostly acquired from Sandvik Tamrock, Atlas Copco, and Volvo utilized underground, and for the mine's transportation fleet.

The maintenance of the Padcal mine's cable-haul conveyor system to carry the ore underground to the mill is contracted with Prince ACE Corporation, a Philippine company that works closely with Conveyor Design Engineering (Australia) and JV Industries (Australia). The Company has its own drilling expertise and equipment to conduct its own drilling activities, but drilling contractors, such as Quest Exploration Drilling (Philippines), Inc., DrillCorp Philippines, Inc., and MDGI Philippines, Inc., are also utilized, particularly for exploration. From time to time as may be needed, local and foreign consultants would also be engaged to provide the Company technical advice or assistance in doing specific engineering projects.

EMPLOYEES

The total manpower complement of the Parent Company as of December 31, 2014 consisted of 2,575 full-time regular employees (2,375 from Padcal and 200 from Pasig Corporate Office). Of the Company's employees, 1,919 were in operations while 656 were involved in support service functions. Employee classifications according to rank were as follows:

	December 31, 2014	January 1, 2015
Officers and Managerial	176	127
Supervisory	609	445
Rank & File	1,790	1,491
Total	2,575	2,063

The overall average tenure of employees was 15 years, with an average age of 42 years old. The employee population's gender distribution was 90% male and 10% female. The Company anticipates no material change in the number and type of employees within the ensuing twelve months.

The Padcal employees belong to two collective bargaining agents: the Philex Rank-and-File Employees Union-Association of Labor Unions (Trade Union Congress of the Philippines) [PRFEU-ALU (TUCP)] for rank-and-file employees and the Philex Mining Supervisory Employees Union-Association of Professional Supervisory Office Technical Employees Union (Trade Union Congress of the Philippines) [PMSEU-APSOTEU (TUCP)] for supervisors. The duly signed five-year collective bargaining agreements (CBAs) with both unions are expiring in 2015.

On the other hand, Pasig rank-and-file employees are members of the Philex Pasig Employees Union, whose agreement with the Company was signed and executed in February 2012. The agreement, which was registered with the DOLE on April 27, 2012, covers a period of five years and will expire in August 2016.

There has been no major labor dispute or strike by any of the Company's unions in the past five years. In addition, the Company has no other supplemental benefits or incentive arrangements under its collective bargaining agreements with the unions other than the usual employee benefits, such as vacation and sick leave pays, among others.

A Manpower-Rightsizing Program (MRP) was implemented in Padcal Mine and Pasig Head Office on November 12, 2014, which reduced the overall manpower complement by 512, from 2,575 to 2,063 starting January 1, 2015. An organizational review to further rightsize and streamline the Pasig Head Office operations was conducted shortly thereafter, which resulted in a further reduction in headcount at the head office by 16%, from 137 to 115, during the first quarter of 2015.

The above does not include manpower complement of controlled, non-operating subsidiaries totaling 118. The total headcount of the Parent Company and its subsidiaries stood at 2,693 (pre-MRP) as of December 31, 2014.

MINING PROPERTIES / ROYALTY AGREEMENTS

The Company's mineral properties in the vicinity of the Padcal mine has a total area of 13,228 hectares located within the municipalities of Tuba and Itogon in Benguet. These are all covered by mineral agreements and applications.

The Sto. Tomas II deposit is covered by MPSA 276-2009-CAR, valid up to January 19, 2034, with an area of 81 hectares. Contiguous to this are two other agreements, MPSA 156-2000-CAR and MPSA 157-2000-CAR, both issued on April 10, 2000 and valid up to April 10, 2025.

A summary of the Padcal vicinity mining tenements is shown in the table below:

Tenements	Operator / Contractor	Area (in Hectares)	MPSA Date of Expiration
MPSA-156-2000-CAR	PMC	4,928	April 10, 2025
MPSA-157-2000-CAR	PMC	2,958	April 10, 2025
MPSA-276-2009-CAR	PMC	81	January 19, 2034
EXPA-075-CAR	PMC	486	n/a
EXPA-078-CAR	PMC	4,651	n/a
APSA-098-CAR	PMC	124	n/a
Total		13,228	

MPSA-276-2009-CAR is under the names of the heirs of Baldomero Nevada, Sr., Trinidad Nevada and Baldomero Nevada, Jr. These individuals are contractors given the right to operate the property for the government. This right has been assigned by the contractors to the Company by virtue of a royalty agreement executed on August 29, 1955 for an indefinite term in consideration of royalty payments of 1% for copper and 4% for gold and silver based on the net value of minerals after deducting marketing costs.

Certain areas of the Padcal mineral properties are also covered by royalty agreements with basically similar terms and conditions.

As of December 31, 2014, the Padcal Mine's mineral resources and proved reserves were estimated as follows:

Ore Sources	Classification	Tonnes (in million)	Copper %	Gold g/t	Contained Metals: Copper (in million lbs.)	Contained Metals: Gold ('000 ozs.)
908-782ML						
908ML	Measured + Indicated	67.8	0.22	0.37	334.9	808.8
798ML	Measured + Indicated	46.5	0.20	0.36	204.9	537.8
782ML	Measured + Indicated	42.6	0.23	0.41	218.6	554.1
Subtotal	Measured + Indicated	156.8	0.22	0.38	758.4	1,900.7
800-600ML	Measured + Indicated	110.9	0.19	0.38	473.0	1,342.0
Total	Measured + Indicated	267.7	0.21	0.38	1,231.4	3,242.7
800-600ML	Inferred	7.0	0.20	0.40	30.9	90.2

CuEq cut-off grade = 0.314%; Metal Prices: US$2.75 per pound Cu, US$1,275 per ounce Au; Metal Recoveries: 82% Cu, 80% Au

The prices assumed are also below previous assumptions of US$3.00 per pound Cu and US$1,500 per ounce Au to reflect the present market environment. The Mineral Resource Estimate is compliant with the terminologies and guidelines set forth in the PMRC.

This Resource Statement was prepared by Mr. Noel C. Oliveros, Exploration Division Manager of Philex Mining Corporation, who has sufficient experience relevant to the style of mineralization of Sto. Tomas II Porphyry Copper Deposit. Mr. Oliveros is a Competent Person for Exploration and Mineral Resource Estimation under the definition of the Philippine Mineral Reporting Code ("PMRC"). He is a professional Geologist with PRC License No. 1285 and accreditation number Geology CP-07-08-07. He has given his consent to the Public Reporting of this statement concerning Mineral Resource Estimation.

Ore Sources	Tonnes (in million)	Copper %	Gold g/t	Recoverable Metals	
				Copper (in million lbs.)	Gold ('000 ozs.)
908ML	5.5	0.18	0.44	18.6	63.0
798ML	24.8	0.20	0.38	89.0	238.7
782ML	23.6	0.21	0.41	88.7	248.3
745ML	5.8	0.20	0.49	20.7	72.5
Total	59.7	0.20	0.41	217.0	622.5

CuEq cut-off grade = 0.370%; Metal Prices: US$2.75 per pound Cu, US$1,275 per ounce Au; Metal Recoveries: 82% Cu, 80% Au

This Reserve Statement was prepared by Engr. Ricardo S. Dolipas II (BSEM), Mine Division Manager of Philex Mining Corporation. Engr. Dolipas is a Competent Person under the definition of the PMRC and has sufficient experience as to the type of deposit and style of mining in Padcal Mine. He is a licensed mining engineer with PRC registration number 0002513 and CP accreditation number EM 0002513-021/13. He has given his consent to the Public Reporting of this statement concerning Mineral Reserve Estimation.

In August 2011, the declared life of the Padcal Mine has been extended to year 2020 from 2017 based on then declared proved reserves, which included tonnage from the 745 Meter Level (ML).

PATENTS, TRADEMARKS AND LICENSES

The Company has several areas targeted for exploration in the vicinity of the Padcal mine, which has a total of 13,228 hectares covered by mining tenements and applications discussed above.

Other than the mining tenement discussed above, the Company has no patents, trademarks, copyrights, licenses, franchises and concessions on which the Company's Padcal operations depend on.

GOVERNMENT REGULATIONS AND APPROVALS

The existing governmental regulations affect the Company's operation on its corresponding costs of compliance, which are appropriately reflected either as expense or as capital asset under generally accepted accounting principles. The effect on the Company of any probable government regulation could not be determined until the specific provisions are disclosed.

The exploration, development and utilization of the country's natural resources are enshrined in our fundamental law, the Constitution. Specifically, the Constitution allows the state to directly undertake such activities, or it may enter into co-production, joint venture or production-sharing agreements with Filipino citizens or corporations or associations, at least sixty per centum of whose capital is owned by such citizens. Consequently, the fundamental law authorizes the President of the Republic of the Philippines to enter into agreements with foreign-owned corporations, involving either technical or financial assistance agreements, for large-scale exploration, development, and utilization of minerals, petroleum, and other mineral oils according to the general terms and conditions provided by law, based on real contributions to the economic growth and general welfare of the country.

RA 7942: Mining Act of 1995

In line with said Constitutional provision, Republic Act 7942 or the Mining Act of 1995 sets out the provisions governing mining and mining-related activities in the country. The Mining Act declares the areas open for mining operations and at the same time, enumerates those closed for mining applications. More importantly, said law sets forth the mining cycle and the corresponding permits needed for each phase: from exploration to the declaration of mining project feasibility, to the positive determination of commercial viability of a project, to the execution of mineral agreements with the government prior to actual operations, until the required rehabilitation after operating a mine.

RA 8371: Indigenous Peoples' Rights Act of 1997

There are some pertinent laws which have a direct impact or effect on mining operations in the country. One of these is RA 8371 or the Indigenous Peoples' Rights Act of 1997 ("IPRA Law"). The IPRA Law introduced the concept of the "Free and Prior Informed Consent" which basically means the consensus of members of the involved Indigenous People (IP) / Indigenous Cultural Community (ICC). Under the said law, all departments and other governmental agencies are strictly enjoined from issuing, renewing, or granting any concession, license or lease or entering into a production sharing agreement, without prior certification from the National Commission on Indigenous Peoples (NCIP), which can be issued only if there is a written FPIC of the IPs / ICCs concerned.

Environmental Impact Assessment System (EIA)

Another important legislation affecting mining operations is Presidential Decree No. 1586, which introduced the Environmental Impact Assessment System (EIA), mandating that "no person, partnership, or corporation shall undertake or operate any such declared environmentally critical project or area without first securing an Environmental Compliance Certificate issued by the President or his duly authorized representative". Hence, in accordance with said provision of the law, the Mining Act of 1995 requires the Environmental Compliance Certificate (ECC) in all phases of mining activities, except during the exploration stage.

EO 79 and HB No. 5367

Executive Order No. 79 was issued by President Benigno Aquino III creating the Mining Industry Coordinating Council (MICC) and instituting changes to ensure the practice of responsible mining in the country.

In addition, House Bill No. 5367 was also filed in the House of Representatives seeking to increase the effective tax rate of large-scale mining companies to 10% of Gross Revenue or 55% of Adjusted Net Mining Revenue (ANMR), whichever is higher. ANMR excludes interest expense, bank and other financial charges as allowable deduction from Gross Revenue. House Bill 5367 is the MICC-endorsed version of the revenue sharing bill.

According to the bill, the government share will be in lieu of all national and local taxes, including corporate income tax, royalty for the ICCs, duties on imported specialized capital mining equipment, fees for mayor's and/ or business permits, and other fees and charges imposed by the host local government unit.

If passed, House Bill 5367 will increase mining related taxes of the Company by 80%-100%. Other than the usual business licenses or permits, there is no government approval needed on the Company's principal products.

EXPLORATION AND DEVELOPMENT

Exploration and development (the equivalent of research and development for a mining company) are currently undertaken by the Company's in-house team and with or assisted by consultants and other service providers like Engineering and/or Drilling contractors. Expenses related to exploration and development for 2014, 2013 and 2012 amounted to P3.477 billion, P3.778 billion and P1.896 billion, respectively.

Note 12 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 is also incorporated hereto by reference.

Padcal Projects in Benguet

The Padcal Mine, which Philex has been operating since 1958, is the first underground block cave operation in the Far East. The mine produces copper concentrates, with gold and silver as by-products.

Exploration activities within Padcal and its vicinity in 2014 covered the Deep Gold Zone prospect below 600ML of the Sto.Tomas II ore body, Bumolo, and Clifton. The Deep Gold Zone prospect lies within MPSA 276-2009-CAR, while the two other areas are within MPSA 156-2000-CAR and MPSA -157-2000-CAR.

Bumolo

A promising outcrop of quartz stockworks with copper minerals plus magnetite was previously drilled from underground with unexceptional results. However, surface access was acquired from owners late in 2014 and drilling commenced last 16 March 2015. As of this writing (24 March 2015), a total of 141.6 meters was drilled through this outcrop. The drill hole intercepted Diorite with moderate quartz stock works accompanied by magnetite, chalcopyrite, bornite, and pyrite. The purpose of this drilling is to define the continuation of an 85-meter wide mineralized zone outcrop, registering a grade of 0.20% Cu and 0.50 gold g/t (from channel sampling).

Clifton

Drilling in the 1980s led to the discovery of the porphyry copper-gold deposit of Clifton. Re-logging of the core samples, with a distance of 12,766 meters from 21 holes, is ongoing though a review of old drill data suggests that mineralization extends towards the east, going towards the Sto. Tomas II deposit. Included in the project is driving the 773ML NW Adit towards west from the Sto. Tomas II orebody. In 2014, drilling activities advanced by 232 meters, bringing its total distance to 683.10 meters, and represented an 85% completion of the target.

Sto. Tomas II – Deep Gold Zone

Follow-up drilling below 600ML of the Deep Gold Zone prospect discovered in 2011 was completed in 2014. Four holes, with total depth of 2,241.70 meters, were drilled up to May 2014. The results point to a very irregular gold-rich mineralization which is related to a major fault zone.

Support to Operations

Manpower support was provided to the rehabilitation of TSF3, where geotechnical drilling in two batches in the Spillway area was completed. The first phase of drilling was conducted in April 2014 while the second phase was completed in August to September utilizing two drill rigs. Thirty geotechnical holes with an aggregate depth of 1,989.45 meters were drilled and logged. Assistance was also extended to the consultant doing the packer test.

Silangan Project

The Silangan Project is located in Surigao del Norte and is expected to become the Group's next operating mine. It comprises of two ore bodies – Boyongan, which is wholly-owned – and Bayugo, a portion of which is the subject of a joint venture agreement with Manila Mining Corporation.

Boyongan and Bayugo Deposits

The Silangan Project (then known as the Boyongan Project) came into existence in 1999 when the Company and PGPI entered into separate joint venture arrangements with Anglo American Plc (Anglo) – one of the world's leading multinational mining companies.

The joint ventures were formed for the purpose of exploring a group of the Company's claims in Benguet province, as well as those of PGPI in the province of Surigao del Norte. The focus of the joint ventures has been mainly in PGPI's property where Boyongan, the first of the two ore bodies in the Silangan Project, was discovered in August 2000. Bayugo was discovered later on in 2003 by Anglo during the definition drilling for the Boyongan ore body.

In November 2008, Anglo offered to sell its 50% interest in the Silangan joint venture to the Company. In February 2009, the Company acquired all of Anglo's interest in the joint venture for a cash consideration of $55 million.

In November 2009, an independent South African consultant – Independent Resource Estimations – submitted an initial estimate of the Bayugo resource.

In November 2010, as part of the Project's pre-feasibility study, SRK Consulting – an independent leading international mining engineering consulting firm – was engaged by the Company to make an independent evaluation of the project. SRK recommended the construction of an exploration decline or ramp to the bottom of the Boyongan deposit as part of a geotechnical investigation to provide more reliable and specific information on the area's ground condition for purposes of mine planning and design as well as to obtain bulk samples from the ore body.

Portal development of the decline was started in April 2011 and as of February 2015, total tunnel distance (measuring 5 meters in height and 5 meters in width) reached 1,400 meters. The center of the Boyongan deposit's eastern high grade zone was also penetrated, via a crosscut approximately 800 meters from the decline, mapped and bulk sampled. Another bulk sampling program was conducted from the surface using large diameter bore holes from May to December 2014.

A total of 70 tons of bulk ore samples were prepared and shipped to various laboratories in Australia for bench and pilot metallurgical tests. While some of these tests are ongoing, significant results were already generated as inputs for the current definitive feasibility study (DFS).

Simultaneous studies on hydrogeology, geomechanics, mine planning and mill design were conducted. These are all being coordinated by AECOM Engineering in Brisbane, Australia for the purpose of advancing and submitting the DFS within 2015. The project's "Declaration of Mining Project Feasibility" or DMPF is for approval by the Mines and Geosciences Bureau.

The total expenditures related to the project as of December 31, 2014 amounted to P11.894 billion, including P1.438 billion incurred prior to 2009 when the project was under Anglo. The amount does not include the fair value adjustment. Once the decision has been made to proceed with the project, the estimated cost to reach commercial operations as indicated in the DMPF is about $1.2 billion. The projected mine life, based on initial estimates at the production rate of 5 million tonnes per year ramping up to 7 million tonnes per year is at least 30 years.

The Silangan Project is registered with the BOI as a non-pioneer project entitled to four years of income tax holiday beginning 2017, extendable for another two years subject to certain conditions.

The Silangan Project tenements, comprising of the Boyongan and Bayugo deposits, are covered by MPSA-149-99-XIII and EP-XIII-03 Lot-B located in Surigao del Norte. These two tenements which are held by Silangan Mindanao Mining Company, Inc. (SMMCI), a wholly owned subsidiary, are surrounded by several Company tenements within the Surigao del Norte Province, as listed below:

Tenements	Operator / Contractor	Area (in Hectares)	MPSA Date of Expiration
MPSA-149-9-XIII	SMMCI	2,880	December 29, 2024
MPSA-034-95-X	SMMCI	405	February 1, 2021
EP-XIII-013 Lot-A&B	SMMCI	11,934	
EPA-XIII-012	SMMCI	1,755	
EPA-000039-XIII	SMMCI	6,309	
Total		**23,283**	

The reported resources for Boyongan and Bayugo as of August 5, 2011, were as follows:

	Tonnes (millions)	Copper %	Gold g/t	Contained	
				Copper (million lbs.)	Gold (000 ozs.)
BOYONGAN					
Measured	201	0.54	0.78	2,400	5,000
Indicated	72	0.46	0.57	720	1,300
Measured + Indicated	273	0.52	0.72	3,120	6,300
Inferred	26	0.41	0.49	240	400
BAYUGO					
Measured	99	0.64	0.65	1,390	2,100
Indicated	26	0.76	0.69	430	600
Measured + Indicated	125	0.66	0.66	1,820	2,700
Inferred	7	0.77	0.60	120	100

Mr. Noel C. Oliveros, Exploration Division Manager and Head of the Exploration and Resource Estimation Group of Philex Mining Corporation, has given his consent to the release of this resource estimate. The resource estimate is compliant with the rules and guidelines as set forth by the Philippine Mineral Reporting Code (PMRC). Mr. Oliveros has more than 16 years experience in resource evaluation relevant to the style of mineralization in the Surigao Mineral District. Mr. Oliveros is a Competent Person for Exploration and Mineral Resource Estimation under the definition of the PMRC. He has given his consent to the public reporting of this estimate following the PMRC guidelines concerning Mineral Resource Estimation.

Kalayaan Project

In May 2011, the Company executed a Farm-In Agreement with Manila Mining Corporation (MMC). This involved the purchase of a 5% equity interest in Kalayaan Gold-Copper Resources Inc. (KGCRI), a subsidiary of MMC, which assigns the right to explore the Kalayaan properties covering 286 hectares under EP-XIII-014B adjacent to EP-XIII-013 and containing the Bayugo deposit.

Under the agreement, the Company was to conduct exploration activities in the property for three years but was extended for an additional one year. In the event the Company declares commercial feasibility of the area within the period, it will have the right to increase its holdings in KGCRI to 60% by subscribing to an additional 55% of KGCRI's outstanding capital stock for a minimal amount and will become an integral part of the Silangan Project.

PMC commenced drilling in December 2011 after ground preparations, environmental mitigating measures and community-relations initiatives had been conducted. This transpired about seven months after the signing of the farm-in agreement. By

September 2013, a total of 73,520 meters had been drilled, of which 66,486 meters were for resource definition and 7,034 meters were for scout drilling.

In 2014, detailed logging of 57 definition drill holes of East and West Bayugo totaling 26,104.64 meters was completed. This activity increased the confidence in the understanding of the mineralization. In addition, MT (magnetotellurics) survey from the surface was conducted. The survey provided preliminary data on the hydrologic model of Boyongan and Bayugo deposits.

Other Significant Projects

Negros Projects in Negros Occidental

The Negros prospects described below are currently under assessment by a potential partner for further exploration and possible re-opening.

Bulawan Project and Vista Alegre Gold Project

The Bulawan Project used to be PGPI's gold mine operation before it was mothballed in 2002. The mine was decommissioned due to unfavorable metal prices and has been kept under care and maintenance since then.

The Vista Alegre Gold Zone, a gold corridor southwest of the old Bulawan mine, is composed of seven gold prospects including Nagtalay, Skid-9, Skid-7, Laka Quartz, Laburan, South Ridge and Libertad.

In 2014, activities focused on the review of the resource model and a drilling program was scheduled for the third quarter of 2014 to delineate higher grades at the depth of the Vista Alegre zones. The Negros Projects have estimated mineral resources of 23.9Mt at an average grade of 1.91Au g/t, 86% of which coming from the Bulawan Mine.

Cayas Project

In 2014, detailed geologic mapping was conducted and a terminal report for the 2012 drilling campaign was completed. The First Semester Exploration Report and the 2014 Annual report for Cayas Project (EP-08-2010-VI) were also submitted to MGB.

In addition, ground magnetics geophysical survey and geological mapping and sampling were undertaken in East Cayas and West Cayas, respectively. The chargeability/resistivity anomaly occurs on the edges of the copper-geochemical anomaly zone and is overlapped towards the south. A southern anomaly appears to be a structurally-controlled one that splits into two going north.

Bulog Project

A review of existing data for tenement EPX-000004-VI and subsequent detailed surface geological investigations were conducted in 2014. The review included re-assaying of soil and trench samples, clay alteration studies, and research on arsenic content of the prospect. A study on manganese veins was also conducted. The result of the data review resulted in a delineation of new drilling targets.

The First Semester Exploration Report and the 2014 Annual Report for Bulog Project (EP-00004 -Parcels 1 and 2) were also submitted to MGB.

Sibutad Project in Zamboanga del Norte

In 2014, no ground investigation was conducted though samples collected from previous years were re-analyzed using a Terra Spec analyzer. Other techniques for treating statistical information were also tried out on geochemical assays of earlier samples. The results of the

Terra Spec analyses complemented the multivariate analysis of previous soil geochemical samples and the earlier magnetics and IP anomaly results. As a result of the interpretation, four drilling targets were identified.

Lascogon Project in Surigao del Norte

The Lascogon Project, located about 7 km north-northeast of Silangan Project, is covered by MPSA 148-99-XIII. Initial results of scout drilling revealed a possible deep-seated porphyry Cu-Au mineralization in Parcel 4, where a distance of 5,790.90 meters was completed in 2013.

In 2014, only three of the six drill holes that were started in Parcel 4 were completed with a distance of 5,314.20 meters. Together with the initial drilling, four holes intersected porphyry copper and gold mineralization.

In addition, a detailed mapping of Parcel 2 was also completed last year. The existing resource model is currently being reviewed. Additional trenching is recommended to prove the upside potential of this parcel as mineralization remains open at depth and laterally.

Geologic mapping and bulk rock sampling confirmed the occurrence of rock aggregate and lime deposits in Parcels 5 and 6 of MPSA 148-99-13, which is located about 5 km and 7 km, respectively, northeast of Silangan. These parcels have the potential to supply the requirements of the Silangan Project.

COMPLIANCE WITH ENVIRONMENTAL LAWS

The Company's Padcal mine had been issued ISO14001 Certification since 2002 for Environmental Management System. This certification has been suspended because of the tailings spill accident in the second half of 2012. The Company developed an Integrated Management System (IMS) and is currently waiting for the results of ongoing evaluation of TUV Rheinland, which will lead to both ISO-14001 and OSHAS 18001 certifications.

With the Company's commitment to its environmental and policy statement of protecting and enhancing the environment, it has spent total environmental expenses of P441.8 million in 2014, bringing the Company's expenditures from 1967 to date to P5.079 billion.

The Company and its subsidiaries have been consistent winners in environmental contests. Awards won for the last three years include; for the Padcal mine, as the Best Mining Forest champion in 2012 and 2011, and first runner-up in 2010, and for the Silangan Project, as second runner-up in 2014 and 2013, first runner –up in 2011 and third runner-up in 2010-Best Mining Forest Contest (Exploration Category). Silangan Project also won the 2014 Presidential Award, the highest award from the Presidential Mineral Industry Environmental Award for Mineral Exploration category, an improvement from years 2013 and 2012 Platinum Achievement Awards.

As a responsible mining company, PMC and its subsidiaries adhere to its corporate environmental stewardship implementing rehabilitation and restoration of areas disturbed by various mining and exploration operations.

Total Disturbed Areas Reforested and Maintained

Name of Project	Area disturbed	Project Status	Area reforested	Type of reforestation	Type of species planted
PGPI Bulawan	146 ha	MLC-MRD510 Care & Maintenance	821 ha*	Forest Plantation Agro-forestry	Mangium, Auri, Mahogany, Gmelina, Rain tree Coffee

PGPI SIBUTAD	38 ha	MPSA-063 Care & Maintenance	176 ha 38 ha	Forest Plantation Mangrove Plantation	Mangium and Auri Bakauan ((Rhizophora Mucrunata)
PMC-LMC Surigao	37 ha	MPSA-148-Exploration	5 ha	Forest and Agro-forestry	Falcata, narra, mangium, coffee
Kalayaan, Surigao	140,750 sq.m		93,397 sq.m	Agro-forestry	Falcata, coffee

** Areas on assisted natural regeneration (ANR) are included.*

ENVIRONMENTAL COMPLIANCE TO DENR REGULATIONS

In compliance to Environmental Regulations, PMC and its subsidiaries have implemented pollution control measures for devices or installations that are identified sources of air, water and toxic pollution, regularly reporting the results of its inspection and monitoring to the Environmental Management Bureau of DENR. The following environmental policies are complied with.

RA 6969: Toxic, Hazardous and Nuclear Waste Act. Is the Act regulating the handling, treatment and disposal of generated chemical wastes and other toxic and hazardous substances.

RA 8749: Philippine Clean Air Act: Is the Act that provides for the management of point and non-point sources of pollution and quarterly monitoring and testing of pollution source device or facility.

RA 9275: Philippine Clean Water Act: Is the environmental law regulating discharges of effluent from processing and other operation of the company.

Name of Project	Registration/Permit No	Permit Type	Date Issued
PMC-LMC	DENR I.D No. 16-67-0092	Hazwaste Generator DENR Registry ID	Dec. 10, 2013
PMC-Kalayaan	2013-WDP-J-1367-154	Waste Water Discharge Permit	Oct. 21 2013
	DENR I.D No. 16-67-0084	Hazwaste Generator DENR Registry ID	Feb. 13 2013
	2013-POA-J-1367-315	Permit to Operate Air Pollution Installation Device/Facility	Oct. 21, 2013
PGPI-Bulawan	06-45-0014	Hazwaste Generator DENR Registry ID	Jan 29, 1999
	ECC # 0698-0203-034-120A	Environmental Compliance Certificate	Feb. 4, 1998
	DENR I.D No. 98-TPW-J-0645-161	Permit to Operate Air Pollution Installation Device/Facility	1998
PGPI-Sibutad	ECC # 9503-003-301	Environmental	Jan. 23 1997

		Compliance Certificate	
	DENR ID. # 09-72-0003	Hazwaste Generator DENR Registry ID	Jan 4, 1999
	CCO Registry # 99-0016	Chemical Control Order Registry	Jan 19, 1999

RELATED PARTY TRANSACTIONS

Philex Mining Corporation (PMC) has extended loans and advances to some of its subsidiaries were presented under Part III, Item 12 of this report.

MAJOR BUSINESS RISKS

Regulatory and Tax Environment

The local mining industry is heavily regulated under the current regime and the level of regulation dictates the behavior of mining operations and investments into the sector. Currently, the government is perceived to be seeking greater control of and a higher tax take from the local industry. These proposed changes in government policy towards mining have delayed major projects in the country due to the altered risk-reward equation. At present, there is an on-going move from the MICC, DTI-BOI, DOF, and other related government and civic group organizations to amend the Fiscal Regime and Revenue Sharing Arrangement for Large-Scale Metallic Mining operations in the Philippines. The current draft proposal aims to increase tax payments of PMC by about 80-100%, based on the proposed amendment to the tax rates, to 55% of adjusted net mining revenue or 10% of gross revenues, whichever is higher.

To mitigate these, the Company continues to build strong working relationships with the government, directly and indirectly, through the Chamber of Mines of the Philippines (COMP). PMC is also increasing the transparency of its tax payments to the government to heighten public awareness. In relation to this, the Company has formally joined the EITI (Extractive Industries Transparency Initiative) being advocated by the COMP to express strong support for responsible mining practices. In addition, the Company constantly makes representations to the government through different public forums and continues to effectively communicate the positive impacts of mining through various media.

Exploration and Development of Mineral Deposits

The exploration for and development of mineral properties involve significant risks, which may not be completely eliminated even with a combination of careful evaluation, experience and knowledge. While the discovery of an ore body may result in substantial rewards, only a few properties explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, develop metallurgical processes, and construct mining and processing facilities at a particular site.

There can be no assurance that the exploration of mining tenements, where the Company has interests in, during the exploration stage (or of any other tenement in which the Company may acquire an interest in the future) will result in the establishment of commercially viable mining operations. An apparently viable mineral deposit, even when identified, is no guarantee that the same can be exploited profitably.

If the exploration of the Company's existing tenements prove to be unsuccessful, this may result in a reduction of the value of those tenements, diminution in the Company's cash reserves and possible relinquishment of the tenements. Similarly, there can be no assurance that the exploration of mining tenements currently under development will result in the establishment of commercially viable mining operations.

The success of the Company depends on, among others, the delineation of the economically mineable reserves, access to required development capital, securing and maintaining title to its exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities. The Company has a competent team of legal and technical personnel who handle and manage these matters.

Mineral Agreements, Permits and Licenses, and Operating and/or Royalty agreement

The Company relies on permits, licenses (including Mineral Production Sharing Agreements ("MPSAs")), operating and/or royalty agreements with third-party claim owners and land access agreements to conduct its mining operations. The MPSAs and operating and/or royalty agreements covering the Company's mineral properties expire at different times and require renewal upon expiration.

Regulatory authorities can exercise considerable discretion in the terms and timing of permit issuance or whether a permit may be issued at all. Accordingly, the approvals needed for mining operations may not be issued or renewed or, if issued or renewed, may not be issued in a timely fashion, or may involve requirements that may be changed or interpreted in a manner which restricts the Company's ability to conduct mining operations profitably.

Furthermore, new laws or regulations, or changes in the enforcement or interpretation of existing laws or regulations, may require substantial increases in equipment and operating costs in order to obtain approvals required by, or to otherwise comply with the conditions imposed by, such new or revised laws and regulations. The need to obtain such new or revised approvals or to comply with additional conditions may also cause material delays or interruptions in one or more of the Company's current or planned operations or developments or, to the extent such approvals or conditions cannot be obtained or met on an economical basis, the curtailment or termination of such operations or developments. The local governments where the Company's mines or exploration properties are located may also impose additional restrictions on its operations. There can be no assurance that any such local government supervision or regulation will not interrupt current or planned operations. The failure to successfully resolve any such situations could have an adverse effect upon the Company's business, results of operations and financial condition.

In addition, the Company's ability to explore or develop its mining tenements may be subject to prior informed consent of indigenous people (IP) that have ancestral domain title over such tenements. The operation of such mining tenements may also require acquisition of surface rights from third parties. There is no certainty that the Company will be able to acquire all surface rights that are necessary for the exploration and development of its mining tenements on a timely basis or at all.

Typically, however, the Department of Environment and Natural Resources ("DENR") would write and afford a tenement holder an opportunity to address alleged breaches of the terms of, or challenges to, its mineral agreements, permits or licenses before issuing an order to cancel or terminate such mineral agreements, permits, or licenses. As a practical matter, the MGB would move to have a mineral agreement, permit or license cancelled or terminated only when there is an irremediable material breach on the part of the tenement holder.

To address the foregoing risks, the Company employs a team of legal and operating personnel, who exercise the requisite due diligence with respect to the ownership of mining and surface rights, and the enforceability of the Company's rights over its mining properties. Mining and surface rights are reviewed for ownership and location verification.

Operational Risk for Mining Operations

Mining operations are subject to all the hazards and risks normally encountered in exploration, development and production, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage, increased costs and possible legal liability. Additional costs are incurred by the Company for items such as labor, transport, costs of consumables and movement of plant and equipment. Other costs may also be incurred if the equipment necessary to the exploration and mining operations of the Company becomes damaged.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, volcanic eruptions, landslides, and earthquakes that may materially disrupt and adversely affect the Company's business operations. The Company cannot give any assurance that it will be able to obtain and maintain insurance coverage for the catastrophe or that such insurance coverage will be adequate to compensate the Company for all damages and economic losses resulting from natural catastrophes.

The Padcal tailings storage facilities have been designed to provide safety zones in cases of cave-ins. Emergency procedures are set-up in case of a tailings storage facility overtopping. The Company maintains a warning system to alert its workers in cases of landslides, major earthquakes, and potential cave-ins. The Company schedules underground blasting activities and plans drilling activities to ensure employee safety. The Company ensures compliance by all of its staff and visitors with underground safety standards that include wearing the proper gear and carrying the proper equipment. It provides periodic training on underground mining safety and survival. The Company likewise has a highly commended team of underground rescue staff that had assisted in the country's past landslides and major earthquakes.

Although the Company maintains insurance to cover some of these risks and hazards in amounts it believes to be reasonable, such insurance may not provide adequate coverage in all circumstances. There is no assurance that the Company's insurance will continue to be available at economically feasible premiums or that it will provide sufficient coverage for losses related to these or other risks and hazards. Additionally, the Company may be subject to liability or sustain loss for certain risks and hazards against which it cannot insure due to none availability of such insurance facility in the local market or which the Company may elect not to insure because of the premium cost. The costs of insurance coverages could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Price Risks

The Company's revenue is largely dependent on the world market prices for gold and copper and the factors affecting the behavior of these are beyond the Company's control.

If the sales price of these commodities fall and remain below the production costs for a sustained period, the Company will sustain losses. If those losses continue, the Company may curtail or suspend some or all of its mining and exploration activities. This would have an adverse impact on the Company's business, results of operations, stated reserves and financial condition.

To mitigate these price risks, the Company constantly evaluates the advantages and disadvantages of hedging a portion of the annual production.

Environmental and Natural Events Risks

As a natural resource operation, the Company is inherently subject to potential environmental concerns. The Company is also subject to Philippine laws and regulations governing the environmental impact of its operations.

To manage the risk, the Company puts a great amount of effort and invests a substantial amount of resources into environmental protection and rehabilitation. As a manifestation of its commitment to responsible and sustainable mineral resource development, the Company has adopted an environmental policy statement which is consistent with ISO 14001

Certification on Environmental Management Systems. The Company was also covered by a pollution liability insurance to answer for claims against it by reason of environmental pollution caused by its Padcal mining operation.

While the Company believes it is in substantial compliance with all material environmental regulations, it can give no assurance that changes in these regulations will not be effected or environmental incidents will not happen, which may adversely impact its operation and/or impose added costs to the Company. For example, on August 1, 2012, the Company voluntarily suspended its Padcal operations when it was discovered that nontoxic water and sediment had discharged accidentally from its tailings pond due to heavy rainfall brought about by successive typhoons. As a result of the accident, the Company paid the local government in February 2013 P1.034 billion in fees to cover costs of remediation and rehabilitation activities for the affected area, and was fined by the Pollution Adjudication Board on January 18, 2013 in the amount of P92.8 million for violating the Philippine Clean Water Act of 2004 and the terms of its environmental compliance certificate.

In addition, natural disasters, such as earthquakes, floods and landslides, could also severely hamper operations of the Company. Such natural disasters could, among other things, damage the Company's facilities and surrounding infrastructure, block the access to its mining assets, injure its personnel and result in a suspension of its operations for an unpredictable period of time, all of which could materially and adversely affect its business, financial condition, results of operations and prospects.

Item 2. Properties

The Company's mineral properties are discussed in the sections for Mining Properties / Royalty Agreements, and Exploration and Development.

The Company owns real properties and support facilities in its Padcal mine site, a concentrate loading facility at Poro Point, San Fernando, La Union, which are used in operations, and various titled lands located at Barangay Tuding, Itogon, Benguet with a total area of 129 hectares. PGPI similarly owns real properties and support facilities in its Bulawan and Sibutad Projects, which are currently on care and maintenance basis. Certain mining assets of PGPI are covered by a Collateral Trust Indenture to secure its loans from the Parent Company.

The real property where the Company's Corporate Head Office is located was the subject of a Deed of Absolute Sale and was sold to a third-party in July 2014. Subject to the provisions of the agreement, the Company continues to hold its Corporate Head Office at the said address.

SMMCI has been acquiring real properties or entering into land lease agreements for the Silangan Project. The lease agreements are typically for 25 years cancellable at the option of SMMCI.

The Company does not lease any significant real property nor has the intention at present to acquire any significant real property other than necessary for corporate purposes in the next 12 months. Machinery and equipment are routinely acquired month to month as needed by operation usually through direct purchase or through letters of credit, if imported, under supplier's or bank's credit terms.

Item 3. Legal Proceedings

A table that identifies material legal proceedings involving the Company is set out below:

	CASE TITLE / SUBJECT MATTER	VENUE	NATURE	PROBABLE AMOUNT/PENALTY	STATUS
1	Mines Administrative	MGB-CAR	For rental fees for the 745 ML tunnel	Above ₱300 million	Under appeal with the Mines

	CASE TITLE / SUBJECT MATTER	VENUE	NATURE	PROBABLE AMOUNT/PENALTY	STATUS
	case of Butan Mining Company vs. Philex		traversing Butan claims		Adjudication Board
2	Civil case vs. The Province of Benguet& Provincial Treasure	La Trinidad, Benguet Regional Trial Court	Local quarry tax on TP3	₱12.2 million	Pending decision
3	Mines Administrative case of Tom P. Nalibsan, et al. vs. Philex	MGB-CAR	For compensation and damages	₱ 10.3 million	Pending resolution
4	Labor case of Roel Santos et al. vs. Philex	NLRC for computation of award	For illegal dismissal	₱ 26.449 million	Pending resolution
5	NCIP Administrative Case of Heirs of Jose Marino represented by Melina Matis vs. Philex	NCIP-CAR Regional Hearing Officer (RHO)	Claim for enforcement of alleged ancestral rights, damages with prayer for injunction	*N/A*	Pending resolution
6	Labor case of Cecilia Agbanlog et al. vs. Philex	Court of Appeals (CA)	Declaration that complainants as school teachers are regular employees of Philex	*N/A*	Pending resolution
7	NCIP Administrative case of IIPO vs. IPO-APSSOL and Philex	NCIP-CAR-RHO	IIPO seeks amendment to MOA between IPO-APSSOL and Philex to include its members as beneficiaries	*N/A*	Pending resolution
8	NCIP Administrative Case of Heirs of Sinak-ey vs. IPO-APPSOL and Philex	NCIP Commission En Banc	Validity of NCIP-approved MOA entered into between IPO-APSSOL and Philex	*N/A*	Pending resolution
9	Civil case of Nicolas vs. Philex and Heirs of Nevada	Court of Appeals	Damages and royalty claims	*N/A* Philex to pay royalties to rightful claim owner; Philex unduly dragged into this case	Pending resolution
10	Adjudication case of the heirs of BucalGavino vs. Philex	MAB, MGB-Central Office	Claims for damages	₱12 million	Complainant’s appeal dismissed; motion for reconsideration pending
11	ABAKATAF, et al., vs. DENR, et al.	Court of Appeals (Cagayan de Oro)	Action for injunction with urgent ex-parte application for temporary environmental protection order (TEPO) and/or environmental protection order under A.M. No. 09-6-8 SC	*N/A*	Submitted for decision.
12	NPC / SRPC / PSALM claims amounting to ₱6 billion	No court action as of yet	Demand to pay alleged damages	₱6 billion	Pending resolution

	CASE TITLE / SUBJECT MATTER	VENUE	NATURE	PROBABLE AMOUNT/PENALTY	STATUS
13	Heirs of Aritao v. Philex	NCIP-CAR	Demand to pay alleged damages due to the construction of the spillway	₱60 / per square meter (₱600,000 up); injunction against the construction of the spillway.	Pending
14	Case filed by Cong. Baraquel, et al., questioning the constitutionality of the Mining Act of 1995	Supreme Court	Declaration of unconstitutionality of the Mining Act of 1995.	*N/A*	The case is pending resolution by the Supreme Court.
15	Sales Alipio, et al., v. Philex, et al.,	NCIP-CAR	Injunction	Injunction against construction of access roads to intended site of TSF4.	A writ of preliminary injunction has been issued by the RHO; PMC is set to file Motion to Lift.
16	Various civil and labor cases	Various	Various civil and labor cases in the ordinary course of business	N/A	Pending. PMC is a party to a number of cases in the ordinary course of business involving small amounts of claims which are disputed by PMC on various grounds

The Parent Company may be liable under lawsuits and claims arising from the ordinary course of business, which are either pending decision by the courts or are being contested, the outcomes of which are not presently determinable. The Company expects that the outcomes from such lawsuits and claims would have no material effect to the Company.

Item 4. Submission of Matters to a Vote of the Security Holders

There were no matters covered under this item submitted in the fourth quarter of 2014 to the security holders for a vote.

PART II

OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market Information

The registrant's common equity, which was initially classified into Class A and Class B common stock until it was declassified into a single class in 2006, is traded in the Philippine Stock Exchange under the code name PX.

The Company's public float as of December 31, 2014 is 33.04%

The average quarterly stock prices for the Company's common shares within the last two years and for the first two months of 2015 were as follows:

Year	Quarter/Month	High	Low
2015	February	8.79	8.10
	January	9.72	7.65
2014	4th Quarter	10.20	7.50
	3rd Quarter	12.88	10.08
	2nd Quarter	12.40	8.48
	1st Quarter	9.98	8.00
2013	4th Quarter	9.20	7.80
	3rd Quarter	12.24	7.86
	2nd Quarter	17.96	8.80
	1st Quarter	19.76	14.92

The Company's stock was traded at P7.40 per share as of March 30, 2015.

Holders

Of the Company's 44,386 shareholders as of December 31, 2014 with 4,940,399,068 common shares issued and outstanding of which 39.62% are owned by foreign nationals and institutions. The top 20 shareholders are as follows:

	Name of Stockholder	**Number of Shares**	**% of Ownership**
1	Asia Link B. V.	1,023,275,990	20.71
2	Social Security System (inclusive of 149,921,099 shares under PDTC Account)	1,014,366,028	20.53
3	PCD Nominee Corporation	1,010,870,260	20.46
4	Two Rivers Pacific Holdings Corp.	738,871,510	14.96
5	Kirtman Limited	242,011,062	4.90
6	Maxella Limited	239,479,900	4.85
7	The First National Investment Company	12,195,042	0.25
8	Makati Supermarket Corp.	8,353,226	0.17
9	Estate of Allen Cham	6,720,476	0.14
10	Estate of Eudaldo Boix	5,025,422	0.10
11	Philippine Remnants Co., Inc.	4,875,000	0.10
12	Manuel V. Pangilinan	4,655,000	0.09
13	Frank Pao	3,639,260	0.07
14	Religious of the Virgin Mary-B	3,125,777	0.06
15	Estate of Eudaldo Boix & Petra Hernando	3,093,203	0.06
16	Paulino de Ugarte &/or Elena de Ugarte	3,068,143	0.06
17	Carol Joan Reif	2,974,086	0.06
18	Robin John Pettyfer	2,644,747	0.05
19	Estate of Jose Tan Yan Doo	2,569,251	0.05
20	Lucio W. Yan &/or Clara Yan	2,437,500	0.05
	Total	4,334,250,883	87.72

Dividends

Beginning 2010, the Company's Board of Directors has adopted a policy to declare cash dividend of up to 25% of the Company's core net income should the circumstances allow for its declaration.

No dividends were declared in 2013. In 2014, 2012 and 2011, the following dividends were declared:

1. On February 25, 2015, a regular cash dividend of ₱0.02 per share based on the fourth quarter 2014 core net income; for record date of March 11, 2015; paid on March 25, 2015.

2. On October 29, 2014, a regular cash dividend of ₱0.03 per share based on the nine months 2014 core net income; for record date of November 12, 2014; paid on November 28, 2014.

3. On February 26, 2014, a regular cash dividend of ₱0.05 per share based on the full-year 2013 core net income; for record date of March 12, 2014; paid on March 26, 2014.

4. On July 25, 2012, a regular cash dividend of ₱0.11 per share at 25% of first half 2012 core net income; for record date of August 8, 2012; paid on September 3, 2012.

5. On February 29, 2012, a regular cash dividend of ₱0.14 per share at 25% of second half 2011 core net income, and a special cash dividend of ₱0.28 per share at 25% of full year 2011 core net income; for record date of March 15, 2012; paid on April 12, 2012.

Recent Sale of Unregistered or Exempt Securities

No securities were sold by the Company within the past three years which were not registered under the Code.

The Company's stockholders at its April 21, 2009 meeting approved to amend the Articles of Incorporation to increase the authorized capital stock of the Company from Five Billion Pesos divided into five billion shares at par value of One Peso per share to Eight Billion Pesos divided into eight billion shares at par value of One Peso per share. On May 22, 2009, the SEC approved the amendment of the Articles of Incorporation for the increase in authorized capital stock.

On June 23, 2006, the Company's stockholders approved and adopted a Stock Option Plan (2007 SOP) which provides for the granting of options to the Company's directors, officers, managers and key consultants to purchase common shares of the Company at specified exercise price. The aggregate number of shares initially approved for grant was 88,733,707 shares or 3% of then total outstanding shares of the Company. On March 8, 2007, the SEC resolved that the issuance of the 88,733,707 shares under the plan is exempt from the registration requirements under Section 10.2 of the Code.

As adjustment to the shares reserved for stock option due to the effect of the declaration of stock dividend of 30% in 2007 and 25% in 2009, additional 22,882,037 shares and 17,180,737 shares were respectively made available for grant which were similarly granted exemption from registration by the SEC. The exercise prices for the outstanding option shares were correspondingly adjusted to avoid a dilution of their option value.

No additional option shares were granted from the 2007 SOP following its expiration in 2012. However, unexercised options remain outstanding over their five-year term subject to provisions of the Plan. As of December 31, 2014, the total option shares granted under the 2007 SOP amounted to 150,728,832, of which 118,713,332 option shares have been exercised and 26,647,350 option shares were forfeited.

On June 29, 2011, the Company's stockholders approved a new stock option plan covering up to 246,334,118 shares equivalent to 5% of the Company's outstanding shares of 4,926,682,368 as of June 29, 2011. This plan was approved by the SEC on February 22, 2013, which approval was received by the Company on March 5, 2013.

As of December 31, 2014, the total option shares granted under the 2011 SOP amounted to 40,410,000, of which 21,347,500 option shares have vested but none have been exercised and 12,160,000 option shares were forfeited.

Item 6. Management Discussion and Analysis of Financial Position and Results of Operations

For the years ended December 31, 2014, 2013 and 2012

Information on the Company's results of operations and financial condition presented in the 2014 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements are incorporated herein by reference.

REVIEW OF FINANCIAL RESULTS

<u>Revenues</u>

	For the Year Ended December 31			% Change	
	2014	2013	2012	2014 vs 2013	2013 vs 2012
Gold					
Revenue (P millions)	P5,889	P5,582	P4,946	6	13
Ounces produced	105,008	99,802	71,297	5	40
Average realized price	$1,270	$1,297	$1,638	(2)	(21)
Copper					
Revenue (P millions)	P4,615	P4,580	P3,866	1	18
Pounds produced	35,391,154	32,495,443	22,306,172	9	46
Average realized price	$2.98	$3.27	$3.99	(9)	(18)
Other revenues (P millions)	P394	P300	P326	31	(8)
Total Revenues (P millions)	P10,898	P10,462	P9,137	4	15

Total operating revenues for the year 2014 amounted to ₱10.898 billion, 4% higher than ₱10.462 billion in 2013 (15% higher versus ₱9.137 billion in 2012). The Company produced higher volumes of metal following the temporary and subsequent permanent lifting of the suspension order at the Padcal mine in March 2013 and August 2014, respectively. The Company operated for a full year in 2014 (359 operating days) as against nearly ten months (299 operating days) of production in 2013 (versus 214 operating days in 2012).

Gold production rose to 105,008 ounces in 2014 from 99,802 ounces, over a ten-month operation, in 2013 and 71,297 ounces for seven months in 2012. As a result, gold revenue – comprising 54% of the total in 2014 – grew to ₱5.889 billion from ₱5.582 billion in 2013 and ₱4.946 billion in 2012.

Copper production climbed 9% to 35,391,154 pounds in 2014 from 32,495,443 pounds and 22,306,172 pounds in 2013 and 2012, respectively. The higher copper output resulted in a slight improvement in revenue in 2014 – accounting for 42% of the total in 2014 – to ₱4.615 billion from ₱4.580 billion in 2013 and ₱3.866 billion in 2012.

Realized gold prices for the years ended December 31, 2014, 2013 and 2012 were $1,270 per ounce, $1,297 per ounce and $1,638 per ounce, respectively. The decrease in realized gold price was due to the continued decline in world metal prices since the latter part of 2012. On the other hand, realized copper prices for years ended December 31, 2014, 2013 and 2012 were $2.98 per pound, $3.27 per pound and $3.99 per pound, respectively. Similar to gold prices, the drop in copper prices since the end of 2012 caused the lower average realized copper prices in 2014.

Other revenues, which came mostly from sales of silver, coal, and petroleum products, made up the remaining 4% of the Company's total revenue in 2014. Revenue from silver, oil and gas exploration and coal mining in 2014 was higher at ₱393.9 million, compared with ₱300.4 million in 2013 and ₱325.6 million in 2012, due to the increased production in Galoc oil field Phase II project starting second half of 2013 arising from the completion of drilling of additional wells. PPC's 60.49%-owned subsidiary, FEP, derives most of its income from the Galoc oil field.

In the previous years, to protect part of its revenues from unfavorable metal price and foreign exchange fluctuations, the Company entered into metal and foreign currency hedging contracts in the form of forwards, purchased put options and sold call options. The gains or losses from these transactions were reflected in revenue as addition or deduction in deriving the realized metal prices and realized foreign exchange for the Company's metal production during the respective reporting periods.

In June and September 2014, the Company entered into gold collar hedging contracts covering 6,000 ounces of monthly production for the third quarter of 2014 and 3,000 ounces of monthly production for the fourth quarter of 2014, respectively, with a total of 27,000 ounces. The terms of these contracts, already matured as of December 31, 2014, and the corresponding gains (losses) are provided in the table below:

Period Covered	Trade / Transaction Date	Settlement Date	Volume (Ounces)	Strike Price - US$/oz. Put (Floor)	Strike Price - US$/oz. Call (Ceiling)	Settlement Price US$/oz.	Settlement Gain (Loss)
July 1-31, 2014	23-Jun-14	4-Aug-14	6,000	1,275	1,335	1,312	-
August 1-29, 2014	4-Jun-14	2-Sep-14	3,000	1,200	1,278	1,296	(2,417,565)
	23-Jun-14	2-Sep-14	3,000	1,275	1,335	1,296	-
September 1-30, 2014	23-Jun-14	2-Oct-14	6,000	1,275	1,335	1,240	9,377,631
October 1-31, 2014	17-Sep-14	4-Nov-15	3,000	1,200	1,270	1,223	-
November 1-28, 2014	17-Sep-14	2-Dec-14	3,000	1,200	1,270	1,176	3,169,242
December 1-30,2014	17-Sep-14	5-Jan-15	3,000	1,200	1,270	1,201	-
Total / Average			27,000	1,242	1,307		P 10,129,308

In December 2014, the Company entered into another hedging contract covering the 3,000 ounces of monthly gold production for the first quarter of 2015. Provided in the table below are the terms of the contract.

Period Covered	Trade / Transaction Date	Settlement Date	Volume (Ounces)	Strike Price - US$/oz. Put (Floor)	Strike Price - US$/oz. Call (Ceiling)	MTM Gain (Loss) as of Dec. 31, 2014 Put	MTM Gain (Loss) as of Dec. 31, 2014 Call
Jan 1- Jan 30	4-Dec-14	3-Feb-15	3,000	1,200	1,210	69,926	(14,304)
Feb 1- Feb 27	4-Dec-14	3-Mar-15	3,000	1,200	1,210	104,917	(46,194)
Mar 1- Mar31	4-Dec-14	2-Apr-15	3,000	1,200	1,210	130,324	(71,010)
Total / Average			9,000	1,200	1,210	$305,167	($131,508)
					Net MTM Gain		$173,659
							P 7,766,009

As of December 31, 2014, mark-to-market (MTM) gain on outstanding gold hedges amounted to ₱7.8 million recorded under equity with the recognition of potential derivative asset. MTM gains or losses are reversed and actual gains or losses, if any, are realized and recorded through revenue upon maturity of the hedge. The hedge contract for 9,000 ounces of gold covering the production for the first quarter of 2015 remained outstanding as of December 31, 2014.

In 2013, the Company had not entered into hedging contracts as management supported the view that prevailing market trends and conditions would remain favorable to operations. The same view applies for copper in 2014, thus had no outstanding derivative financial instruments.

Operational Overview

	For the Year Ended December 31			% Change	
	2014	2013	2012	2014 vs 2013	2013 vs 2012
Tonnes milled	9,506,195	7,738,258	5,537,423	23	40
Copper concentrates	70,062	60,582	40,562	16	49
No. of Operating Days	359	299	214	20	40
Gold					
Ounces	105,008	99,802	71,297	5	40
Head grade - grams/tonne	0.438	0.503	0.507	(13)	(1)
Recovery - %	78.36	79.77	78.99	(2)	1
Copper					
Pounds	35,391,154	32,495,443	22,306,172	9	46
Head grade - %	0.212	0.236	0.224	(10)	5
Recovery - %	79.82	80.60	81.50	(1)	(1)

Gold production rose to 105,008 ounces in 2014 from 99,802 ounces over a ten-month operation in 2013 and 71,297 ounces over a seven-month operation in 2012. The 5% increase in the 2014 gold production was mainly due to higher tonnes milled, despite lower average head grade of 0.438 grams per tonne from 0.503 grams per tonne in 2013. Over the past three years, the 2012 production showed the highest average head grade of 0.507 grams per tonne due to the presence of higher-grade performing mining blocks.

Likewise, copper production climbed 9% to 35,391,154 pounds in 2014 from 32,495,443 pounds in 2013 (46% higher versus 22,306,172 ounces in 2012). The higher tonnage resulted in improved copper production in 2014 against 2013 despite a lower head grade of 0.212%. Similarly, higher tonnage resulted in higher copper production in 2013 versus 2012 in addition to the impact of better head grade of 0.236%. The lower copper grade in 2014 was expected and programmed under the mine’s development plan. Copper head grades in 2013 and 2012 were higher at 0.236% and 0.224%, respectively.

Total tonnes milled from the Company’s Padcal mine for the year ended December 31, 2014 was 23% higher than 2013 (40% more than 2012) mainly due to higher operating days in 2014 of 359 days (over one year) against 299 operating days in 2013 (over about ten months). Operation in 2012 was for seven months or 214 operating days.

Operating Costs and Expenses

(P milions)	For the Year Ended December 31 2014	2013	2012	% Change 2014 vs 2013	2013 vs 2012
Cash Production cost	5,143	4,188	2,980	23	41
Depreciation, Depletion & Amortization	1,666	1,339	553	24	142
Total Production cost	6,808	5,527	3,533	23	56
Excise tax & Royalties	507	537	455	(5)	18
General and Administrative Expenses:					
Mining	662	929	964	(29)	(4)
Petroleum and Coal	281	382	184	(26)	108
Coal and Petroleum Cost	157	106	133	49	(21)
Consolidated Operating Costs and Expenses	8,415	7,480	5,269	13	42

Consolidated operating costs and expenses (including General and Administrative Expenses) amounted to ₱8.415 billion in 2014, higher by 13% than the ₱7.480 billion in 2013 (42% higher versus ₱5.269 billion in 2012) due mainly to higher number of operating days. Treatment cost and refining charges (TC/RC) rates increased for the period from April 2014 to March 2015 by US$22 per DMT of copper concentrate and 2.2 cents per pound copper, respectively, resulting in higher marketing charges in 2014 of ₱849.8 million from ₱659.5 million in 2013 and ₱439.8 in 2012. The rise in marketing charges in 2014 against 2013 and 2012 was in line with the increase in copper concentrates and the change in TC/RC rates in line with the increase in Japanese Benchmark.

Excise tax and royalties in 2014 was slightly lower by 5% than 2013 (18% higher versus 2012 due to higher net revenues) because of higher Social Development and Management Program (SDMP) amount that was deducted from royalties to (Indigenous People) IPs. General and Administrative Expenses also lower at ₱943.0 million in 2014 compared to ₱1.311 billion in 2013 (higher than ₱1.148 billion in 2012 mainly due to the consolidation of Pitkin) as a result of cost reduction measures.

Coal and Petroleum costs were up by 49% in 2014 against 2013 due primarily to the 59% increase in oil production at Galoc oil field, while the 2013 amount was 21% lower than 2012 due to the suspension of coal operation of BEMC.

Costs Per Tonne / Per Ounce / Per Pound

Padcal Mine	For the Year Ended December 31 2014	2013	2012	% Change 2014 vs 2013	2013 vs 2012
Padcal Cash Production cost	5,143	4,187	2,942	23	42
Depreciation, Depletion & Amortization	1,666	1,339	553	24	142
Total Production Cost	6,808	5,526	3,495	23	58
Marketing	850	660	440	29	50
Excise tax & Royalties	507	535	453	(5)	18
Total Operating cost (P million)	8,165	6,721	4,388	21	53
Production cost per tonne	P 716	P 714	P 631	0.3	13
Operating cost per tonne	P 859	P 869	P 792	(1.1)	10
Operating cost per ounce	$ 977	$ 858	$ 820	14	5
Operating cost per pound	$ 2.29	$ 2.16	$ 2.00	6	8

Production cost per tonne in 2014 of ₱716 was above 2013's ₱714 per tonne (versus 2012's ₱631 per tonne). The rise in production cost per tonne in 2014 against 2013 and 2012 was caused by higher cost of power, materials and supplies in addition to higher non-cash production costs.

Operating cost per tonne, on the other hand, went down slightly to ₱859 per tonne from ₱869 per tonne in 2013 (higher than 2012's ₱792 per tonne). The drop in operating cost per tonne was attributed to the increase in the capacity of tailings storage facility no. 3 (TSF3), to six (6) years from 2 ½ years previously, thus extending the total capacity and reducing the amount of annual amortization related to the rehabilitation of TSF3.

Operating cost (using a co-production method) per ounce of gold and per pound of copper were $977 per ounce and $2.29 per pound in 2014, both higher than the 2013 and 2012 levels due to the significant rise in input costs coupled with moderate improvement in metal output.

Other Charges-Net

	For the Year Ended December 31		
(P millions)	2014	2013	2012
Other Income:			
Sale of fixed assets	765	-	-
Interest income	17	26	58
Insurance proceeds	-	1,017	-
Gain on sale of subsidiaries and AFS financial assets	-	273	-
Marked-to-market gains	-	-	308
Others	18	63	34
	800	1,379	400
Other Charges:			
Impairment loss on deferred exploration costs and others	(570)	(298)	(1,023)
Separation pay, net of retirement fund share	(394)	-	-
Interest expense	(354)	(416)	(44)
Forex exchange losses-net	(56)	(174)	(165)
Impairment of AFS Financial Assets	-	(1,007)	-
Padcal minesite maintenance costs	-	(440)	(912)
Provision for rehabilitation and other costs	-	(161)	(1,447)
Others	(4)	(131)	-
	(1,379)	(2,626)	(3,591)
	(579)	**(1,247)**	**(3,192)**

Other charges-net in 2014 went down to ₱579 million from ₱1.247 billion in 2013 and ₱3.192 billion in 2012 due mainly to exceptional items in prior years associated with the Padcal incident in 2012.

Other Income

In 2014, the Company's Pasig property was the subject of a Deed of Absolute sale with a third-party for a total consideration of ₱777.4 million, with a corresponding gain of ₱764.7 million.

Interest income from short-term money market placements amounted to ₱17.0 million, a 35% decline from ₱26.1 million in 2013 and a 71% drop from ₱58.2 million in 2012. Interest rates averaged at 2.0% in 2013 and 2012. There were no money market placements in 2014.

On February 12, 2013, the full settlement of insurance claims, amounting to US$25 million or ₱1.017 billion, covering pollution and business interruption under the Company's Pollution Legal Liability Insurance Policy pertaining to the 2012 TSF3 incident at the Padcal mine was received by the Company from Chartis Philippines

Insurance, Inc. (Chartis). This settlement was covered by a Settlement, Release and Policy Buy Back Agreement signed on February 8, 2013 with Chartis. The insurance proceeds were used to pay the ₱1.034 billion Mine Waste Tailings (MWT) fee related to the TSF3 incident.

In addition, a gain on sale of subsidiaries and available for sale (AFS) financial assets of ₱273.5 million was realized by PPC – consisting of ₱246.6 million gain from the sale of its subsidiary's Pitkin Petroleum Plc's, interest in Vietnam American Exploration Company LLC (VAMEX) and ₱26.9 million gain from the sale of shares of stock in PetroEnergy Resources Corporation (PERC).

In August 2012, the unwinding of all of the Company's outstanding metal and foreign currency hedge contracts, prompted by the suspension of Padcal operations, generated a marked-to-market gain of ₱307.9 million for the year.

Other Charges

After assessing the viability of existing exploration projects, the Company recognized an impairment loss of ₱569.9 million in 2014 on the deferred exploration costs under its subsidiaries, Philex Gold Philippines, Inc, (PGPI) and Pitkin Petroleum Plc (Pitkin). In 2013, an impairment loss of ₱297.6 million related to the Company's Butan, Tapaya and Barobo projects and Forum Energy Plc's (FEP) SC 40 was booked.

The Company incurred ₱394.2 million in separation pay on top of the retirement gratuity under the Philex Trust Fund in relation to the manpower rightsizing program implemented in 2014.

In 2012, PPC recorded an impairment loss amounting to ₱1.023 billion, consisting of ₱388.6 million in FEP's deferred oil exploration costs and ₱577.8 million in BEMC's assets, which BEMC recognized following the suspension of its coal mining operations. This impairment loss covered 100% of the carrying value of all BEMC's property, plant and equipment amounting to ₱434.3 million and a significant volume of its coal inventory due to high ash content, which posed a risk to the recoverability of inventory costs of additional ₱143.5 million. In 2013, BEMC recognized an additional ₱86.4 million impairment loss, thereby fully writing off the remaining book value of its coal inventory, as well as property, plant and equipment.

On interest expense, the Company incurred ₱354.5 million in 2014 mainly from the short-term loans with local banks and FPC subsidiaries, slightly lower than in 2013 (₱416.4 million) due to the retirement of some debts but higher than in 2012 (₱44.4 million) when additional loans were incurred.

The Company recognized lower net foreign exchange losses in 2014 of ₱56.4 million against ₱174.0 million in 2013 mainly from the revaluation of the Company's net foreign currency-related assets due to the effect of the mild depreciation of the Philippine peso against the US dollar. Comparative amount recognized in 2012 was ₱164.7 million, with foreign exchange rates at yearend closing at ₱44.72 in 2014, ₱44.40 in 2013, and ₱41.05 in 2012.

In 2013, the Company recognized a ₱1.007 billion impairment loss on its investments in shares of Lepanto Consolidated Mining Corporation (Lepanto) and Indophil Resources NL due to significant decline in the fair value of the shares as determined by the Company as above the 30% threshold. The Company owns about 5% of Lepanto, a primary gold producer listed at the Philippine Stock Exchange and 2.4% of Indophil, an Austrialian publicly-listed company that has interest in the Tampakan Copper-Gold Project in the Philippines through Sagittarius Mines, Inc.

Furthermore, ₱439.6 million and ₱912.1 million were charged in 2014 and 2013, respectively, under Padcal's maintenance costs. The maintenance costs were related to manpower costs as the workforce were all retained and the maintenance work for the mill and underground facilities to keep the mine ready for eventual resumption of operations.

In addition to the MWT fee, estimated charges for the alleged violation of the Clean Water Act, and related rehabilitation and remediation costs were provided for in 2012 in the total amount of ₱1.447 billion. Additional provision of ₱161.4 million for rehabilitation and other costs was taken up in 2013.

The major extraordinary charges in 2013, which were no longer part of current year's charges, were the ₱1.007 billion in impairment loss in related to our investments in other mining stocks and the ₱439.6 million maintenance costs for Padcal that was incurred at the time of its suspension.

Core and Reported Net Income

Net income attributable to the equity holders of the Company in 2014 amounted to ₱1.006 billion, compared with ₱341.9 million in 2013 and ₱208.7 million in 2012. The improvement in net income beginning 2013 were primarily due to the resumption of Padcal mine operations, by virtue of a temporary lifting of the suspension order on March 8, 2013 and subsequent permanent lifting on August 27, 2014. These enabled the Company to operate for longer production periods compared with 2012.

Despite losses incurred by subsidiaries, the Company's results of operations ended in a consolidated net income of ₱702.8 million for the year 2014, higher than ₱312.4 million in 2013 and a reversal of the ₱310.8 million loss in 2012.

The Company's core net income was ₱1.122 billion in 2014, 26% lower than the ₱1.508 billion in 2013 and also lower than the ₱1.689 billion in 2012 due primarily to lower metal prices and ore grades. The 2014 core net income was, however, higher by 4% than the ₱1.081 billion in 2013, after excluding exceptional items. In 2014, EBITDA amounted to ₱3.320 billion, compared to ₱3.920 billion in 2013 and ₱3.294 billion in 2012. The Company's EBITDA, similar to core net income, excludes non-recurring transactions to clearly provide results based on normal operating parameters of the business. The core net income reflects the Company's overall operating performance without the net effect of non-recurring transactions.

Reconciliation of Core Net Income to Consolidated Net Income

	For the Year Ended December 31		
(P millions)	2014	2013	2012
Core net income	1,122	1,508	1,689
Non-recurring gains (losses):			
Gain on sale of assets	765	98	-
Net Provision for write-down of asset	(348)	(303)	(497)
Reorganization costs	(394)	-	-
Foreign exchange losses	(57)	(180)	(168)
Reversal of Impairment loss	12	-	-
Provision for impairment of AFS investments	-	(1,007)	-
Insurance proceeds	-	407	-
Provision for rehabilitation costs and others	-	(161)	(1,447)
Marked-to-market gain on derivative instruments	-	-	308
Clean-up costs	-	-	(22)
Net tax effect of aforementioned adjustments	(94)	(20)	345
Net income attributable to equity holders of the Parent Company	1,006	342	209
Net income attributable to NCI	(303)	(30)	(520)
Consolidated net income (loss)	703	312	(311)

FINANCIAL CONDITION REVIEW

	As of December 31		
(P millions, except ratios)	2014	2013	2012
Cash and Cash equivalents	5,232	4,081	1,670
Current assets excluding cash and cash equivalents	4,299	4,307	2,686
Non-current assets	35,110	31,533	24,916
Total Assets	44,640	39,921	29,272
Short-term loans	4,308	6,176	1,450
Current liabilities excluding short-term loans	3,215	3,599	3,168
Non-current liabilities	10,076	4,228	2,563
Equity attributable to Equity Holders of the Parent Company	23,599	21,811	21,691
Non-Controlling interests	3,442	4,107	400
Total Equity	27,042	25,917	22,091
Current/Liquidity ratios			
Current ratio	1.27	0.86	0.94
Quick ratio	0.84	0.45	0.41
Solvency ratios and debt to equity ratios			
Debt-to-equity ratio	0.65	0.54	0.33
Solvency ratio	0.13	0.12	0.03
Financial leverage ratios			
Asset-to equity ratio	1.65	1.54	1.33
Interest rate coverage ratio	3.97	3.58	6.34
Profitability ratios			
Return on assets	1.66%	0.90%	-2.12%
Return on equity	2.65%	1.30%	-2.81%
Net profit margin	6.99%	3.19%	-3.57%

Cash and Cash Equivalents

As of December 31, 2014, Current Assets of the Company amounted to ₱9.530 billion in 2014, 14% higher than ₱8.387 billion in 2013 (93% higher versus ₱4.356 billion in 2012), primarily due to higher Cash and Cash Equivalents, which increased to ₱5.232 billion in 2014 compared with ₱4.081 billion in 2013 and ₱1.670 billion in 2012. The cash balance of Silangan Mindanao Exploration Co., Inc. of P3.038 billion, mainly from its issuance of convertible notes, and of Pitkin amounting to ₱1.761 billion as of end 2014 boosted the Company's consolidated ending cash balance.

Current Assets excluding Cash and Cash Equivalents

Current Assets excluding Cash and Cash Equivalents was slightly down to ₱4.299 billion mainly due to lower Inventories for volume of copper concentrates at 5,112 dmt that remained unshipped as at year end 2014 as against 10,267 dmt in 2013 and 83 dmt in 2012.

Accounts Receivable

Accounts Receivables consisted essentially of Trade Receivables from sales of the Company's copper concentrates or bullion, Accrued Interest Receivables and Other Receivables. As at year-end 2014, Accounts Receivable amounted to ₱1.056 billion, with Trade Receivables amounting to ₱893.9 million, Accrued Interest Receivable amounting to ₱2.0 million and Other Receivables amounting to ₱160.0 million, against ₱295.5 million in 2013 and ₱207.7 million in 2012. As of December 31, 2014, outstanding receivables from copper concentrates mainly consisted of 100% of the value of shipment no. S-708 which was shipped to Japan on December 31, 2014, 90% of the value of which was collected in early January 2015. In 2013, the copper concentrates shipment (S-698) scheduled on the latter part of December 2013 remained unshipped as at year-end 2013 due to the unfavorable weather conditions. As a result, Pan Pacific advanced the sales proceeds, equivalent to 90% of the value, from S-698. The Company recorded the transaction in the balance sheet as a net liability to Pan Pacific as the advance payment was more than the outstanding trade receivables from previous shipments. As of December 31, 2012, only the receivable from the 378 ounces in gold bullion shipped in December 2012 remained outstanding as all proceeds from 2012 copper concentrates shipments were fully collected.

A total of fifteen (15) copper concentrates shipments were made in 2014 from Padcal mines' full year production, while only ten (10) shipments in 2013 and nine (9) in 2012 as a result of the suspension of the Padcal operations from August 2, 2012 to March 7, 2013. The Padcal mine's copper concentrates shipments were provisionally valued based on prices in the second calendar week immediately prior to the week of shipment. These were then adjusted to the applicable final prices based on their "quotational period (QP)", which for contract years 2014 and 2013 was the calendar month following the month of the shipment's arrival in Japan for gold and silver, and the third calendar month following the month of arrival for copper.

Inventories

Inventories, mostly materials and supplies – comprising 64% of total value of inventories – were lower at ₱1.858 billion in 2014 compared to ₱2.668 billion in 2013 (lower than ₱1.315 billion in 2012). Also included in inventories were ₱643.5 million worth of mine products inventory, corresponding to 5,112 dmt of copper concentrates, and ₱18.6 million of petroleum inventories. This included copper concentrates totaling 5,112 dmt with a value of ₱643.5 million, which remained unshipped as of December 31, 2014, compared to 10,267 dmt with a value of ₱1.534 billion in 2013. No copper concentrates unshipped at end 2012. In 2013, the amount of materials and supplies accounted for 42% of the total amount of inventories, with the remainder from the mine products inventory as well as coal and petroleum inventories.

Other Current Assets

Other Current Assets increased to ₱1.377 billion in 2014 from ₱1.343 billion in 2013 and ₱997.3 million in 2012. The increase was substantially due to the rise in input value-added tax claims on importation of materials and supplies and equipment pending with the Department of Finance.

Non-current Assets

As of December 31, 2014, Non-Current Assets of the Company rose to ₱35.110 billion from ₱31.533 billion in 2013 and ₱24.916 billion in 2012, consisting mainly of property, plant and equipment, and deferred exploration costs. With property, plant and equipment of ₱7.139 billion – representing 16% - and deferred exploration costs of ₱25.817 billion – comprising 58% – of total assets, these portions reflect the capital intensive nature of the mining business. In the Company's case, these attributed to internal exploration and development activities as well as upgrading of existing facilities.

Property, Plant and Equipment

Property, plant and equipment ("PPE") as of December 31, 2014 expanded to ₱7.139 billion compared with ₱6.880 billion in 2013 and ₱6.035 billion in 2012. The annual increases over the past three years were mainly due to capital expenditures of ₱2.354 billion, ₱2.310 billion and ₱2.105 billion, respectively, incurred by the Company and its subsidiaries.

Available-for-Sale (AFS) Financial Assets

AFS financial assets, recorded at fair value, declined further to ₱906.7 million in 2014 from ₱975.4 million in 2013 and ₱3.991 billion in 2012. The AFS financial assets portfolio consists substantially of investments in shares of stock of Indophil and Lepanto. Following a continued drop in the market prices of these shares, which were used to determine the fair value of these investments, the value of these investments was reduced by ₱1.007 billion in 2013 which was recognized as impairment loss in the Company's income statement. In 2014, further reduction in fair value of these investments of ₱68.7 million was also recognized under Equity.

With the acquisition of additional interest in Pitkin in 2013, making Pitkin a 50.28%-owned subsidiary of the Company through PPC, the balance of investment in Pitkin of ₱1.231 billion under AFS financial assets was reclassified, thus reducing further the total amount compared to 2012. The interest in Pitkin went up to 53.07% following Pitkin's buyback program which was partially participated by PPC, thus increasing PPC's interest from 50.28%. The sale of investment in PERC and the lower fair value of other investments under AFS financial assets also contributed to the lower balance of the account. In 2013, the decrease in the fair value of investments under AFS financial assets other than Indophil and Lepanto were considered insignificant and temporary, therefore recorded as comprehensive loss through equity, while in 2014, changes in the fair value of all investments under AFS financial assets were taken up under equity.

In July 2013, Pitkin sold all its interest in VAMEX for a total cash consideration of ₱2.100 billion. The acquisition of additional interest in Pitkin to 50.28% and the sale of its VAMEX interest resulted in a net increase in Goodwill by ₱980.4 million to ₱1.239 billion in 2013 from ₱258.6 million in 2012. No change in the Goodwill balance of ₱1.239 billion as of December 31, 2014 from 2013.

Deferred Exploration Costs

Deferred Exploration Costs and Other Non-current Assets increased to ₱25.817 billion, a 15% growth from ₱22.427 billion in 2013 following a 53% jump from ₱14.632 billion in 2012. The increase in balances was mainly on account of the on-going extensive exploration activities in the Silangan and Kalayaan projects as well as in the oil exploration projects of FEP. In 2013, the consolidation of Pitkin accounts in PPC further increased Deferred Exploration costs and non-current assets. The Company also recorded impairment loss of ₱231.2 million in 2014 and ₱242.5 million in 2013 on various mine exploration projects as well as ₱338.5 million in 2014 for SC 6 and ₱16.1 million in 2013 for SC 40 under PPC.

	As of December 31			
	2014			2013
(P millions)	**Costs**	**Impairment**	**Net Book Value**	**Net Book Value**
Mining				
Silangan Project	16,403	-	16,403	13,205
Kalayaan Project	2,676	-	2,676	2,380
Bulawan and Vista Alegre Projects	626	-	626	609
Sto Tomas II Exploration Project	278	1	277	233
Sibutad Project II	231	-	231	224
Lascogon Project	289	161	129	63
Southwest Prospect	100	5	95	92
Clifton Project	85	-	85	65
Other exploration projects	1,366	1,353	13	201
Oil and Gas Projects				
Forum	1,361	389	972	947
Pitkin	4,221	431	3,790	4,027
Area 4	123	54	69	4
Other Non-Current Assets	451	-	451	377
Total	28,211	2,394	25,817	22,427

Total Assets

At year-end 2014, Total Assets of the Company stood at ₱44.640 billion compared to ₱39.921 billion in 2013 and ₱29.272 billion in 2012.

As of December 31, 2014, Total Current Liabilities amounted to ₱7.523 billion, lower than the ₱9.775 billion in 2013 due to the repayment of existing loans with FPC. The 2013 balance was higher than ₱4.618 billion in 2012 due to the availment of short-term loans and the advance against copper concentrates shipment.

Short-term Loans

Short-term loans went down to ₱4.308 billion in 2014 from ₱6.176 billion in 2013 and ₱1.450 billion in 2012. In 2014, the Company paid off ₱ 1.3 billion in short-term loans and the US$80 million loan with FPC which the Company availed together with another ₱1.000 billion peso-loan in 2013.These were on top of the ₱1.100 billion loan availed in 2012, which were principally allotted for the capital expenditures of Silangan Project. The US$80 million FPC loan was repaid by the Company in December 2014.

The ₱2.100 billion loans was retired in 2013 from the Company's availment of US$50 million from local banks as follows: Philippine National Bank for US$20 million, Banco de Oro (BDO) for US$20 million and Bank of the Philippine Islands (BPI) for US$10 million. The ₱350 million short-term loan of BEMC in 2012 consisting of ₱250 million loan from BPI and ₱100 million loan from BDO remained outstanding and was assigned to the Company in 2014 under the same terms. Forum Energy Philippines Corporation (FEPCO), a subsidiary of FEP, drew down US$2.5 million from its loan facility with BNP Paribas to finance the drilling of two additional production wells in Galoc Phase II, which was fully paid in 2014.

Current Liabilities excluding Short-term Loans

Current Liabilities excluding Short-term Loans was slightly down to ₱3.215 billion compared to ₱3.599 billion in 2013 (versus ₱3.168 billion in 2012) due to a decrease in Accounts Payable and Accrued Liabilities.

Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities, mainly payables to suppliers and contractors, decreased by ₽525.5 million to ₽1.796 billion in 2014 from ₽2.321 billion in 2013, which included ₽693 million as advance payment for copper concentrates shipment no. 698 which Pan Pacific extended to the Company following the rescheduling of the shipment date from December 23, 2013 to January 2, 2014 due to unfavorable weather conditions. In 2012, this account recorded a balance of ₽1.096 billion. No significant amount of the Company's trade payables have been unpaid within their acceptable terms agreed upon with suppliers.

Income Tax Payable

Income Tax Payable amounted to ₽47.4 million in 2014 from ₽11.5 million in 2013 due to an improvement in earnings.

Dividends Payable

Dividends Payable amounted to ₽488.8 million in 2014 compared with ₽460.7 million in 2013 and ₽483.3 million in 2012. The Company declared cash dividends of ₽0.05 per share totaling ₽142.6 million in February 2014, representing 9% of the Company's core net income for the full year of 2013. Subsequently in October 2014, the Company declared cash dividend of P0.03 per share amounting to ₽148.2 million, representing 16% of YTD September 2014 core net income. No dividends were declared in the latter part of 2012 and in 2013 as a result of the suspension of Padcal operations in August 2012 to March 2013.

Provisions and Subscription Payable

Provisions and Subscription Payable slightly went up to ₽883.1 million from ₽805.1 billion in 2013, but lower than ₽1.590 billion in 2012. Subscription Payable remained the same at ₽22.0 million for the years 2012 to 2014.

In early 2013, the Company settled the ₽1.034 billion MWT fee assessed by the MGB, which was fully provided for in 2012, together with additional costs for the rehabilitation and remediation related to TSF3 totaling to ₽1.447 billion. There were no provisions for directors' compensation in 2013 and 2012, while ₽13.0 million was provided in 2014.

Non-current Liabilities

Total Non-Current Liabilities at year-end 2014 increased to ₽10.076 billion from ₽4.228 billion in 2013 and ₽2.563 billion in 2012, comprising mainly of Deferred Income Tax Liabilities and Loans and Bonds Payable.

Deferred Income Tax Liabilities

Deferred Income Tax Liabilities (DTL) went down slightly to ₽3.859 billion in 2014 from ₽3.947 billion in 2013, which was a result of the acquisition of additional interest in Pitkin by PPC in 2013. The 2014 DTL consisted mainly of the following: ₽1.665 billion arising from the acquisition of the remaining 50% of Silangan from Anglo in 2009; ₽1.089 billion for accelerated depreciation and deferred exploration costs; and ₽980.0 million from the acquisition of additional interest in Pitkin.

Loans and Bonds Payable

The amount of Loans and Bonds Payable of P5.947 billion represented the carrying amount of the convertible notes (CN) issued by SMECI, net of the P1.226 billion portion representing the equity conversion option of the CN which is shown under

Equity. In 2013, the long-term portion of FEP's loan with BNP Paribas corresponds to the ₱55.0 million balance of Loans Payable - Net of Current Portion, compared to nil in 2012 which was fully paid in 2014. Pension Obligation was ₱43.6 million in 2014 from ₱21.6 million in 2013 and ₱45.0 million in 2012.

Provisions for Losses and Mine Rehabilitation Costs

Provision for Losses and Mine Rehabilitation Costs amounted to ₱225.6 million in 2014, slightly higher than the ₱204.8 million in 2013 and ₱190.5 million in 2012, comprising mainly of FEP's contingent liability. Provision for Mine Rehabilitation slightly increased to ₱31.5 million in 2014 from ₱20.8 million in 2013 and ₱19.7 million in 2012 representing the amortized value of the Company's estimated mine closure costs.

Total Liabilities

As of December 31, 2014, Total Liabilities of the Company increased to ₱17.599 billion from ₱14.003 billion as of end-2013 – arising mainly from the convertible bond issuance with a face value of P7.200 billion but with carrying amount of ₱5.947 billion, net of ₱1.226 billion equity conversion option.

Shareholder's Equity

	As of December 31		
	2014	2013	2012
Common shares	4,940,399,068	4,936,996,068	4,933,026,818
Stock options	33,618,150	38,911,400	12,970,650

Total Equity as of December 31 amounted to ₱27.042 billion in 2014, 4% higher than the ₱25.917 billion in 2013 and 22% more than the ₱22.091 billion in 2012.The yearly increases in the Capital Stock and Additional Paid-in Capital from 2012 to 2014 were from the exercise of stock options from the Company's 2007 stock option plan.

The Company's Net Income Attributable to the Equity Holders of the Parent Company of ₱1.006 billion boosted Retained Earnings to ₱14.712 billion from ₱14.129 billion in 2013 and ₱13.578 billion in 2012. A total of ₱395.1 million worth of dividends were declared in 2014 compared with nil in 2013. In 2014, a total of ₱27.3 million was taken up against retained earnings related to re-measurement of pension obligation, net of tax. As the amount of Retained Earnings exceeded 100% of the paid-in capital stock, the Company's Board of Directors approved in 2013 the appropriation of ₱10.000 billion of the Retained Earnings for the Company's share in the Silangan mine development and construction from 2016 to 2018.

A temporary decline in the fair value of AFS Financial Assets of ₱68.7 million was recorded in 2014 in Net Unrealized Gain (Loss) on AFS Financial Assets under Equity, reducing further the balance to ₱906.7 million in 2014 from ₱975.4 million in 2013 and ₱3.991 billion in 2012. In 2013, the decline in the market prices of Indophil and Lepanto was considered permanent therefore not taken up under equity but recognized as loss in the income statement. As a result of the translation of foreign subsidiaries in 2014, Cumulative Translation Adjustments amounted to ₱37.4 million from ₱25.1 million in 2013 and a negative ₱41.8 million in 2012.

The amount of Net Revaluation Surplus remained at ₱1.611 billion for the years 2012 to 2014. The Effect of Transactions with Non-controlling Interests decreased to ₱19.1 million from ₱45.1million in 2013 and 2012 – reflecting the difference between the acquisition cost and the book value of the interest acquired in PGI, FEP and FEC shares. With the consolidation of Pitkin accounts following PPC's acquisition of additional interest in Pitkin, making it a subsidiary, the Non-controlling Interests account increased to ₱4.107 billion in 2013 from ₱400.3 million in 2012, but reduced by losses in subsidiaries to ₱3.442 billion in 2014.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary objectives are to fund existing operations and to maintain a healthy pipeline of exploration projects for possible expansion. Despite the risks inherent in the business associated with metal prices, foreign exchange rates and the changing economic and market conditions, the Company generated strong net cash flows from operating activities of ₱1.788 billion in 2014, ₱2.471 billion in 2013 and ₱2.913 billion in 2012. The cash generated in 2013 and 2012 were significantly affected by the lower metal production due to the suspension of Padcal operations from August 2, 2012 to March 7, 2013, while the cash generated in 2014 was substantially affected by lower gold and copper prices despite full year production in 2014.

Other than internally generated funds, which remain as the Company's principal source of cash, the Company also raised funds from borrowings primarily to finance the capital expenditures of the Padcal mine, Silangan project and other exploration initiatives, as well as to refinance existing debt. The liquidity position of the Company is supported by credit facilities committed by various local banks and FPC. All amounts drawn from the US$150 million-loan facility with FPC were repaid as of December 31, 2014 thus terminating the facility effective the date of full repayment.

Net cash used in investing activities, principally for capital expenditures and exploration costs, amounted to ₱5.462 billion from ₱4.452 billion in 2013 and ₱3.931 billion in 2012. Capital expenditures increased to ₱2.354 billion in 2014 from ₱2.310 billion in 2013 and ₱2.105 billion in 2012, which were attributed to the higher sustaining capital expenditure of Padcal mine amounting to ₱1.835 billion as against ₱1.667 billion in 2013 and ₱1.572 billion in 2012. Expenditure for the continuing exploration activities at the Silangan, Kalayaan, and other projects amounted to ₱3.477 billion in 2014, slightly lower than the ₱3.778 billion in 2013, but signicantly higher than the ₱1.896 billion in 2012.

The net cash used in investing activities also reflected the proceeds from the sale of Company real property of ₱765 million in 2014, and the acquisition of additional interest in Pitkin for ₱1.433 billion in 2013 against P20.7 million in 2012. The additional investment in Pitkin of ₱1.433 billion was partially offset by the ₱803.4 million cash reflected upon consolidation of the Pitkin accounts in mid-2013. A total of ₱395.7 million was used for the share buyback of Pitkin in 2014. While in 2013, the proceeds from the sale of Pitkin's interest in VAMEX amounting to ₱2.100 billion was also reflected under net cash generated from investing activities.

Net cash provided by financing activities amounted to ₱4.825 billion in 2014 versus ₱4.386 billion in 2013 and a net cash used in financing activities of ₱1.253 billion in 2012, on account of higher loan repayment of ₱4.880 billion in 2014 compared to ₱3.375 billion in 2013 and cash dividend payments of ₱2.456 billion in 2012. Net cash provided by financing activities were principally comprised of: 1) proceeds from the availment of short-term loans amounting to ₱2.928 billion in 2014 versus ₱7.769 billion including loan from FPC in 2013, on top of the ₱1.100 billion loan in 2012 (of which ₱2.100 billion was repaid in 2013).

Capital Expenditures and Exploration Costs

	For the Year Ended December 31		
(P millions)	2014	2013	2012
By Project:			
Padcal and Others			
Mine Development	668	434	406
Tailings Pond Structures	298	791	522
Machinery & Equipment	869	442	644
	1,835	1,667	1,572
Silangan and Kalayaan Project			
Deferred Exploration	3,281	2,939	926
Machinery & Equipment	483	408	237
	3,765	3,347	1,163
Mine Exploration Projects	164	681	1,152
Oil and Gas Exploration Projects	67	393	115
	5,831	6,088	4,001
By Recording:			
Deferred Exploration costs	3,477	3,778	1,896
Property, plant and equipment	2,354	2,310	2,105
	5,831	6,088	4,001

Capital expenditures in 2014 amounted to ₱5.831 billion from ₱6.088 billion in 2013 as we focused on the Silangan project and mining projects within the vicinity of Padcal. This was higher than ₱4.001 billion in 2012 as the Company continued to invest in new technologies to expand capacities, improve efficiencies and acceleration of Silangan Project.

The Silangan Project cornered bulk or 65% of capital outlays in 2014 at ₱3.765 billion compared with ₱3.347 billion in 2013 and ₱1.163 billion in 2012. Deferred exploration costs amounted to ₱3.281 billion in 2014 against ₱2.939 million and ₱926 million in 2013 and 2012, respectively. Investments in new machinery and equipment amounted to ₱ 483 million from ₱408 million in 2013 and ₱237 million in 2012.

Padcal operations accounted for the second largest chunk of capital investments at ₱1.835 billion last year or 31% of the total. This increased from ₱1.667 billion in 2013 and ₱1.572 billion in 2012 due to the construction of new facilities, particularly the TSF3, which entailed ₱298 million, ₱791 million and ₱522 million in investments over the last three years. Upgrade of equipment and machinery continued as well, with outlays amounting to ₱869 million in 2014, ₱442 million in 2013 and ₱644 million in 2012 as we increased the inventory from 12 months in 2013 to 15 months last year, which required additional investments in terms of new equipment and resources.

Investments in exploration projects, meanwhile, amounted to ₱164 million in 2014 from ₱681 million and ₱1.152 billion, respectively, the previous two years as a result of prioritization of and a more focused approach to new mine developments.

Meanwhile, capex for our oil & gas related exploration projects also went down significantly to P67 million as we concentrated mainly on data gathering for our Service Contract 75 located in North West Palawan.

Top Five Key Financial and Non-Financial Performance Indicators

Safety Performance

The Company believes that operational excellence can only be achieved unless personnel health and safety remains an utmost priority. In 2014, the Company reported for its Padcal Mine one (1) Lost Time Accident-Fatal (LTA-F) from three (3) LTA-F incidents in 2013.

Meanwhile, there were two (2) Lost Time Accident-Non Fatal (LTA-NF) recorded in 2014, a significant decline from the ten (10) LTA-NF incidents reported the previous year.

The Company is working towards achieving a “zero-harm” record by constantly reviewing safety policies and procedures. Initiatives are also in place to ensure that injuries are avoided and accidents are eliminated in the workplace. Third-party consultants are also engaged to evaluate the Company’s existing safety performance and identify risks areas as well as possible areas for improvement.

Earnings Per Share

The earnings per share (EPS) represent the net income attributable to equity holders of the Company, expressed in the amount per share of the Company’s average outstanding capital stock. Assuming a constant outstanding number of shares, the earnings per share correspondingly rises as the Company's earnings increase. The EPS ultimately reflects the Company’s financial and operational growth as a result of its performance in cost management, technical efficiency and productivity.

The basic earnings per share in 2014 was ₱0.204, based on 4,938,577,039 weighted average shares outstanding for the period. In 2013, the basic earnings per share was ₱0.069 based on the 4,933,657,951 weighted average shares outstanding for the period. In 2012, the basic earnings per share was ₱0.042, based on the 4,932,216,253 weighted average shares outstanding for the period.

Considering the effect of the Company’s potentially dilutive stock options outstanding for the period, an assumed exercise of the options at exercise price higher than market would have resulted in additional common shares. In 2014 and 2013, the outstanding stock options were considered anti-dilutive based on the lower market price of the Company’s shares compared to the exercise price, thus the diluted earnings per share in 2014 and 2013 were the same as the basic earnings per share of the Company in the said periods. In 2012, the diluted earnings per share was ₱0.042 based on the 4,938,632,314 weighted average shares, adjusted also for the effect of assumed exercises of stock options of 6,416,061.

Tonnes Milled and Metal Produced

Tonnes milled and ore grade determine the volume of concentrates produced and sold. Tonnes milled totaled 9,506,195 in 2014, compared to 7,738,258 tonnes in 2013 and 5,537,423 tonnes in 2012. The Company resumed its Padcal operations on a temporary basis on March 8, 2013 and subsequently on a permanent basis on August 7, 2014 after the suspension of operations on August 2, 2012, thus the lower tonnes milled in 2013 and 2012, compared to the full year production in 2014.

Metal production also increased to 105,008 ounces of gold and 35,391,154 pounds of copper in 2014, compared to 99,802 ounces of gold and 32,495,443 pounds of copper in 2013 and 71,297 ounces of gold and 22,306,172 pounds of copper in 2012.

Total Production Cost Per Tonne and Operating Cost Per Tonne of Ore Milled, and Per Ounce Gold and Per Pound Copper Produced

The Company’s average cost per tonne is a key measure of the Company’s operating performance. At the same cost level, the higher the production volume, the lower the cost per tonne becomes, which will also be similar if the same production volume incurs a lower operating cost. Thus, a lower cost per tonne would generally reflect an improvement in operating efficiency.

The same essentially applies to cost expressed in per unit of metal, which incorporates the metal grade, as it affects metal production, and the exchange rate, as it affects the conversion from peso to dollar.

In 2014, the total production cost (mine site cost and expenses excluding marketing charges, excise tax and royalties) per tonne of ore milled was ₱716, with total production cost of ₱6.808 billion over ore milled of 9.5 million tonnes. This was slightly higher than the cost per tonne of ₱714 from the total production cost of ₱5.526 billion over ore milled of 7.7 million tonnes in 2013 and 13% above the cost per tonne of ₱631 from the total production cost of ₱3.495 billion over ore milled of 5.5 million tonnes in 2012.

The operating costs and expenses (all cost and expenses excluding corporate overhead) per tonne of ore milled in 2014 was ₱859 from the total operating cost and expenses of ₱8.165 billion, slighlty lower than the ₱869 from the operating costs and expenses of ₱6.721 billion in 2013, and 8% more than the ₱792 from the operating costs and expenses of ₱4.388 billion in 2012.

As the mine produces both gold and copper (and silver) together in one operating process, no physical basis can be used in allocating costs between the two metals, thus, the cost may be allocated proportionately based on the revenue contribution of each product. In 2014, the operating cost applicable to gold produced amounted to US$977 per ounce compared to US$858 per ounce in 2013 and US$820 per ounce in 2012. On the other hand, operating cost applicable to copper produced amounted to US$2.29 per pound in 2014 compared to US$2.16 per pound in 2013 and US$2.00 per pound in 2012.

Exploration Activities

The Company is cognizant that exploration in itself is a speculative endeavor, and mineral exploration and mining operations can be hampered by force majeure and other unforeseen circumstances beyond the Company's control. To mitigate the impact of these external factors and other contingencies, the Company banks on its ability to successfully explore and/or acquire reserves, design and construct efficient processing facilities, operate and manage its projects, and provide effective financial controls and management. To ensure the optimization of value from its natural resource properties and the long-term sustainability of operations, the Company pursues and invests in viable exploration activities and operational enhancements on a constant basis.

In 2014, the amount spent on exploration amounted to ₱3.477 billion compared with ₱3.778 billion in 2013 and ₱1.896 billion in 2012. As of December 31, 2014, total exploration costs, including costs related to oil and gas exploration, amounted to ₱25.817 billion, 58% of the Company's Total Assets, compared to ₱22.427 billion in 2013 and ₱14.632 billion in 2012.

Subsidiaries and Related Party Transactions

Philex Mining Corporation (PMC) has extended loans and advances to some of its subsidiaries, as described under Part III, Item 12 of this Report.

Furthermore, Note 2 of the Notes to the Consolidated Financial Statements is likewise incorporated hereto by reference for discussions on the new and revised accounting standards that the Company adopted in 2014.

Known Trends, Events, or Uncertainties

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked, although the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business, which contingencies are not presently determinable.

Other than as discussed above, there are no known significant trends, demands, commitments, or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way. There are no material commitments for capital expenditures not reflected in the Company's financial statements.

There is likewise no significant seasonality or cyclicality in its business operation that would have material effect on the Company's financial condition or results of operation. There were no other significant elements of income or loss that did not arise from the Company's continuing operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period. There are no line items in the Company's financial statements not already explained for causes either above or in the Notes to the Consolidated Financial Statements other than due to the usual period-to-period fluctuations in amounts natural in every business operations.

Item 7. Financial Statements

The audited financial statements are presented in Part V, Exhibits and Schedules.

Item 8. Information on Independent Accountants and other Related Matters

External Audit Fees and Services

Audit and Audit-Related Fees

For 2014, 2013 and 2012, the Company's external auditors were engaged primarily to express an opinion on the financial statements of the Company and its subsidiaries. The audit, however, included the auditors providing assistance to the Company in the preparation of its income tax return in as far as ensuring the agreement of the reported income and costs and expenses in the return with the recorded amounts in the books. The procedures conducted for this engagement included those that are necessary under auditing standards generally accepted in the Philippines but did not include detailed verification of the accuracy and completeness of the reported income and costs and expenses. The audit fees for these services for the entire Philex group (excluding PPC group) were P5.63 million for 2014, P5.50 million for 2013 and P7.71 million for 2012.

Tax Fees

The Company has not engaged the external auditors for any tax-related services in 2014, 2013 and 2012.

All Other Fees

The external auditors were engaged to review the Company's interim financial statements in relation to the Company's planned stock right offering in 2013 which engagement included the issuance of a comfort letter on the Company's financial statements as a requirement of the underwriter. Though the SRO was not pushed through, the external auditors were paid the amount of P14.5 million for their services.

Also in 2013, the external auditors were engaged to render services on customs compliance review of the Company's importations for the period June 2010 to June 2013 for a fee of P400 thousand. In 2012, the external auditors rendered financial and tax due diligence services to the Company relative to certain acquisitions prospects for fees amounting to P7.8 million.

All audit and non-audit engagements are approved by the Company's Audit Committee.

Audit Committee's Approval of Policies and Procedures

Prior to the commencement of this year-end audit work, the external auditors present their program and schedule to the Company's Board Audit Committee, which include discussion of issues and concerns regarding the audit work to be done. At the completion of this audit works, the Company's audited financial statements for the year are likewise presented by the external auditors to the Audit Committee for committee approval and endorsement to the full

Board for final approval. On quarterly basis, the external auditors also prepare a report on their review of the Company's quarterly financial reports based on agreed upon audit procedures with the Audit Committee before the reports are filed with the SEC.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There was no change in the Company's independent accountants during the two most recent calendar years or in any subsequent interim period, except for the change in the Company's audit engagement partner to Mr. Jose Pepito E. Zabat III starting the 2012 year-end audit.

There has been no disagreement with the independent accountants on accounting and financial disclosure.

PART III

CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Directors

The following are the present directors of the Company whose terms of office are for one (1) year or until their successors are elected and qualified:

MANUEL V. PANGILINAN - 68, Filipino citizen. Mr. Pangilinan has been Chairman of the Board since June 24, 2009, and was Chief Executive Officer from December 7, 2009 to April 3, 2013. He has been a Director of the Company and Philex Gold Philippines, Inc. (PGPI) for six years since November 2008, and was re-elected on June 25, 2014. He is also Managing Director and Chief Executive Officer of First Pacific Company Limited (FPC), and Chairman of the Philippine Long Distance Telephone Company (PLDT) since 2004, after serving as its President and Chief Executive Officer since 1998. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Landco Pacific Corporation, Medical Doctors Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Asian Hospital, Inc., Davao Doctors, Inc., Riverside Medical Center Inc., Our Lady of Lourdes Hospital, Central Luzon Doctors' Hospital, Inc., Maynilad Water Services Corporation, Mediaquest, Inc., Associated Broadcasting Corporation (TV5), Manila North Tollways Corporation and Philex Petroleum Corporation. Mr. Pangilinan is also Chairman of the Manila Electric Company (MERALCO), after serving as its President and Chief Executive Officer from July 2010 to May 2012. In December 2013, Roxas Holdings, Incorporated, the largest sugar producer in the Philippines, announced the election of Mr Pangilinan as Vice Chairman of its Board of Directors. Mr. Pangilinan graduated cum laude from the Ateneo de Manila University in 1966, with a Bachelor of Arts degree in Economics. He received his MBA degree from the Wharton School at the University of Pennsylvania in 1968.

JUAN B. SANTOS - 76, Filipino citizen. Mr. Santos has been a member of the Company's Board of Directors for four years since September 28, 2010, and currently serves as its Vice Chairman. He was most recently re-elected as Director on June 25, 2014. He is currently Chairman of the SSS and a Director of the Philippine Long Distance Telephone Company, First Philippine Holdings Corporation, Zuellig Group, Inc., Sun Life Grepa Financial, Inc. and Alaska Milk Corporation. He also sits on the Board of Advisors of Coca-Cola Bottlers Phils., Inc., and East-West Seeds Co., Inc., and serves as Trustee of the St. Luke's Medical Center and Chairman of the Ramon Magsaysay Award Foundation, and Consultant of the Marsman-Drysdale Group of Companies. Mr. Santos was Chairman, President and Chief Executive Officer of Nestle Philippines, Inc. from 1987 to 2003, and Secretary of the Department of Trade and Industry in 2005. Mr. Santos graduated from the Ateneo de Manila University in

1960, with a Bachelor of Science degree in Business Administration, and a Master's Degree at Thunderbird School of Global Management in 1962.

EULALIO B. AUSTIN, JR. – 53, Filipino citizen. Mr. Austin has been a Director of the Company and PGPI for three years since June 29, 2011 and was re-elected on June 25, 2014. He became President and Chief Operating Officer on January 1, 2012 and President and Chief Executive Officer of the Company on April 3, 2013. He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998. Mr. Austin concurrently serves as Director of Philex Petroleum Corporation and Silangan Mindanao Mining Co., Inc. He likewise sits on the Board of Directors of the Philippine Society of Mining Engineers ("PSEM"), and was Founding President of PSEM's Philex Chapter. Mr. Austin graduated from Saint Louis University-Baguio City, with a Bachelor of Science degree in Mining Engineering and placed eight at the 1982 Professional Board Examination for mining engineers. He took his Management Development Program at the Asian Institute of Management in 2005 and his Advance Management Program at Harvard Business School in 2013.

ELIZA BETTINA R. ANTONINO - 37, Filipino citizen. Ms. Antonino has been a Director of the Company and PGPI for three years since April 27, 2011 and re-elected on June 25, 2014. She is currently a Commissioner of the SSS, where she is Chairperson of its IT Committee and a Member of its Committee on Coverage, Collection and Other Related Matters, Governance and Remunerations Committee and a Resource Person in the Audit Committee. 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 Appointment, an independent Constitutional body, and was Vice President of WEMILCO Management and Development Company. Ms. Antonino graduated from the University of the Philippines in 2000, with a Bachelor of Science degree in Hotel and Restaurant Administration.

MARILYN A. VICTORIO-AQUINO – 59, Filipino citizen. Ms. Aquino has been a Director of the Company and PGPI for five years since December 7, 2009 and was re-elected on June 25, 2014. She is an Assistant Director of FPC since July 2012, following her 32-year law practice at SyCip Salazar Hernandez and Gatmaitan Law Offices, where she was Partner from 1989 to 2012. She is also a Director of Philex Petroleum Corporation since April 2013, Silangan Mindanao Mining Co., Inc., Lepanto Consolidated Mining Company since October 2012, Maynilad Water Services Corporation since December 2012 and a Non-Executive Director of Pitkin Petroleum Plc. since March 2013. Ms. Aquino graduated from the University of Santo Tomas, with a Bachelor of Arts degree, and graduated cum laude (salutatorian) from the University of the Philippines, College of Law in 1980. She placed second in the 1980 Philippine Bar Examination.

OSCAR J. HILADO – 77, Filipino citizen. Mr. Hilado has been an Independent Director of the Company for five years since December 7, 2009, and was last re-elected on June 25, 2014. He is currently the Chairman of the Board of Directors of Philippine Investment Management (Phinma), Inc., Phinma Corp., Trans Asia Oil and Energy Development Corporation, Phinma Property Holdings Corporation and Union Galvasteel Corporation, and Vice Chairman of Trans Asia Power Generation Corporation. Mr. Hilado is also a Director of A. Soriano Corporation, First Philippine Holdings Corporation, United Pulp and Paper Company, Inc., Beacon Property Ventures, Inc., Manila Cordage Company, Pueblo de Oro Development Corporation, Seven Seas Resorts and Leisure, Inc., Asian Eye Institute, Araullo University, Cagayan de Oro College, University of Iloilo, University of Pangasinan, Microtel Inns & Suites (Pilipinas) Inc., and Trans Asia Renewable Energy Corporation. He also served as Chairman of Holcim Philippines, Inc. from 2003 to 2014. Mr. Hilado, a Certified Public Accountant, completed his undergraduate studies at the De La Salle College-Bacolod in 1958 and obtained his Masters in Business Administration from the Harvard School of Business

Administration (Smith Mundt/Fulbright Scholar) in 1962. He received 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 in 1992.

BIENVENIDO E. LAGUESMA. 64, Filipino citizen. Mr. Laguesma has been a Director of the Company and PGPI for two years since February 27, 2013, and was re-elected on June 25, 2014. He is presently a Commissioner of the SSS and has held such position since March 2011. Mr. Laguesma was Secretary of the DOLE from 1998-2001, Presidential Assistant (Office of the President of the Republic of the Philippines) from 1996 to 1998, and DOLE Undersecretary from 1990 to 1996, after holding various other positions in the Government since 1976. He is a Director of the First Metro Investment Corporation and Chairman of the Charter Ping An Insurance Corporation of the Metrobank Group. He is also Senior Partner of the Laguesma Magsalin Consulta and Gastardo Law Offices. Mr. Laguesma finished his Bachelor of Laws at Ateneo De Manila College in 1975 and his post-graduate studies as a Colombo Scholar (British Council) for Public Sector Administration course at the Royal Institute of Public Administration in London, United Kingdom of Great Britain from May to August of 1985.

BARBARA ANNE C. MIGALLOS. – 60, Filipino citizen. Ms. Migallos was elected to the Board of Directors of the Company and PGPI on June 26, 2013, and re-elected on June 25, 2014. She is also the Company's Corporate Secretary since July 1998. Ms. Migallos is also Director and Corporate Secretary of Philex Petroleum Corporation~~,~~ and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos is also a Director of Mabuhay Vinyl Corporation since 2000, Philippine Resins Industries since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005, and Nickel Asia Corporation since 2010. She is a professorial lecturer in Insurance, Securities Regulation and Credit Transactions at the De La Salle University College of Law. Ms. Migallos graduated cum laude from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as cum laude (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

ROBERT C. NICHOLSON - 59, British citizen. Mr. Nicholson has been a Director of the Company and PGPI for six years since November 28, 2008, and was re-elected on June 25, 2014. He is Executive Director of FPC, Executive Chairman of Forum Energy Plc, and Commissioner of PT Indofood Sukses Makmur Tbk. He is also a Director of Metro Pacific Investments Corporation, Philex Petroleum Corporation and Silangan Mindanao Mining Co, Inc., Executive Director of Pitkin Petroleum Plc, and Independent Non-Executive Director of Pacific Basin Shipping Limited (Hong Kong) and QPL International Holdings Limited (Hong Kong). A qualified solicitor in England and Wales and in Hong Kong, Mr. Nicholson was Senior Partner of Reed Smith Richards Butler from 1985 to 2001, and Senior Advisor to The Board of Directors of PCCW Limited from 2001 to 2003. Mr. Nicholson graduated from the University of Kent in 1976 and qualified as a solicitor in England and Wales and in Hong Kong.

WILFREDO A. PARAS - 68, Filipino citizen. Mr. Paras has been an Independent Director of the Company for three years since June 29, 2011 and was re-elected on June 25, 2014. He is currently Independent Director of GT Capital Holdings, Inc. since May 2013, President of WAP Holdings, Inc., and a Director of Granexport Manufacturing Corporation, Iligan Oil Mills Inc. and Cagayan de Oro Oil Mills Inc., all under the CIIF Oil Mills Group of Companies. He is also a member of the Board of Trustees of Dualtech Training Center. Mr. Paras was previously the Executive Vice-President, Chief Operating Officer and Director of JG Summit Petrochemical Corporation, President and Director of PT Union Carbide Indonesia, Managing Director of Union Carbide Singapore, and Business Director for Union Carbide Asia Pacific. Mr. Paras completed his undergraduate studies at the University of the Philippines in 1969 with Bachelor of Science, Industrial Pharmacy and his Master in Business Administration at the De La Salle University in 1991. He also completed the Managing Managers Program at the University of Michigan at Ann Arbor, Michigan.

EDWARD A. TORTORICI – 75, American citizen. Mr. Tortorici has been a Director of the Company and PGPI for five years since December 7, 2009 and was re-elected on June 25, 2014. He is an Executive Director of FPC, and Commissioner of PT Indofood SuksesMakmurTbk. He also serves as Director of Metro Pacific Investments Corporation, Silangan Mindanao Mining Co., Inc., and AIM-listed Forum Energy Plc. Mr. Tortorici also serves as Trustee of the Asia Society Philippines, Director of Jeti Investments, LLC and FPM Power Ltd., and Adviser for Ideaspace Foundation, Inc. Mr. Tortorici is also on the Board of Advisors of the Southeast Asia Division of the Center for Strategic and International Studies, a Washington D. C. non-partisan think tank, and previously served as Commissioner of the U.S. ASEAN Strategy Commission. Mr. Tortorici received a Bachelor of Science degree from New York University and a Master of Science degree from Fairfield University.

Executive Officers

The following persons are the present executive officers of the Company:

EULALIO B. AUSTIN, JR. – 53, Filipino citizen. Mr. Austin has been a Director of the Company and PGPI since June 29, 2011 and was re-elected on June 25, 2014. He became President and Chief Operating Officer on January 1, 2012 and President and Chief Executive Officer of the Company on April 3, 2013. He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998. Mr. Austin concurrently serves as Director of Philex Petroleum Corporation and President and Director of Silangan Mindanao Mining Co., Inc. He likewise sits on the Board of Directors of the Philippine Society of Mining Engineers ("PSEM"), and was Founding President of PSEM's Philex Chapter. Mr. Austin graduated from Saint Louis University-Baguio City, with a Bachelor of Science degree in Mining Engineering and placed eight at the 1982 Professional Board Examination for mining engineers. He took his Management Development Program at the Asian Institute of Management in 2005 and his Advance Management Program at Harvard Business School in 2013.

BARBARA ANNE C. MIGALLOS – 60, Filipino citizen. Ms. Migallos has been a Director of the Company and PGPI since June 26, 2013 and was re-elected on June 25, 2014. She is also the Company's Corporate Secretary since July 1998. Ms. Migallos is also Director and Corporate Secretary of Philex Petroleum Corporation and Brixton Energy & Mining Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. and Lascogon Mining Corporation. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos has also been a Director of Mabuhay Vinyl Corporation since 2000 and the Philippine Resins Industries since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005 and Nickel Asia Corporation since 2010. She is also a professorial lecturer in insurance law and securities regulation law at the De La Salle University College of Law. Ms. Migallos graduated cum laude from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as cum laude (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

DANNY Y. YU. – 53, Filipino citizen. Mr. Yu was appointed Senior Vice President for Finance and Chief Financial Officer ("CFO") on September 2, 2013. He is also the Company's Compliance Officer. Prior to joining the Company, Mr. Yu was CFO of Digitel Communications, Inc. (subsidiary of PLDT) and of Digitel Mobile Philippines, Inc. (Sun Cellular) since November 2011. He was also Group CFO of ePLDT, Inc. and subsidiaries (November 2010 to December 2011); CFO of PLDT Global Corporation (June 2004 to November 2010) and of Mabuhay Satellite Corporation (March 1999 to May 2004). Mr. Yu was also Vice President-Corporate Development of Fort Bonifacio Development Corporation (March 1997 to March 1999). He was previously connected with Sycip, Gorres and Velayo & Co. Mr. Yu obtained a Bachelor of Science Degree in Commerce, Major in Accounting (Magna Cum Laude) from the San Carlos University in Cebu City and passed the Philippine

CPA Examinations in 1983. In 1995, he completed a Master in Management at the Asian Institute of Management

MANUEL A. AGCAOILI – 58, Filipino citizen. Mr. Agcaoili has recently joined the Company as Senior Vice President and Padcal Resident Manager effective January 15, 2014. He was previously with MBMI Resources, Inc. (Vancouver, Canada) as Director and President from 2004 to 2014 and Senior Philippine Representative, Narra Nickel Mining and Development Corporation, Tesoro Mining And Development Corporation, and McArthur Mining, Inc. as Director and President from 2006 to 2008, and Lafayette Philippines, Inc. as Director also from 2006 to 2008. He was also previously connected with the Philippine Associated Smelting and Refining Corporation. Mr. Agcaoili graduated with a Bachelor of Science Degree in Metallurgical Engineering at the University of the Philippines in 1980. He also completed a Master in Business Administration Program at the Ateneo De Manila University Graduate School of Business in 2002.

BENJAMIN DEODATO R. GARCIA – 53, Filipino citizen. Mr. Garcia has been Senior Vice President for Human Resource since November 2010. He was previously with Mead Johnson Nutrition as its Human Resource Director for Asia Pacific from 2000 to 2010, Regional Human Resource Director for North Asia, Philippines, Malaysia, Singapore in 1999 and Human Resource and Corporate Affairs Director for the Philippines from 1996 to 1999. Mr. Garcia graduated with a Bachelor of Science Degree in Electrical Engineering at the University of the Philippines in 1982. He also completed a Master Degree in Engineering in Industrial Engineering and Management at the Asian Institute of Technology, Thailand, in 1986.

MICHAEL T. TOLEDO – 54, Filipino citizen. Mr. Toledo has been Senior Vice President for Corporate Affairs since February 15, 2012. He also heads the Media Bureau of the MVP group of companies. Before joining the Company, he was President and Chief Executive Officer of the Weber Shandwick Manila office since 2006, and was Director and/or Legal and Financial Consultant for various government owned and controlled corporations. Mr. Toledo was also Press Secretary and Presidential Spokesperson for former President Joseph Ejercito Estrada. Mr. Toledo finished a Bachelor of Arts Degree in Philosophy in 1981 and completed a Bachelor of Laws Degree at University of the Philippines in 1985. In 1994, he obtained a Masters of Law degree at the London School of Economics and Political Science.

REDEMPTA P. BALUDA – 59, Filipino citizen. Ms. Baluda has been Vice President for Exploration since January 2, 2009. She was formerly Assistant Vice President for Exploration from 2007 to 2009, Division Manager for Environment and Community Relations and Geology for Padcal Operations from 1998 to 2007 and Department Manager for Geology from 1996 to 1998. Ms. Baluda finished with a Bachelor of Science Degree in Geology at the University of the Philippines in 1976. She also completed the academic units under the Masters in Environment & Natural Resource Management at the University of the Philippines campus in Los Banos, Laguna in 2007.

VICTOR A. FRANCISCO – 50, Filipino citizen. Mr. Francisco has been Vice President for Environment and Community Relations since January 2, 2009. He was previously Group Manager for Corporate Environment and Community Relations in 2007, Department Manager – Corporate Environment and Community Relations in 1999 and Assistant Manager – Corporate Environmental Affairs in 1997. Mr. Francisco completed a Bachelor of Science Degree in Community Development at the University of the Philippines in 1987. He also received a Masters in Environmental Science and Management at the University of the Philippines campus in Los Banos, Laguna in 1995.

RAYMUND BRETT C. MEDEL – 50, Filipino citizen. Mr. Medel joined the Company as Vice President and Chief Information Officer on May 17, 2012. Before joining the Company, Mr. Medel was Vice President and Chief Information Officer of PNB Life Insurance from 2010 to 2012, Vice President for Information Systems of Prulife U.K., Philippines from 2002 to 2010, and Senior Consulting Manager for C&T Solutions, Singapore from 2001 to 2002. Mr. Medel completed a Bachelor of Science Degree in Management Engineering, under the Honors Program, at the Ateneo de Manila University in 1987.

While all employees are expected to make a significant contribution to the Company, there is no one particular employee, not an executive officer, expected to make a significant contribution to the business of the Company on his own.

The Company is not aware of any adverse events or legal proceedings during the past five (5) years that are material to the evaluation of the ability or integrity of its directors or executive officers. Note 31 of the Notes to the Consolidated Financial Statements of the Exhibits in Part V, Item 14 is also hereto incorporated by reference.

There are no family relationships up to the fourth civil degree of consanguinity among any of the directors and executive officers.

No director has resigned or declined to stand for re-election because of disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 10. Executive Compensation

There are no arrangements for additional compensation of directors other than that provided in the Company's by-laws which provides compensation to the directors, at the Board's discretion to determine and apportion as it may deem proper, an amount up to one and a half (1 ½ %) percent of the Company's net income before tax of the preceding year. Payments made in 2014 and 2012 amounted to P10.6 million and P122.4 million, respectively. In 2014, this represented only 1% of the Company's net income before tax while there were no payments made in 2013.

Effective March 2015, the Directors' per diem shall be increased to P40,000 per board meeting attendance and P30,000 per committee participation. Previously, the rate per attendance for both board and committee meeting was P8,000. In the event that financial results warrant the payment of 1 ½% directors' compensation, such directors' compensation shall be inclusive of the annual total per diem paid to directors.

There is no executive officer with contracts or with compensatory plan or arrangement having terms or compensation significantly dissimilar to the regular compensation package, or separation benefits under the Company's group retirement plan, for the managerial employees of the Company.

On June 23, 2006, the Company's stockholders approved the stock option plan of the Company which was thereafter duly approved by the Securities and Exchange Commission on March 8, 2007. Note 26 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on the Company's Stock Option Plan.

On June 29, 2011, the Company's stockholders approved a new stock option plan covering up to 246,334,118 shares equivalent to 5% of the Company's outstanding shares of 4,926,682,368 as of June 29, 2011. This plan was approved by the SEC on February 22, 2013, which approval was received by the Company on March 5, 2013.

The following table shows the compensation of the directors and officers for the past three years and estimated to be paid in the ensuing year. Starting 2008, stock option exercises of the Company's non-management directors, consisting of the difference between the market and exercise prices at the time of option exercise, are considered as director's fee for purposes of the table.

SUMMARY OF COMPENSATION TABLE
(In Thousands)

DIRECTORS

Year	Directors' Fee
2015 (Estimated)	P 11,951
2014	P 10,461
2013	P 33,833
2012	P 121,256

CEO AND FOUR MOST HIGHLY COMPENSATED OFFICERS

Year	Salary	Bonus/Others
2015 (Estimated)	P 65,165	P 5,430
2014	P 64,499	P 21,992
2013	P 45,544	P 24,539
2012	P 36,040	P 38,786

The aggregate amount of compensation paid in 2014, 2013 and 2012 and estimated amount expected to be paid in 2015 as presented in the above table are for the following executive officers:

2015 - Eulalio B. Austin, Jr. (CEO), Danny Y. Yu, Manuel A. Agcaoili, Michael T. Toledo and Benjamin R. Garcia

2014 - Eulalio B. Austin, Jr. (CEO), Danny Y. Yu, Manuel A. Agcaoili, Michael T. Toledo and Benjamin R. Garcia

2013 - Eulalio B. Austin, Jr. (CEO), Michael T. Toledo, Benjamin R. Garcia, Redempta P. Baluda and Renato N. Migriño

2012 - Manuel V. Pangilinan (CEO), Eulalio B. Austin, Jr., Renato N. Migriño, Benjamin R. Garcia and Michael T. Toledo

	Total Officers'	
Year	Salary	Bonus/Others
2015 (Estimated)	P 78,995	P 6,583
2014	P 84,829	P 27,669
2013	P 65,421	P 35,100
2012	P 64,882	P 86,416

ALL DIRECTORS & OFFICERS AS A GROUP

Year	Total Amount
2015 (Estimated)	P 97,529
2014	P 122,959
2013	P 134,354
2012	P 272,554

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

The list of registered stockholders owning five (5%) percent or more of the Company's stock as of December 31, 2014 follows:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Amount of Ownership	%
Common	Asia Link B.V. *Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands* *Stockholder*	First Pacific Company Limited See Note 1 below.	Dutch	1,023,275,990	20.71
Common	Social Security System *East Avenue, Quezon City* *Stockholder*	Social Security System, See Note 2 below.	Filipino	1,014,366,028	20.53
Common	PCD Nominee Corp. *G/F MSE Building, 6767 Ayala Ave., Makati City.* *Stockholder*	See Note 3 below.	Filipino	1,010,870,260	20.46
Common	Two Rivers Pacific Holdings Corp. *10/F MGO Building, Legazpi corner de la Rosa Streets, Legazpi Village, Makati City* *Stockholder*	Two Rivers Pacific Holdings Corp. See Note 4 below.	Filipino	738,871,510	14.96

[1] Asia Link B.V., a wholly-owned subsidiary of First Pacific Company Limited (FPC), is the registered owner of 1,023,275,990 shares. In its SEC Form 23-A dated December 3, 2009, FPC disclosed that it beneficially owns 1,542,589,352 shares inclusive of the shares held by Asia Link B.V. FPC is represented by Messrs. Manuel V. Pangilinan, Robert C. Nicholson and Edward A. Tortorici on the Company's Board of Directors.

[2] The total shares held by the Social Security System (SSS) presented above is inclusive of 149,921,099 shares lodged with the PCD Nominee Corporation as the record owner as of December 31, 2014. Messrs. Juan B. Santos and Bienvenido E. Laguesma, and Ms. Eliza R. Antonino currently represent the SSS in the Company as members of the Board of Directors.

[3] PCD Nominee Corporation (PCD), the nominee of the Philippine Depository & Trust Corp., is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owners of such shares are PCD's participants who hold the shares on their own behalf or in behalf of their clients. The 1,010,870,260 shares shown above as of December 31, 2014 are exclusive of the 149,921,099 shares owned by SSS which shares were included as part of the total holdings of SSS as indicated above. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transaction in the Philippines. Other than SSS whose shares under the PCD which were excluded and presented separately in the table above, there are no participants under the PCD account owning more than 5% of the voting securities of the Company.

[4] Two Rivers Pacific Holdings Corporation is represented by Ms. Marilyn A. Victorio-Aquino and Mr. Eulalio B. Austin Jr. on the Company's Board of Directors.

[5] The foregoing record owners have no relationship with the Company other than being stockholders.

Security Ownership of Management

The beneficial ownership of the Company's directors and executive officers as of December 31, 2014 follows:

Title of Class	Name of Beneficial Owner	Nature of Ownership	Number of Shares	Citizenship	%
Common	Manuel V. Pangilinan	Direct	4,655,000	Filipino	0.094%
Common	Juan B. Santos	Direct	1,000,001	Filipino	0.020%
Common	Eulalio B. Austin, Jr.	Direct	1,360,937	Filipino	0.028%
Common	Barbara Anne C. Migallos	Direct	203,875	Filipino	0.004%
Common	Eliza R. Antonino	Direct	1	Filipino	0.000%
Common	Marilyn A. Victorio-Aquino	Direct	500,100	Filipino	0.010%
Common	Oscar J. Hilado	Direct	173	Filipino	0.000%
Common	Bienvenido E. Laguesma	Direct	1	Filipino	0.000%
Common	Robert C. Nicholson	Direct	1,250	British	0.000%
Common	Wilfredo A. Paras	Direct	1	Filipino	0.000%
Common	Edward A. Tortorici	Direct	3,285,100	American	0.066%
Common	Danny Y. Yu	Direct	40,000	Filipino	0.001%
Common	Benjamin Deodato R. Garcia	Direct	149,500	Filipino	0.003%
	Michael T. Toledo		0	Filipino	0.000%
Common	Redempta P. Baluda	Direct	20	Filipino	0.000%
Common	Victor A. Francisco	Direct	155,000	Filipino	0.003%
	Raymund Brett C. Medel		0	Filipino	0.000%
Common	Enrique C. Rodriguez, Jr.	Direct	615,000	Filipino	0.012%
Directors and Officers as a Group			11,965,959		0.2422%

The above directors and executive officers have no indirectly owned shares and held the same number of shares as of December 31, 2013 as presented in the table except for the following: (a) increase in the ownership of Ms. Marilyn A. Victorio-Aquino by 500,000 shares from 100 shares in 2012, (b) addition of Mr. Danny Y. Yu's 40,000 shares following his appointment as SVP for Finance of the Company in September 2013, and (c) increase in the ownership of Mr. Juan B. Santos by 1 million shares from one share in 2014.

Voting Trust/Changes in Control

There is no voting trust holder of 5% or more of the Company's stock. There are no arrangements which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company's significant related party transactions as of December 31, 2014, 2013 and 2012, which are under terms that are no less favorable than those arranged with third parties, and account balances are as follows:

a) *Advances from PMC to SMMCI and SMECI*

PMC, owning directly and indirectly 100% of SMMCI and SMECI, provides the funds to SMMCI, through SMECI since 2011 and directly thereafter, for the Silangan projects' expenditures since the Company's acquisition of Anglo American's interest in the Silangan Project in 2009. As of December 31, 2014, the total advances by the Company to SMECI and SMMCI, including the balance acquired from Anglo American, amounted to ₱6.174 billion from ₱7.556 billion as of December 31, 2013 and ₱5.200 billion as of December 31, 2012. A portion of 2014's outstanding advances were repaid using proceeds from SMECI's issuance of convertible bonds. These advances are payable on demand and will be settled either through cash payments by SMMCI or conversion to equity of the Company.

b) *Advances from PMC to PGPI*

PMC advanced PGPI's working capital and capital expenditure requirements, which as of December 31, 2014, 2013, and 2012, amounted to ₱1.349 billion, ₱1.292 billion and ₱1.596 billion, respectively. A portion of these advances are secured by collateral participation certificates covering certain mining assets of PGPI's Bulawan mine, which is currently under care and maintenance.

c) *Advances from PMC to PPC*

PMC made cash advances to PPC for its additional working capital requirements, and for the acquisition of equity in FEP, PERC and Pitkin. These advances are unguaranteed and payable on demand through cash. As of December 31, 2014, 2013, and 2012, advances from PMC amounted to ₱2.684 billion, ₱2.579 billion and ₱621.0 million, respectively.

d) *Advances of PMC to PGHI*

PMC provided advances to PGHI, a 100%-owned subsidiary of PMC, amounting to ₱1.884 billion, ₱1.902 billion and ₱1.652 billion, as of end 2014, 2013 and 2012, respectively. No additional advances for 2014.

e) *Advances of PMC to Lascogon Mining Corp. (LMC)*

PMC advanced LMC's working capital and exploration requirements, which as of December 31, 2014, 2013, and 2012, amounted to ₱140.3 million, ₱138.1 million and nil, respectively.

f) *Advances from PMC to BEMC*

PMC provided cash advances to BEMC for the funding of its exploration and development activities of its coal company in Zamboanga, Sibugay. These advances are payable on demand through cash. The advances amounting to ₱737.8 million (net of repayments) proved uncollectible thus written off in 2014. As of December 31, 2013, and 2012, total advances amounted to ₱799.7 million and ₱400 million, respectively. With the declaration of cessation of BEMC underground mining operations of its coal mine in Zamboanga Sibugay in September 1, 2013, PMC recognized an allowance for impairment if advances to BEMC amounting to ₱799.7 million in 2013.

g) *Loan Facility Agreement between PMC and Forum Philippine Holdings Limited ("FPHL")*

On November 24, 2010, PMC, as lender, and FEP, as guarantor, entered into a loan facility agreement amounting to US$10 million with FPHL, a wholly-owned subsidiary of FEP. The facility agreement will be available for a three-year period and funds can be borrowed at an interest rate of US LIBOR + 4.5% for the drawn portion and a commitment fee of 1% per annum for the undrawn portion. The facility agreement will enable FPHL to fund its 70% share of a first sub-phase work program over Service Contract 72. Obligations arising from funds drawn under this facility agreement are not convertible into FEP's or FPHL's ordinary shares but are guaranteed by FEP for repayment to the Company. On May 25, 2012, the amount of the facility was increased to US$15 million with the full amount fully drawn by end 2013. The Long Facility Agreement was assigned to Philex Petroluem Corporation (PPC) on November 21, 2013 consequently assigning the outstanding loans of FPHL amounting to US$15 million from PMC to PPC and increasing the advances of PMC to PPC by the same amount.

h) *Agreements with Anglo*

PMC was reimbursed by Anglo American for expenses incurred by PMC on behalf of Northern Luzon Exploration & Mining Co. Inc. ("NLEMCI"), which amounted to ₱235 thousand in 2014, ₱1.2 million in 2013, and ₱921 thousand in 2012. As of December 31, 2014, 2013, and 2012, the Company's receivables from these transactions amounted to ₱1.5 million, ₱1.3 million, and ₱431 thousand, respectively.

i) On December 7, 2011, the Company entered into an agreement with Anglo where the Company agreed to buy and Anglo agreed to sell all its rights, interests and obligations in Minphil Exploration Company, Inc. ("Minphil"), the parent company of NLEMCI, for US$25,000. In addition, Anglo agreed with the Company that all of Anglo's rights, interests and title in and to its receivable to Minphil was supposed to be assigned to the Company for a consideration amounting to US$175,000.

The terms of the agreement were not fulfilled during the agreed upon period, thus terminating the agreement in late 2013.

j) *Funding Commitment of FPC to PMC*

In a letter issued by FPC in October 2012, it committed to provide funding of up to US$200 million to the Company for capital expenditures of the Padcal mine and Silangan Project as well as for the Company's working capital requirements.

As part of such commitment, a loan amounting to ₱2.1 billion was granted by Kirtman Limited, a wholly-owned subsidiary of FPC to the Company in November 2012 under a Term Loan Facility Agreement. The loan is unsecured, repayable within a year and subject to an interest rate of 5%. A commitment fee of 1% per annum is also due for the undrawn amount.

As of December 31, 2012, ₱1.1 billion has been drawn from the facility and the balance of ₱1.0 billion was drawn in January 2013. In November 2013, the full loan amount of ₱2.1 billion was fully paid from proceeds of loans availed by PMC from local banks.

On March 12, 2013, loan agreements covering the balance of US$150 million with Kirtman Limited for US$25 million, Maxella Limited for US$25 million and Asia Link B.V. for US$100 million (all FPC subsidiaries) were executed by the parties, for a term of one year and subject to the interest rate of 5%. As of December 31, 2013, US$15 million has been drawn from the Kirtman Limited loan, US$15 million from the Maxella Limited loan and $50 million from the Asia Link B.V. loan. In March 2014 this facility was extended and in April 2014 new loan agreements were executed. In December 2014, all outstanding loans to Kirtman Limited, Maxella Limited and Asia Link B.V. were fully paid thus terminating all loan agreements with them.

k) *Issuance of Convertible Bonds to FPC and SSS by SMECI*

In December 2014, SMECI and PMC, as the co-issuer, issued 8-year convertible bonds with a face value of ₱7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at ₱18,000 per share one year after the issue date.

Note 13 and 23 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on Related Party Transactions, is incorporated hereto by reference.

PART IV

CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company's Annual Corporate Governance Report (ACGR), under Exhibits in Part V, Item 14, is incorporated hereto by reference.

PART V

EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits and Schedules

Statement of Management's Responsibility for Financial Statements
Report of Independent Auditors
Audited Consolidated Financial Statements and Notes for the year ended December 31, 2014

Schedule I :	Reconciliation of Retained Earnings Available for Dividends Declaration
Schedule II :	Schedule of Financial Soundness Indicators
Schedule III :	Chart Showing Ownership and Relationship between the Parent Company and its Subsidiaries
Schedule IV :	Schedule of All Effective Standards and Interpretations
Schedule V:	Schedules as Required by SRC Rule 68, As Amended
Schedule A.	Financial Assets
Schedule B.	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C.	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
Schedule D.	Intangible Assets – Other Assets (Deferred Mine Exploration Costs and Other Noncurrent Assets)
Schedule E.	Long Term Debt
Schedule F.	Indebtedness to Related Parties (Long-term Loans from Related Companies)
Schedule G.	Guarantees of Securities of Other Issuers
Schedule H.	Capital Stock

Annual Corporate Governance Report

(b) Reports on SEC Form 17-C

There were seventeen reports filed by the Company under SEC Form 17-C during the first quarter of 2015 and the last six months of 2014 covered up to filing of this report, part of which follows:

Report Date	Item Reported
March 20, 2015	Statement of Resource Estimates at end December 31, 2014 and Press Release entitled Philex declares additional 110.9 million tonnes of additional resources in Padcal mine
March 3, 2015	Grant by the Philippine Department of Energy of a force majeure on Forum Energy's Service Contract 72 suspending all exploration work at SC72
February 25, 2015	Declaration of cash dividend of Two Centavos (P0.02) per share
	Board Approval/Performance Evaluation Policy and Amended Related Party Transaction Policy
	Press release on the Company's financial and operating results for the full year 2014
	Schedule of Annual Stockholders' Meeting on June 24, 2015
February 20, 2015	Announcement of schedule of Analyst Briefing via Audio Conference on the Company's financial and operating results for the full year 2014
January 5, 2015	Attendance of Directors at 2014 Board Meetings
December 9, 2014	Press release on the issuance of P7.2 billion Convertible Notes by the Company's subsidiary, Silangan Mindanao Exploration Co., Inc.
December 5, 2014	Copies of the Certificates of Attendance of Key Offices and Members of the Board of Directors in Corporate Governance Seminars
November 10, 2014	Clarification on News Article "First Pac investing additional P97 B in the Philippines"
October 29, 2014	Press release on the results of operations for the nine months ended September 30, 2014
	Board approval of various Corporate Governance matters as follows: (1) Spin-off of the Risk Committee at Board level; (2) Risk Committee Charter; (3) Updated Audit Committee Charter; (4) Director's Orientation and Training Policy; and (5) Annual Corporate Governance Report
	Declaration of cash dividend of Three Centavos (P0.03) per share
October 24, 2014	Announcement of schedule of a Joint Presentation to Analysts by Philex Mining Corporation and Philex Petroleum Corporation on the their financial

	and operating results for the nine months ended September 30, 2014
August 28, 2014	Permanent lifting of the Cease and Desist Order by the Mines and Geosciences Bureau allowing the company to resume normal mining operations in its Padcal Mine in Tuba, Benguet
August 8, 2014	Announcement of schedule of Analyst Briefing on the Company's financial and operating results for the first half of 2014
July 17, 2014	Sale of the Company's property at Pasig City

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on MAR 3 1 2015, 2015.

EULALIO B. AUSTIN, JR.
President & Chief Executive Officer

BARBARA ANNE C. MIGALLOS
Corporate Secretary

DANNY Y. YU
Chief Financial Officer
and Senior Vice President for Finance

PARALUMAN M. NAVARRO
Division Manager – Corporate Finance

SUBSCRIBED AND SWORN TO before me this MAR 3 1 day of 2015 2015 at Pasig City. Affiants exhibiting to me their Competent Evidence of Identity indicated opposite their names:

:

Name	**Competent Evidence of Identity**
Eulalio B. Austin, Jr.	Passport No. EC1070933; valid until May 12, 2019
Danny Y. Yu	Passport No. EC0261993; valid until Feb. 9, 2019
Barbara Anne C. Migallos	Passport No. EC0356963; valid until Feb. 19, 2019
Paraluman M. Navarro	Passport No. EC0588618; valid until Mar. 17, 2019

Doc. No. 475
Page No. 96
Book No. 24
Series of 2 0 1 5

ATTY. CESAR D. AMORANTO
Notary Public
Pasig, Taguig, San Juan, Pateros. MM
Until December 31, 2016
868 B Shaw Blvd. Kapitolyo, Pasig City
PTR No. 0250884 Jan. 5, 2015
IBP No. 976041 Oct. 22, 2014 Roll No. 6637
Appointment No. 7 (2015-2016)

PHILEX MINING
CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills

The management of Philex Mining Corporation is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders of the Company.

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders have expressed their opinion on the fairness of presentation upon completion of such examination.

MANUEL V. PANGILINAN
Chairman of the Board

EULALIO B. AUSTIN, JR.
President & Chief Executive Officer

DANNY Y. YU
Chief Financial Officer and
Senior Vice President-Finance

Subscribed and sworn to before me this MAR 3 1 2015 as Pasig City, affiants exhibiting to me their respective Social Security ID No. indicated opposite their names:

Name	SSS No.
Manuel V. Pangilinan	03-1881608-3
Eulalio B. Austin, Jr.	01-0618335-5
Danny Y. Yu	06-0896968-2

ATTY. CESAR D. AMORANTO
Notary Public
Pasig, Taguig, San Juan, Pateros. MM
Until December 31, 2016
868 B Shaw Blvd. Kapitolyo, Pasig City
PTR No. 0250884 Jan. 5, 2015
IBP No. 976041 Oct. 22, 2014 Roll No. 6637
Appointment No. 7 (2015-2016)

Doc. No. 474
Page No. 96
Book No. 54
Series of 2 0 1 5

Philex Mining Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013
and Years Ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report

SGV
Building a better
working world

A member firm of Ernst & Young Global Limited

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Philex Mining Corporation

We have audited the accompanying consolidated financial statements of Philex Mining Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Philex Mining Corporation and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-2 (Group A),
March 1, 2012, valid until March 31, 2015
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751344, January 5, 2015, Makati City

February 25, 2015

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value Per Share)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱5,231,892**	₱4,080,512
Accounts receivable (Notes 7, 20 and 22)	**1,055,864**	295,451
Inventories (Note 8)	**1,858,220**	2,668,274
Derivative assets (Note 20)	**7,766**	–
Other current assets (Note 9)	**1,376,741**	1,343,245
Total Current Assets	**9,530,483**	8,387,482
Noncurrent Assets		
Property, plant and equipment (Note 10)	**7,138,912**	6,880,096
Available-for-sale (AFS) financial assets (Note 11)	**906,681**	975,380
Goodwill (Note 4)	**1,238,583**	1,238,583
Deferred income tax assets - net (Note 24)	**8,224**	11,818
Deferred exploration costs and other noncurrent assets (Notes 1, 12 and 18)	**25,817,465**	22,427,186
Total Noncurrent Assets	**35,109,865**	31,533,063
TOTAL ASSETS	**₱44,640,348**	₱39,920,545
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 13)	**₱4,307,720**	₱6,176,369
Accounts payable and accrued liabilities (Note 14)	**1,795,755**	2,321,301
Income tax payable (Note 24)	**47,423**	11,519
Dividends payable (Note 25)	**488,818**	460,650
Provisions and subscriptions payable (Notes 1, 11 and 31)	**883,102**	805,108
Total Current Liabilities	**7,522,818**	9,774,947
Noncurrent Liabilities		
Deferred income tax liabilities - net (Notes 4 and 24)	**3,859,141**	3,946,941
Loans and bonds payable (Note 13)	**5,947,366**	55,014
Pension obligation (Note 18)	**43,585**	21,598
Provision for losses and mine rehabilitation costs (Notes 10 and 31)	**225,618**	204,791
Total Noncurrent Liabilities	**10,075,710**	4,228,344
Total Liabilities	**17,598,528**	14,003,291
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1 par value (Note 25)	**4,940,399**	4,936,996
Additional paid-in capital	**1,117,627**	1,058,497
Retained earnings (Note 25)		
Unappropriated	**4,712,032**	4,128,826
Appropriated	**10,000,000**	10,000,000
Net unrealized gain (loss) on AFS financial assets (Notes 11 and 24)	**(64,010)**	4,689
Equity conversion option (Note 13)	**1,225,518**	–
Cumulative translation adjustments (Notes 20 and 24)	**37,370**	25,116
Net revaluation surplus (Note 4)	**1,611,397**	1,611,397
Effect of transactions with non-controlling interests (Note 2)	**19,084**	45,099
	23,599,417	21,810,620
Non-controlling interests (Note 25)	**3,442,403**	4,106,634
Total Equity	**27,041,820**	25,917,254
TOTAL LIABILITIES AND EQUITY	**₱44,640,348**	₱39,920,545

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2014	2013	2012
REVENUE (Notes 7, 20 and 30)			
Gold	**₱5,889,107**	₱5,581,587	₱4,946,041
Copper	**4,615,092**	4,579,757	3,865,704
Silver	**78,161**	82,063	79,571
	10,582,360	10,243,407	8,891,316
Less marketing charges	**849,837**	659,536	439,771
	9,732,523	9,583,871	8,451,545
Petroleum	**308,255**	191,243	191,003
Others	**7,462**	27,142	55,041
	10,048,240	9,802,256	8,697,589
COSTS AND EXPENSES			
Mining and milling costs (including depletion and depreciation) (Note 15)	**6,719,928**	5,457,881	3,473,183
General and administrative expenses (Note 15)	**943,001**	1,311,059	1,148,291
Excise taxes and royalties (Note 15)	**507,188**	536,522	454,858
Petroleum production costs	**152,982**	87,895	98,245
Handling, hauling and storage	**88,417**	69,003	59,339
Cost of coal sales	**3,282**	17,770	35,238
	8,414,798	7,480,130	5,269,154
OTHER INCOME (CHARGES)			
Gain on sale of property plant and equipment (Note 10)	**764,685**	–	–
Interest income (Note 6)	**16,952**	26,060	58,201
Foreign exchange losses - net (Note 20)	**(56,374)**	(173,972)	(164,716)
Interest expense (Notes 10 and 13)	**(354,461)**	(416,360)	(44,355)
Reorganization costs (Note 31)	**(394,154)**	–	–
Impairment loss on deferred exploration costs and others (Notes 7, 8, 10 and 12)	**(569,926)**	(297,585)	(1,023,376)
Others - net (Notes 1, 11, 12, 20 and 31)	**14,118**	(385,217)	(2,017,439)
	(579,160)	(1,247,074)	(3,191,685)
INCOME BEFORE INCOME TAX	**1,054,282**	1,075,052	236,750
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	**421,584**	255,703	551,979
Deferred	**(70,147)**	506,954	(4,390)
	351,437	762,657	547,589
NET INCOME (LOSS)	**₱702,845**	₱312,395	(₱310,839)
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱1,005,552**	₱341,932	₱208,733
Non-controlling interests (Note 25)	**(302,707)**	(29,537)	(519,572)
	₱702,845	₱312,395	(₱310,839)
Basic Earnings Per Share (Note 27)	**₱0.204**	₱0.069	₱0.042
Diluted Earnings Per Share (Note 27)	**₱0.204**	₱0.069	₱0.042

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
NET INCOME (LOSS)	**₱702,845**	₱312,395	(₱310,839)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Unrealized loss on AFS financial assets - net of related deferred income tax (Note 11)	**(68,699)**	(1,620,140)	(1,433,104)
Gain on fair value of derivative (Note 20)	**7,766**	–	–
Gain (loss) on translation of foreign subsidiaries	**7,655**	210,071	(117,795)
Realized loss on impairment of AFS investments (Note 11)	**–**	1,006,508	–
Realized loss on sale of AFS financial assets (Note 11)	**–**	30,485	–
Realized gain on fair value of hedging instruments transferred to the consolidated statements of income - net of related deferred income tax (Note 20)	**–**	–	(499,496)
	(53,278)	(373,076)	(2,050,395)
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on pension obligation plans - net of income tax effect (Note 18)	**(28,038)**	207,671	2,601
TOTAL OTHER COMPREHENSIVE LOSS	**(81,316)**	(165,405)	(2,047,794)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱621,529**	₱146,990	(₱2,358,633)
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱921,823**	₱21,275	(₱1,745,355)
Non-controlling interests (Note 25)	**(300,294)**	125,715	(613,278)
	₱621,529	₱146,990	(₱2,358,633)

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 25)	Additional Paid-In Capital	Retained Earnings (Note 25) Unappropriated	Retained Earnings (Note 25) Appropriated	Net Unrealized Gain (Loss) on AFS Financial Assets (Note 11)	Cumulative Translation Adjustments (Note 20)	Net Revaluation Surplus (Note 4)	Effect of Transactions with Non-controlling Interests)	Subtotal	Non-controlling Interests (Note 25)	Total
BALANCES AT DECEMBER 31, 2011	₱4,929,751	₱887,290	₱15,980,594	₱–	₱2,020,940	₱495,019	₱1,611,397	₱106,027	₱26,031,018	₱907,984	₱26,939,002
Net income (loss)	–	–	208,733	–	–	–	–	–	208,733	(519,572)	(310,839)
Other comprehensive income (loss):											
Items to be reclassified to profit or loss in subsequent periods:											
Unrealized loss on AFS financial assets - net of related deferred income tax (Note 11)	–	–	–	–	(1,419,885)	–	–	–	(1,419,885)	(13,219)	(1,433,104)
Movement in fair value of hedging instruments - net of related deferred income tax (Note 20)	–	–	–	–	–	(499,496)	–	–	(499,496)	–	(499,496)
Loss on translation of foreign subsidiaries	–	–	–	–	–	(37,308)	–	–	(37,308)	(80,487)	(117,795)
Items not to be reclassified to profit or loss in subsequent periods:											
Remeasurements of net defined benefit gains, net of tax	–	–	2,601	–	–	–	–	–	2,601	–	2,601
Total comprehensive income	–	–	211,334	–	(1,419,885)	(536,804)	–	–	(1,745,355)	(613,278)	(2,358,633)
Increase in paid-in capital due to exercise of stock option and others (Note 26)	3,276	55,297	–	–	–	–	–	–	58,573	–	58,573
Increase in additional paid-in capital due to stock option plan (Note 26)	–	21,280	–	–	–	–	–	–	21,280	–	21,280
Deemed acquisitions / disposals of shares of stock of non-controlling interest in subsidiaries (Note 2)	–	–	–	–	–	–	–	(60,928)	(60,928)	105,550	44,622
Declaration of cash dividends (Note 25)	–	–	(2,613,842)	–	–	–	–	–	(2,613,842)	–	(2,613,842)
BALANCES AT DECEMBER 31, 2012	₱4,933,027	₱963,867	₱13,578,086	₱–	₱601,055	(₱41,785)	₱1,611,397	₱45,099	₱21,690,746	₱400,256	₱22,091,002

	Equity Attributable to Equity Holders of the Parent Company										
			Retained Earnings (Note 25)								
	Capital Stock (Note 25)	**Additional Paid-In Capital**	**Unappropriated**	**Appropriated**	**Net Unrealized Gain (Loss) on AFS Financial Assets** (Notes 11)	**Cumulative Translation Adjustments** (Note 20)	**Net Revaluation Surplus** (Note 4)	**Effect of Transactions with Non-controlling Interests**	**Subtotal**	**Non-controlling Interests** (Note 25)	**Total**
BALANCES AT DECEMBER 31, 2012	₱4,933,027	₱963,867	₱13,578,086	₱–	₱601,055	(₱41,785)	₱1,611,397	₱45,099	₱21,690,746	₱400,256	₱22,091,002
Net income (loss)	–	–	341,932	–	–	–	–	–	341,932	(29,537)	312,395
Other comprehensive income (loss):											
Items to be reclassified to profit or loss in subsequent periods:											
Unrealized loss on AFS financial assets - net of related deferred income tax (Note 11)	–	–	–	–	(1,620,140)	–	–	–	(1,620,140)	–	(1,620,140)
Realized loss on AFS financial assets due to impairment	–	–	–	–	1,006,508	–	–	–	1,006,508	–	1,006,508
Realized loss on sale of AFS financial assets	–	–	–		17,266	–	–	–	17,266	13,219	30,485
Loss on translation of foreign subsidiaries	–	–	–	–	–	66,901	–	–	66,901	143,170	210,071
Items not to be reclassified to profit or loss in subsequent periods:											
Remeasurements of net defined benefit gains, net of tax	–	–	208,808	–	–	–	–	–	208,808	(1,137)	207,671
Total comprehensive income	–	–	550,740	–	(596,366)	66,901	–	–	21,275	125,715	146,990
Increase in paid-in capital due to exercise of stock option and others (Note 26)	3,969	10,497	–	–	–	–	–	–	14,466	–	14,466
Increase in additional paid-in capital due to stock option plan (Note 26)	–	84,133	–	–	–	–	–	–	84,133	–	84,133
Increase in minority due to acquisition of Pitkin Petroleum Plc (PPP) (Note 4)	–	–	–	–	–	–	–	–	–	3,580,663	3,580,663
Appropriation during the year (Note 25)	–	–	(10,000,000)	10,000,000	–	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2013	₱4,936,996	₱1,058,497	₱4,128,826	₱10,000,000	₱4,689	₱25,116	₱1,611,397	₱45,099	₱21,810,620	₱4,106,634	₱25,917,254

	Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 25)	Additional Paid-In Capital	Retained Earnings (Note 25) Unappropriated	Retained Earnings (Note 25) Appropriated	Net Unrealized Gain (Loss) on AFS Financial Assets (Notes 11)	Equity Conversion Option (Note 13)	Cumulative Translation Adjustments (Notes 20 and 24	Net Revaluation Surplus (Note 4)	Effect of Transactions with Non-controlling Interests	Subtotal	Non-controlling Interests (Note 25)	Total
BALANCES AT DECEMBER 31, 2013	**₱4,936,996**	**₱1,058,497**	**₱4,128,826**	**₱10,000,000**	**₱4,689**	**₱–**	**₱25,116**	**₱1,611,397**	**₱45,099**	**₱21,810,620**	**₱4,106,634**	**₱25,917,254**
Net income (loss)	**–**	**–**	**1,005,552**	**–**	**–**	**–**	**–**	**–**	**–**	**1,005,552**	**(302,707)**	**702,845**
Other comprehensive income (loss):												
Items to be reclassified to profit or loss in subsequent periods:												
Unrealized loss on AFS financial assets - net of related deferred income tax (Note 11)	**–**	**–**	**–**	**–**	**(68,699)**	**–**	**–**	**–**	**–**	**(68,699)**	**–**	**(68,699)**
Items not to be reclassified to profit or loss in subsequent periods:												
Remeasurements of pension obligation, net of tax (Note 18)	**–**	**–**	**(27,283)**	**–**	**–**	**–**	**–**	**–**	**–**	**(27,283)**	**(755)**	**(28,038)**
Gain on fair value of derivative	**–**	**–**	**–**	**–**	**–**	**–**	**7,766**	**–**	**–**	**7,766**	**–**	**7,766**
Loss on translation of foreign subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**4,488**	**–**	**–**	**4,488**	**3,167**	**7,655**
Total comprehensive income	**–**	**–**	**978,269**	**–**	**(68,699)**	**–**	**12,254**	**–**	**–**	**921,824**	**(300,295)**	**621,529**
Increase in paid-in capital due to exercise of stock option (Note 26)	**3,403**	**33,322**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**36,725**	**–**	**36,725**
Increase in additional paid-in capital due to stock option plan (Note 26)	**–**	**25,808**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25,808**	**–**	**25,808**
Sale of PPC shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**259**	**259**	**193**	**452**
Share buyback transaction (Note 2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(26,274)**	**(26,274)**	**(364,129)**	**(390,403)**
Equity conversion options (Note 13)	**–**	**–**	**–**	**–**	**–**	**1,225,518**	**–**	**–**	**–**	**1,225,518**	**–**	**1,225,518**
Declaration of cash dividends (Note 25)	**–**	**–**	**(395,063)**	**–**	**–**	**–**	**–**	**–**	**–**	**(395,063)**	**–**	**(395,063)**
BALANCES AT DECEMBER 31, 2014	**₱4,940,399**	**₱1,117,627**	**₱4,712,032**	**₱10,000,000**	**(₱64,010)**	**₱1,225,518**	**₱37,370**	**₱1,611,397**	**₱19,084**	**₱23,599,417**	**₱3,442,403**	**₱27,041,820**

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,054,282**	₱1,075,052	₱236,750
Adjustments for:			
Depletion and depreciation (Note 17)	**1,690,556**	1,447,592	778,995
Impairment loss on deferred exploration costs and others (Notes 7, 8, 10 and 12)	**569,926**	297,934	1,023,376
Reorganization costs (Note 31)	**394,154**	–	–
Interest expense (Notes 10 and 13)	**354,461**	416,360	44,355
Unrealized foreign exchange losses (gains) and others - net	**98,778**	378,671	(52,474)
Stock-based compensation expense (Note 26)	**25,808**	84,133	21,280
Interest income (Note 6)	**(16,952)**	(26,060)	(58,201)
Gain on disposal of property and equipment (Note 10)	**(764,685)**	–	–
Provision for rehabilitation, clean up and other costs (Notes 1 and 31)	**–**	161,400	1,446,859
Impairment loss on AFS financial assets (Note 11)	**–**	1,006,508	–
Gain on sale of subsidiaries	**–**	(246,597)	–
Gain on disposal of AFS financial assets (Note 11)	**–**	(26,867)	–
Operating income before working capital changes	**3,406,328**	4,568,126	3,440,940
Decrease (increase) in:			
Inventories	**810,054**	(1,469,759)	(392,891)
Accounts receivable	**(761,700)**	(63,279)	1,342,408
Pension assets	**(101,370)**	(38,955)	(82,520)
Other current assets	**(33,496)**	(345,905)	(235,659)
Increase (decrease) in:			
Accounts payable and accrued liabilities	**(517,892)**	1,216,999	90,194
Provisions and subscriptions payable	**(316,160)**	(933,528)	(195,645)
Pension obligation	**21,987**	15,278	23,164
Cash generated from operations	**2,507,751**	2,948,977	3,989,991
Interest received	**18,574**	41,757	41,515
Interest paid	**(352,474)**	(442,220)	(23,645)
Income taxes paid	**(385,680)**	(77,717)	(1,094,452)
Net cash flows from operating activities	**1,788,171**	2,470,797	2,913,409
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in deferred exploration costs and other noncurrent assets	**(3,477,330)**	(3,778,195)	(1,896,122)
Additions to:			
Property, plant and equipment (Notes 10 and 13)	**(2,353,691)**	(2,309,854)	(2,104,626)
AFS financial assets	**–**	–	(20,680)
Net proceeds from sale of:			
Property, plant and equipment	**764,685**	–	90,288
Subsidiaries	**–**	2,097,815	–
AFS financial assets	**–**	167,999	–
Share buyback of Pitkin	**(395,734)**	–	–
Acquisition of additional interests in PPP (net of cash acquired)	**–**	(629,953)	–
Net cash flows used in investing activities	**(5,462,070)**	(4,452,188)	(3,931,140)

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of short-term loans (Note 13)	**₱2,928,378**	₱7,769,313	₱1,100,000
Exercise of stock options and others (Note 25)	**36,725**	14,467	103,195
Issuance of bonds - net of transaction costs	**7,162,000**	–	–
Payments of:			
Short-term bank loans (Note 13)	**(4,880,022)**	(3,374,935)	–
Long-term loans	**(55,014)**	–	–
Dividends (Note 25)	**(366,894)**	(22,607)	(2,455,918)
Net cash flows provided by (used in) financing activities	**4,825,173**	4,386,238	(1,252,723)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**106**	6,123	(7,299)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,151,380**	2,410,970	(2,277,753)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,080,512**	1,669,542	3,947,295
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱5,231,892**	₱4,080,512	₱1,669,542

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Amounts Per Unit and Number of Shares)

1. Corporate Information, Business Operations and Authorization for Issuance of the Financial Statements

Corporate Information

Philex Mining Corporation and its subsidiaries are organized into two main business groupings: the metals business under Philex Mining Corporation, and the energy and hydrocarbon business under Philex Petroleum Corporation.

Philex Mining Corporation (the Parent Company or PMC) was incorporated on July 19, 1955 in the Philippines and is listed in the Philippine Stock Exchange on November 23, 1956. Having reached the end of its 50 years corporate life, the Parent Company's Philippine Securities and Exchange Commission (SEC) registration was renewed on July 23, 2004. The Parent Company, Philex Gold Philippines, Inc. (PGPI, a wholly-owned subsidiary through a holding company and incorporated in the Philippines), Lascogon Mining Corporation (LMC), (a subsidiary of PGPI and incorporated in the Philippines), and Silangan Mindanao Exploration Co., Inc. (SMECI, a wholly-owned subsidiary directly by the Parent Company and incorporated in the Philippines) and its subsidiary, Silangan Mindanao Mining Co. Inc. (SMMCI, a wholly-owned subsidiary directly by the Parent Company and through SMECI, and incorporated in the Philippines) are all primarily engaged in large-scale exploration, development and utilization of mineral resources. The Parent Company operates the Padcal Mine in Benguet. PGPI operated the Bulawan mine in Negros Occidental until the second quarter of 2002. LMC conducts exploration work on Taganaan, Surigao del Norte. SMMCI owns the Silangan Project covering the Boyongan and Bayugo deposits. As of December 31, 2014, the pre-feasibility study of the Boyongan project is already complete and is now undergoing a definitive feasibility study.

Philex Petroleum Corporation (PPC, a 64.8% owned subsidiary of the Parent Company and incorporated in the Philippines) and its subsidiaries: Forum Energy Plc (FEP, 60.5% owned and registered in England and Wales) and its subsidiaries, Pitkin Petroleum Plc. (PPP, 53.1% owned and incorporated and registered in United Kingdom of Great Britain and Northern Ireland) and its subsidiaries, and FEC Resources, Inc. (FEC, 51.2% owned and incorporated in Canada) are engaged primarily in oil and gas operation and exploration activities, holding participations in oil and gas production and exploration activities through their investee companies. Brixton Energy & Mining Corporation (BEMC), a wholly-owned subsidiary of PPC and incorporated in the Philippines commenced operation of its coal mine in Diplahan, Zamboanga Sibugay in November 2010, but suspended operation in January 2013. On January 6, 2014, BEMC finalized the agreement regarding the assignment and sale of its Coal Operating Contract (COC) and is currently awaiting the approval of the Department of Energy (DOE).

The foregoing companies are collectively referred to as the "Group" (see Note 2) whose income is derived mainly from the Padcal Mine. Income from petroleum and coal and other sources are relatively insignificant.

The Parent Company's registered business address is Philex Building, 27 Brixton Street, Pasig City, Metro Manila.

<u>Status of Business Operations</u>
Padcal Mine Operations
The Parent Company has the Padcal Mine as its main source of revenue from its metals business segment. The Padcal Mine is on its 57th year of operation producing copper concentrates containing gold, copper and silver.

At around midnight of August 1, 2012, the Parent Company voluntarily suspended its operations of the Padcal Mine after tailings were accidentally discharged from the underground tunnel of Penstock A being used to drain water from Tailings Storage Facility (TSF) No. 3 of the mine. The incident followed the unabated and historically unprecedented heavy rains during the last two weeks of the preceding month from the two typhoons that brought unusual and heavy accumulation of rain water in TSF No. 3. The suspension of the mine's operations was formalized at around 8 p.m. of the following day, August 2, 2012, when the Mines and Geosciences Bureau (MGB) ordered the Padcal Mine to stop operations until such time as the safety and integrity of its tailings storage facility is assured. The discharge of tailings was fully stopped with the plugging of the sinkhole in one of the two penstocks used in the water management system of TSF No. 3 and the sealing of the underground tunnel of the affected penstock in November 2012. This has allowed the Padcal Mine to start conducting the necessary remediation and rehabilitation program (which includes the rehabilitation of TSF No. 3 and the construction of an open spillway in place of the existing penstock system for water management, and the undertaking of remediation and rehabilitation measures in the areas affected by the tailings spill) relative to the resumption of its operations. In an Order dated February 25, 2013, the Pollution Adjudication Board (PAB) lifted its Cease and Desist Order dated November 28, 2012 effective for four months and imposed compliance on certain reportorial matters. On February 26, 2013, MGB lifted its suspension order and allowed the Padcal Mine to operate for a period of four months in order to undertake further remediation measures on TSF No. 3. Before the expiration of the four-month period, the Parent Company moved for a further extension of the four-month period with both the MGB and PAB, respectively. On July 5, 2013, the MGB advised the Parent Company that it is authorized to continue implementing such remediation measures in the meantime that the former is thoroughly reviewing the pertinent technical details, subject to the Mineral Industry Coordinating Council's (MICC) guidance. On the same date, the PAB issued an Order extending the temporary lifting of the issued Cease and Desist Order issued last November 28, 2013 to allow the Parent Company to implement its Pollution Control Program.

On February 18, 2013, the Parent Company paid ₱1,034,358 Mine Waste and Tailings Fee to MGB in connection with the TSF No. 3 as provided for under Department Administrative Order (DAO) No. 2010-21 implementing the provisions of the Philippine Mining Act of 1995.

On August 27, 2014, the Parent Company received an order from MGB for the permanent lifting of the cease-and-desist order as the result of the Parent Company's compliance to its environmental obligations, such as payments of required fees, the carrying out of immediate remediation measures, and the submission of proof on the safety and integrity of its tailings dam.

The Group's ability to continue as a going concern depends on the results of its exploration projects. The effect of these uncertainties will be reported in the consolidated financial statements as they become known and estimable.

The Group continues to look for sources of funding to finance its exploration activities and working capital requirements. On December 18, 2014, SMECI and PMC (co issuer) have issued convertible bonds amounting to ₱7,200,000. The proceeds of the bonds will be primarily used to finance SMMCI's exploration activities and payment of its advances from the Parent Company (see Notes 13 and 23).

PGPI
PGPI operated the Bulawan mine in Negros Occidental from 1996-2002, when it was decommissioned due to unfavorable metal prices. The Bulawan mine currently has remaining resources of 23.9 million tonnes, including that of the Vista Alegre area. Exploration projects in the Vista Alegre area include the Nagtalay project and the Laburan/Skid 9 project, which are undergoing resource modelling and estimation to ascertain additional resources. PGPI currently holds 98.9% of LMC.

SMMCI
SMMCI is currently conducting the definitive feasibility study of the Silangan Project covering the Boyongan and Bayugo copper-gold deposits. The pre-feasibility study was completed in mid-2014. Adjacent to the Bayugo deposit is the Kalayaan Project, the exploration of which is being undertaken by the Parent Company by virtue of a Farm-in Agreement with Kalayaan Gold & Copper Resources, Inc., a subsidiary of Manila Mining Corporation.

BEMC
In January 2013, BEMC decided to undertake a detailed review of the operations and prospects of its coal mining project. The management determined that it was prudent to suspend underground mining operations at that time. On September 1, 2013, BEMC announced the closure of its coal mine in Diplahan, Zamboanga Sibugay under COC 130. On January 6, 2014, BEMC has finalized the agreements for the assignment of COC 130 to Grace Coal Mining and Development, Inc., pending approval of the DOE.

FEP and its subsidiaries
FEP's principal asset is a 70% interest in Service Contract (SC) 72 which covers an area of 8,800 square kilometres in the West Philippine Sea. FEP scheduled the completion of its second sub-phase of exploration activities from August 2011 to August 2013. However, due to maritime disputes between the Philippine and Chinese governments, exploration activities in the area are temporarily suspended as at December 31, 2014.

On July 8, 2014, FEP has been granted by the DOE an extension up to August 2016 to complete its obligation under the sub-phase 2 of exploration of SC 72 which requires drilling of two appraisal wells.

In addition, FEP's SC 14C Galoc has completed its development of Galoc Phase 2 which increased the capacity of the field to produce from 4,500 barrels of oil per day (BOPD) to 12,000 BOPD. On December 4, 2013, Galoc Phases 1 and 2 started to produce oil simultaneously and continues to do so as at December 31, 2014.

PPP
PPP is an international upstream oil and gas group, engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products with operations in the Philippines and Peru.

On July 16, 2013 and October 25, 2013, PPP completed the sale of all its interests in its wholly-owned subsidiaries, Vietnam American Exploration Company LLC (Vamex) with a 25% participating interest in Vietnam Block 07/03 and Lonsdale, Inc., respectively. The gain on sale of these subsidiaries amounted to ₱246,597. Accordingly, goodwill attributable to Vietnam Block 07/03 at time of acquisition of PPP by PPC was derecognized amounting to ₱554,178.

On September 5, 2013, SC 74 Area 5, located in the Northwest Palawan Basin, has been formally awarded to the consortium of PPP and the Philodrill Corporation (Philodrill) with operating interest of 70% and participating interest of 30%, respectively.

PPC
On April 5, 2013, PPC increased its shareholding in Pitkin Petroleum Plc (Pitkin) from 18.46% to 50.28% through subscription of 10,000,000 new ordinary shares and purchase of 36,405,000 shares from existing shareholders at US$0.75 per share. The transaction led to PPC obtaining control over Pitkin. Pitkin was incorporated and registered in the United Kingdom (UK) of Great Britain and Northern Ireland on April 6, 2005.

On July 2, 2014, PPC surrendered 2,000,000 of its shares held in Pitkin following the latter's tender offer to buy back 11,972,500 shares equivalent to 8.55% of all shares outstanding as of that date for a consideration of US$1 per share. Pitkin received a total of 11,099,000 shares surrendered from its existing shareholders. The share buyback transaction caused an increase in PPC's ownership in Pitkin from 50.28% to 53.07% as at July 2, 2014.

Recovery of Deferred Mine and Oil Exploration Costs
The Group's ability to realize its deferred mine and oil exploration costs amounting to ₱25,366,569 and ₱22,049,814 as at December 31, 2014 and 2013, respectively (see Note 12), depends on the success of exploration and development work in proving the viability of its mining and oil properties to produce minerals and oil in commercial quantities, and the success of converting the Group's EPs or EPAs or APSAs to new mineral agreements, which cannot be determined at this time. The consolidated financial statements do not include any adjustment that might result from these uncertainties.

Authorization for Issuance of the Financial Statements
The consolidated financial statements are authorized for issuance by the Parent Company's Board of Directors (BOD) on February 25, 2015.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for mine products inventories that are measured at net realizable value (NRV), and for AFS financial assets and derivative financial instruments that are measured at fair value. The consolidated financial statements are presented in Philippine Peso (Peso), which is the Parent Company's functional and reporting currency, rounded to the nearest thousands, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines. The Group prepared its consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS), except for the Parent Company's mine products inventories that are measured at NRV, which was

permitted by the Philippine SEC. The significant accounting policies followed by the Group are disclosed below.

Changes in Accounting Policies and Disclosures
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2014. The nature and impact of each new standard and amendment is described below:

- Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Group.

- PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosure in the Group's financial statements.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

  This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

- *Annual Improvements to PFRSs* (2010-2012 cycle)
  In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group.

- *Annual Improvements to PFRSs* (2011-2013 cycle)
  In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards-First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

<u>Future Changes in Accounting Policies</u>

The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, Philippine Auditing Standards (PAS) and Philippine Interpretations to have significant impact on its financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

- PFRS 9, *Financial Instruments - Classification and Measurement (2010 version)*
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

- Annual Improvements to PFRSs (2010-2012 cycle)
  The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 2, *Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment will not have a material effect on the Group since it adopts the cost model of accounting.

- Annual Improvements to PFRSs (2011-2013 cycle)
  The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group.

PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments will not have any impact on the Group's financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group shall consider these amendments for future acquisitions of interests in joint operations.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- Annual Improvements to PFRSs (2012-2014 cycle)
  The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group.
  PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. These amendments will not have any impact on the Group's financial statements.

  PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the

amendments. The Group expects that this interpretation will not have any impact on its financial statements.

PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. These amendments will not have any impact on the Group's financial statements.

PAS 19, *Employee Benefits - regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. These amendments will not have any impact on the Group's financial statements.

PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). These amendments will not have any impact on the Group's financial statements**.**

Effective January 1, 2018

- PFRS 9, *Financial Instruments - Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

  The Group shall consider the effects of this amendment in its future hedging transactions.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments,* was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 is not expected to have any significant impact on the Group's financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- IFRS 15 Revenue from Contracts with Customers
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

Presentation of Financial Statements
The Group has elected to present all items of recognized income and expenses in two statements: a statement displaying components of profit or loss in the consolidated statement of income and a second statement beginning with profit or loss and displaying components of other comprehensive income (OCI) in the consolidated statement of comprehensive income.

Basis of Consolidation
Basis of consolidation starting January 1, 2013
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 of each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Basis of consolidation starting January 1, 2010
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Subsidiaries are entities over which the Parent Company has the power to govern the financial and operating policies of the entities, or generally have an interest of more than one half of the voting rights of the entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, directly or through the holding companies, and continue to be consolidated until the date that such control ceases. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. They are deconsolidated from the date on which control ceases.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest (NCI) even if that results in a deficit balance.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it derecognizes the carrying amounts of the assets (including goodwill) and liabilities of the subsidiary, carrying amount of any NCI (including any attributable components of OCI recorded in equity), and recognizes the fair value of the consideration received, fair value of any investment retained, and any surplus or deficit recognized in the consolidated statement of income. The Parent Company's share of components previously recognized in OCI is reclassified to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to January 1, 2010
The above-mentioned requirements were applied on a prospective basis. The difference, however, is carried forward in certain instances from the previous basis of consolidation. Losses incurred by the Group were attributed to the NCI until the balance was reduced to nil. Any further excess losses were attributed to the Parent Company, unless the NCI had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between NCI and the equity holders of the Parent Company.

The Parent Company's subsidiaries and their respective natures of businesses are as follows:

Subsidiaries	Nature and Principal Place of Business
Philex Gold Holdings, Inc. (PGHI)	Incorporated in the Philippines on August 28, 1996 to serve as an intermediary holding company through which its subsidiaries and the Parent Company conduct large-scale exploration, development and utilization of mineral resources. PGHI owns 100% of the outstanding shares of PGPI effective April 27, 2010.
Philippines Gold Mining Company B.V. (PGMC-BV)	Incorporated in The Netherlands on October 1, 1996, as previously the intermediary holding company of PGI. PGMC-BV was liquidated in 2013.
Philex Gold Inc. (PGI)	Incorporated in Canada on June 14, 1996 and owns 100% of the outstanding shares of PGPI until April 26, 2010.
PGPI	Incorporated in the Philippines on August 9, 1996 as a wholly-owned subsidiary of PGI and became a wholly-owned subsidiary of PGHI on April 27, 2010. PGPI was primarily engaged in the operation of the Bulawan mine and the development of the Sibutad Project both on care and maintenance status since 2002. PGPI currently owns 98.9% of the outstanding shares of LMC.
LMC	Incorporated in the Philippines on October 20, 2005 to engage in exploration, development and utilization of mineral resources, particularly the Lascogon Project in Surigao.
SMECI	Incorporated in the Philippines on October 12, 1999 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources; currently the holding company of SMMCI.

Subsidiaries	Nature and Principal Place of Business
SMMCI	Incorporated in the Philippines on January 4, 2000 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources, principally the Silangan Project.
PPC	Incorporated in the Philippines on December 27, 2007 to carry on businesses related to any and all kinds of petroleum and petroleum products, oil, and other sources of energy. PPC's shares are listed in the Philippine Stock Exchange.
FEP	Incorporated on April 1, 2005 in England and Wales primarily to engage in the business of oil and gas exploration and production, with focus on the Philippines. FEP's shares are listed in the Alternative Investment Market of the London Stock Exchange.
FEC	Incorporated on February 8, 1982 under the laws of Alberta, Canada primarily to engage in the business of exploration and development of oil and gas and other mineral related opportunities. FEC's shares are traded in the OTC BB of NASDAQ.
BEMC	Incorporated in the Philippines on July 19, 2005 to engage in exploration, development and utilization of energy-related resources, particularly the Brixton coal operations in Diplahan, Zamboanga Sibugay. On September 1, 2013, BEMC announced the closure of its coal mine in Diplahan, Zamboanga Sibugay.
PPP	Incorporated and registered in United Kingdom (UK) of Great Britain and Northern Ireland on April 6, 2005 and is engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products. PPP registered its Philippine Branch, Pitkin Petroleum (Philippines) Plc, on March 19, 2008 and is presently engaged in the exploration of oil and gas assets in the Philippine territories.
Fidelity Stock Transfers, Inc. (FSTI)	Incorporated in the Philippines on December 28, 1981 to act as a stock transfer agent and/or registrar of client corporations. The company is currently in dormant status.
Philex Land, Inc. (PLI)	Incorporated in the Philippines on February 26, 2007 to own, use, develop, subdivide, sell, exchange, lease, and hold for investment or otherwise, real estate of all kinds including buildings, houses, apartments and other structures. The company is currently in dormant status.
Philex Insurance Agency, Inc. (PIAI)	Incorporated in the Philippines on May 20, 1987 to act as a general agent for and in behalf of any domestic and/or foreign non-life insurance company or companies authorized to do business in the Philippines. PIAI is currently in dormant status.

Also included as part of the Parent Company's subsidiaries are those intermediary entities which are basically holding companies established for the operating entities mentioned above. The following are the intermediary entities of the Group: Forum Philippine Holdings Limited (FPHL), Forum FEI Limited (FFEIL), Pitkin Peru LLC (PPR), Pitkin Vamex LLC (PVX), Pitkin Petroleum Peru 2 LLC (PP2) and Pitkin Petroleum Peru 3 LLC (PP3).

The ownership of the Parent Company and subsidiaries over the foregoing companies in 2014 and 2013 are summarized as follows:

	Percentages of Ownership			
	2014		2013	
	Direct	**Indirect**	Direct	Indirect
PGHI	**100.0**	**–**	100.0	–
PGI	**–**	**100.0**	–	100.0
PGPI	**–**	**100.0**	–	100.0
LMC	**–**	**98.9**	–	98.9
SMECI	**–**	**–**	–	0.1
SMMCI	**–**	**–**	–	95.8
PPC	**64.8**	**–**	64.8	–
BEMC	**–**	**100.0**	–	100.0
FEP and subsidiaries	**–**	**36.4**	–	36.4
FEC	**–**	**51.2**	–	51.2
LMC	**–**	**1.1**	–	1.1
FEP	**–**	**24.1**	–	24.1
PPP	**–**	**53.1**	–	50.3
SMECI	**100.0**	**–**	99.9	–
SMMCI	**–**	**100.0**	–	–
SMMCI	**–**	**–**	4.2	–
FSTI	**100.0**	**–**	100.0	–
PLI	**100.0**	**–**	100.0	–
PIAI	**100.0**	**–**	100.0	–

Infusion of additional capital of PMC in SMECI
On October 17, 2013, PMC paid ₱7,500 to SMECI for the issuance of the remaining authorized shares of SMECI consisting of 450 Class "A" shares and 300 Class "B" shares. PMC previously owns 100 shares out of the total 250 issued shares of SMECI or 40.0%. After the increase, PMC owns 850 shares out of the total 1,000 issued shares of SMECI or 85.0%.

On December 19, 2013, the Philippine SEC approved the increase in authorized capital stock of SMECI from ₱10,000, divided into six hundred (600) class "A" shares with a par value of ₱10 per share and four hundred (400) class "B" shares with a par value of ₱10 per share to ₱1,700,000, divided into one hundred two thousand (102,000) shares, with a par value of ₱10 per share and sixty eight thousand (68,000) class "B" shares with a par value of ₱10,000 per share. Out of the total increase in authorized capital stock of ₱1,690,000, a total of ₱990,000 divided into 99,000 Class "A" shares has been subscribed and paid by PMC. PMC previously owns 850 shares out of the total 1,000 issued shares of SMECI or 85.0%. After the increase, PMC owns 99,850 shares out of the total 100,000 issued shares of SMECI or 99.9%.

On December 23, 2013, PGPI sold to PMC its remaining 150 shares (representing 0.15% ownership) in SMECI. On January 23, 2014, the Bureau of Internal Revenue (BIR) approved the Certificate Authorizing Registration of the 150 shares making PMC the 100% owner of SMECI.

Acquisition of additional shares of stock in SMMCI by SMECI and PMC
On April 3, 2013, SMECI paid ₱9.90 to convert the excess additional paid-in capital of ₱0.10 to one (1) Class "B" share.

On April 16, 2013, SMECI and PMC subscribed and paid ₱18,760 for 1,121 Class "A" shares and 755 Class "B" shares and ₱3,740 for 374 Class "B" shares, respectively, for their proportionate share of ownership in SMMCI. The transaction did not affect the respective percentage ownership of PMC and SMECI to SMMCI.

On November 26, 2013, SMECI subscribed and paid ₱74,490 for 4,729 Class "A" and 2,720 Class "B" shares of SMMCI. Due to this additional subscription, the share of ownership of SMECI and PMC in SMMCI has changed from 83.3% and 16.7%, respectively, to 95.8% and 4.2%, respectively.

On July 31, 2014, PMC sold its remaining 4.2% share of ownership in SMMCI to SMECI. Due to this sale, the share of ownership of SMECI in SMMCI will be 100%, awaiting issuance of certificate authorizing registration by the BIR.

Acquisition of additional shares of PPP
On April 5, 2013, PPC increased its stake in PPP from 18.5% to 50.3% through acquisition of additional 46.4 million shares at US$0.75 per share for a total of US$34,800 which resulted to PPC obtaining control over PPP.

On July 16, 2013, PPP completed the sale of all its interests in Vietnam American Exploration Company LLC (Vamex), a wholly-owned subsidiary of PPP, for a total cash consideration of approximately ₱2.1 billion. Vamex has a 25% participating interest in Vietnam Block 07/03.

On September 5, 2013, SC No. 74, located in the Northwest Palawan Basin, has been formally awarded to the consortium of PPP and the Philodrill Corporation with operating interest of 70% and participating interests of 30%, respectively.

On October 25, 2013, PPP sold all of its net assets in Lonsdale, Inc., a wholly-owned subsidiary, to Sterling Projects Holdings, LLP for a purchase price of $35 effective July 31, 2013.

In July 2014, PPP tendered an offer to buy back 11,972,500 of its outstanding shares for a consideration of US$1 per share. PPC surrendered 2,000,000 of its shares wherein non-controlling interests surrendered 9,099,000 shares. As a result of the share buyback transaction, the Parent Company's ownership interest increased from 50.3% to 53.1%.

Infusion of additional capital in LMC
On April 24, 2012, LMC increased its authorized capital stock from ₱10,000 to ₱260,000. By virtue of such increase, PMC, through its wholly-owned subsidiary PGPI, infused additional capital of ₱150,000 in LMC. Following the capital infusion, the Parent Company increased its effective ownership in LMC from 73.4% to 99.3%.

NCI
NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company. Profit or loss and each component of OCI (loss) are attributed to the equity holders of the Parent Company and to the NCI. Total comprehensive income (loss) is attributed to the equity holders of the Parent Company and to the NCI even if this results in the NCI having a deficit balance.

NCI represents the portion of profit or loss and the net assets not held by the Group. Transactions with NCI are accounted for as an equity transaction.

Interest in Joint Arrangements
PFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint operations
A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognises its:
- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Business Combination and Goodwill
Business combinations starting January 1, 2010
Business combinations, except for business combination between entities under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any gain or loss on remeasurement is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in the consolidated statement of income, or in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every December 31.

Business Combinations Prior to January 1, 2010
Business combinations are accounted for using the purchase method. This involves recognizing identifiable assets and liabilities of the acquired business initially at fair value. If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the acquirer shall (a) reassess the identification and measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost of the combination; and (b) recognize immediately in the consolidated statement of income any excess remaining after that reassessment.

When a business combination involves more than one exchange transaction, each exchange transaction shall be treated separately using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with that transaction. This results in a step-by-step comparison of the cost of the individual investments with the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at each exchange transaction. The fair values of the acquiree's identifiable assets, liabilities and contingent liabilities may be different on the date of each exchange transaction. Any adjustments to those fair values relating to previously held interests of the Group is a revaluation to be accounted for as such and presented separately as part of equity. If the revaluation relates directly to an identifiable fixed asset, the revaluation will be transferred directly to retained earnings when the asset is derecognized in whole through disposal or as the asset concerned is depreciated or amortized.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share in the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognized separately as a noncurrent asset. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance.

Foreign Currency Translation of Foreign Operations
Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statement of each subsidiary are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate on the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at consolidated statement of financial position date. All exchange differences are recognized in consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For purposes of consolidation, the financial statements of FEP, PPP and PGI, which are expressed in United States of America (US) dollar amounts, the financial statements of PGMC-BV, which are expressed in Euro amounts, and the financial statements of FEC, which are expressed in Canadian (Cdn) dollar amounts, have been translated to Peso amounts as follows:

a. assets and liabilities for each statement of financial position presented (i.e., including comparatives) are translated at the closing rate at the date of the consolidated statement of financial position;
b. income and expenses for each statement of income (i.e., including comparatives) are translated at exchange rates at the average monthly prevailing rates for the year; and
c. all resulting exchange differences are taken in the consolidated statement of comprehensive income.

Cash and Cash Equivalents
Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to insignificant risk of change in value.

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition and classification of financial instruments
Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities, on the other hand, are classified into the following categories: financial liabilities at FVPL and other financial liabilities, as appropriate. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2014 and 2013, the Group's financial assets and financial liabilities consist of loans and receivables, AFS financial assets and other financial liabilities.

Determination of fair value
The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Day 1 difference
Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated statement of

income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Derivatives and Hedging
The Group uses currency and commodity derivatives such as forwards, swaps and option contracts to economically hedge its exposure to fluctuations in gold and copper prices. For accounting purposes, such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are accounted for as at FVPL, where any gains or losses arising from changes in fair value on derivatives are taken directly to consolidated statement of income, unless hedge accounting is applied.

For the purpose of hedge accounting, hedges are classified as:
a. fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability; or
b. cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or
c. hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges
Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized in the consolidated statement of comprehensive income, while the ineffective portion is recognized in the consolidated statement of income.

Amounts taken to equity are transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs. If the related transaction is not expected to occur, the amount is taken to the consolidated statement of income.

Embedded derivatives
An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in the consolidated statement of income.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within 12 months from the consolidated statement of financial position date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2014 and 2013, the Group’s cash and cash equivalents and accounts receivable are included under loans and receivables (see Note 20).

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. The Group designates financial instruments as AFS financial assets if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the consolidated statement of comprehensive income as “Net unrealized gain (loss) on AFS financial assets.”

When the investment is disposed of, the cumulative gains or losses previously recorded in equity are recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the effective interest method. Dividends earned on investments are recognized in the consolidated statement of income as “Dividend income” when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within 12 months from the consolidated statement of financial position date.

Note 11 discuss the details of the Group's AFS financial assets as of December 31, 2014 and 2013.

Other Financial Liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2014 and 2013, included in other financial liabilities are the Group's accounts payable and accrued liabilities, dividends payable, subscriptions payable and loans and bonds payable (see Notes 11, 13, 14 and 25).

Debt Issuance Costs

Debt issuance costs are amortized using effective interest rate method and unamortized debt issuance costs are included in the measurement of the related carrying value of the debt in the consolidated statement of financial position. When loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged in the consolidated statement of income.

Impairment of Financial Assets

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties are/is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument, that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

Loans and receivables
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statement of income.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets
For AFS financial assets, the Group assesses at each consolidated statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 30% or more and "prolonged" as greater than 12 months for quoted equity securities. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income is removed from equity and recognized in the consolidated statement of income.

Impairment losses on equity investments are recognized in the consolidated statement of income. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Inventories
Mine products inventory, which consist of copper concentrates containing copper, gold and silver, are stated at NRV. Coal and petroleum inventory and materials and supplies are valued at the lower of cost and NRV.

NRV for mine products and coal inventory is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at the consolidated statement of financial position date.

Costs of coal include all mining and mine-related costs and cost of purchased coal from small-scale miners. These costs are aggregated to come up with the total coal inventory cost. Unit cost is determined using the moving average method.

Cost of petroleum inventory includes share in productions costs consisting of costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Unit cost is determined using the weighted average method.

Costs of materials and supplies comprise all costs of purchase and other costs incurred in bringing the materials and supplies to their present location and condition. The purchase cost is determined on a moving average basis.

Input Tax Recoverable
Input tax recoverable is stated at 10% in prior years up to January 2006 and 12% starting February 2006 of the applicable purchase cost of goods and services, net of output tax liabilities and allowance for probable losses. Input tax recoverable represents the value-added tax (VAT) paid on purchases of applicable goods and services, net of output tax liabilities, which can be recovered as tax credit against future tax liabilities of the Group upon approval by the BIR and/or the Philippine Bureau of Customs.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depletion and depreciation and accumulated impairment in value, if any. Land is stated at cost less any accumulated impairment in value.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property, plant and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation to that cost. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

When assets are sold or retired, the cost and related accumulated depletion and depreciation, and accumulated impairment in value are removed from the accounts and any resulting gain or loss is recognized in the consolidated statement of income.

Depletion or amortization of mine, mining and oil and gas properties is calculated using the units-of-production method based on estimated recoverable reserves. Depreciation of other items of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

	No. of Years
Buildings and improvements	5 to 10
Machinery and equipment	2 to 20
Surface structures	10

Depreciation or depletion of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or depletion ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the asset is derecognized.

The estimated recoverable reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depletion and depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

Property, plant and equipment also include the estimated costs of rehabilitating the Parent Company's Padcal Mine and BEMC's Coal Mine, for which the Group is constructively liable. These costs, included under land, buildings and improvements, are amortized using the units-of-production method based on the estimated recoverable mine reserves until the Group actually incurs these costs in the future.

Level and block development (included as part of mine and mining and oil and gas properties) and construction in progress are stated at cost, which includes the cost of construction, plant and equipment, other direct costs and borrowing costs, if any. Block development and construction in progress are not depleted nor amortized until such time as these are completed and become available for use.

Deferred Exploration Costs

Expenditures for exploration works on oil and mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting an oil and mineral resource) are deferred as incurred and included under "Deferred exploration costs and other noncurrent assets" account in the consolidated statement of financial position. If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures, and subsequent oil and mine development costs are capitalized as part of the mine and mining and oil and gas properties account classified under property, plant and equipment.

A valuation allowance is provided for unrecoverable deferred oil and mine exploration costs based on the Group's assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or when the project is abandoned, the deferred oil and mine exploration costs associated with the project and the related impairment provisions are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset is capitalized by the Group. The capitalization of borrowing costs: (i) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed.

Other borrowing costs are recognized as an expense in the period in which they are incurred.

Impairment of Noncurrent Non-financial Assets

The Group's noncurrent non-financial assets include property, plant and equipment, deferred mine exploration costs, and other noncurrent assets. The Group assesses at each reporting date whether there is indication that a noncurrent non-financial asset or CGU may be impaired. If any indication exists, or when an annual impairment testing for such items is required, the Group makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual item, unless such item does not generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU. Impairment losses of continuing operations are recognized in the consolidated statement of income in the expense categories consistent with the function of the impaired asset.

An assessment is made at least on each consolidated statement of financial position date as to whether there is indication that previously recognized impairment losses may no longer exist or may have decreased. If any indication exists, the recoverable amount is estimated and a previously recognized impairment loss is reversed only if there has been a change in the estimate in the assets or CGU's recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the item is increased to its new recoverable amount which cannot exceed the impairment loss recognized in prior years. Such reversal is recognized in the consolidated statement of income unless the asset or CGU is carried at its revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value on a systematic basis over its remaining estimated useful life.

Provision for Mine Rehabilitation Costs
The Group records the present value of estimated costs of legal and constructive obligations required to restore the mine site upon termination of the mine operations. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and settling ponds, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed or the ground or environment is disturbed at the mine site. When the liability is initially recognized, the present value of the estimated cost is capitalized as part of the carrying amount of the related mining assets.

Changes to estimated future costs are recognized in the consolidated statement of financial position by either increasing or decreasing the rehabilitation liability and asset to which it relates if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16, *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to consolidated profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with PAS 36. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to expense.

For closed sites, changes to estimated costs are recognized immediately in consolidated profit or loss.

Capital Stock
Ordinary or common shares are classified as equity. The proceeds from the increase of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares and any excess of the proceeds over the par value or shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Dividends on Common Shares
Cash and property dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company. Stock dividends are treated as transfers from retained earnings to capital stock.

Dividends for the year that are approved after the consolidated statement of financial position date are dealt with as an event after the consolidated statement of financial position date.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called “deficit.” A deficit is not an asset but a deduction from equity.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

Revenue Recognition
Revenue is recognized upon delivery to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from sale of mine products
Revenue from sale of mine products is measured based on shipment value price, which is based on quoted metal prices in the London Metals Exchange (LME) and weight and assay content, as adjusted for marketing charges to reflect the NRV of mine products inventory at the end of the financial reporting period. Contract terms for the Group’s sale of metals (i.e. gold, silver and copper) in bullion and concentrate allow for a price adjustment based on final assay results of the metal concentrate by the customer to determine the content.

The terms of metal in concentrate sales contracts with third parties contain provisional arrangements whereby the selling price for the metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (the quotation period). Mark-to-market adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement, and such adjustments are recorded as part of revenue. The period between provisional invoicing and final settlement can be between one (1) and three (3) months. Provisional shipment of ninety percent (90%) for the sale of metals is collected upon shipment, while the remaining ten percent (10%) is collected upon determination of the final shipment value on final weight and assay for metal content and prices during the applicable quotational period less deduction for smelting charges.

Revenue from sale of petroleum products
Revenue is derived from sale of petroleum to third party customers. Sale of oil is recognized at the time of delivery of the product to the purchaser. Revenue is measured, based on participating interest of the Group, at the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty.

Revenue from sale of coal
Revenue from sale of coal is recognized when the risks and rewards of ownership is transferred to the buyer, on the date of shipment to customers when the coal is loaded into the Group’s or customers’ loading facilities.

Interest income
Interest income is recognized as the interest accrues using the effective interest method.

<u>Cost and Expense Recognition</u>
Costs and expenses are recognized in the consolidated statement of income in the year they are incurred. The following specific cost and expense recognition criteria must also be met before costs and expenses are recognized:

Mining and milling costs
Mining and milling costs, which include all direct materials, power and labor costs and other costs related to the mining and milling operations, are expensed as incurred.

Excise taxes and royalties
Excise taxes pertain to the taxes paid or accrued by the Parent Company for its legal obligation arising from the production of copper concentrates. Also, the Parent Company is paying for royalties which are due to the claim owners of the land where the mine site operations were located. These excise taxes and royalties are expensed as incurred.

Petroleum production costs
Petroleum production costs, which include all direct materials and labor costs, depletion of oil and gas properties, and other costs related to the oil and gas operations, are expensed when incurred based on the Group's participating revenue interest in the respective service contracts.

Cost of coal sales
Cost of coal sales includes costs of purchased coal and all direct materials and labor costs and other costs related to the coal production. Cost of coal sales is recognized by the Group when sales are made to customers.

General and administrative expenses
General and administrative expenses constitute the costs of administering the business and are expensed as incurred.

Handling, hauling and storage
Handling, hauling and storage expenses includes all direct expenses incurred for logistics and store room costs for mine and mining inventories. Handling, hauling and storage costs are recognized by the Group when incurred.

<u>Retirement Benefits Costs</u>
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in consolidated profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either an entity’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Share-based Payments
Certain officers and employees of the Group receive additional remuneration in the form of share-based payments of either the Parent Company or FEP, whereby equity instruments (or “equity-settled transactions”) are awarded in recognition of their services.

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation techniques. Further details are given in Note 26.

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award (“vesting date”). The cumulative expense recognized for equity-settled transactions at each reporting date up to and until the vesting date reflects the extent to which the vesting period has expired, as well as the Group’s best estimate of the number of equity instruments that will ultimately vest. The consolidated statements of income charge or credit for the period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Foreign Currency-Denominated Transactions and Translations
Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the consolidated statement of financial position date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchanges rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the consolidated statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in the consolidated statement of income.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the consolidated statement of financial position date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) [excess MCIT], and net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, excess MCIT and NOLCO can be utilized, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

In business combinations, the identifiable assets acquired and liabilities assumed are recognized at their fair values at acquisition date. Deferred income tax liabilities are provided on temporary differences that arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination or are affected differently.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off the current income tax assets against the current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Basic Earnings Per Share

Basic earnings per share is computed by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted Earnings Per Share

Diluted earnings per share amounts are calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Events After the Statement of Financial Position Date

Events after the consolidated statement of financial position date that provide additional information about the Group’s position at the consolidated statement of financial position date (adjusting event) are reflected in the consolidated financial statements. Events after the consolidated statement of financial position date that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

<u>Operating Segment</u>
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. For management purposes, the Group is organized into business units based on their products and services, and has three (3) reportable operating segments. Financial information on business segments is presented in Note 5. The Group operates in one geographical segment, being the location of its current mining activities; therefore, geographical segment information is no longer presented.

3. Management's Use of Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the Philippines requires the management of the Group to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of any contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting assumptions, estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements:

Determination of the Functional Currency
The Parent Company and most of its local subsidiaries based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine peso. It is the currency of the primary economic environment in which the Parent Company and most of its local subsidiaries primarily operates. FEC's functional currency is Cdn dollar. PGMC-BV's functional currency is the Euro. PGI, PPP and FEP's functional currencies are US dollar.

Recognition of Deferred Income Tax Assets
The Group reviews the carrying amounts at each end of reporting period and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The sufficiency of future taxable profits requires the use of assumptions, judgments and estimates, including future prices of metals, volume of inventories produced and, sold and amount of costs and expenses that are subjectively determined like depreciation. As at December 31, 2014 and 2013, deferred income tax assets recognized in the consolidated statements of financial position amounted to ₱449,024 and ₱476,284, respectively (see Note 24). As at December 31, 2014 and 2013, no deferred income tax assets were recognized on the following deductible temporary differences amounting to about ₱2,472,080 and ₱2,175,544, respectively (see Note 24), because management believes that it is not probable that future taxable income will be available to allow all or part of the benefit of the deferred income tax assets to be utilized.

Classification of Financial Instruments
The Group exercises judgment in classifying financial instruments in accordance with PAS 39. The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated statements of financial position.

The Group has no intention of selling its investments in stocks in the near term. These are being held indefinitely and may be sold in response to liquidity requirements or changes in market condition. Accordingly, the Group has classified its investments in stocks as AFS investments. The Group has no plans to dispose its AFS investments within 12 months from the end of the reporting date.

The Group determines the classification at initial recognition and re-evaluates this classification, where allowed and appropriate, at every reporting date (see Note 19).

Determining and Classifying a Joint Arrangement
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
    a. The legal form of the separate vehicle
    b. The terms of the contractual arrangement
    c. Other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

As at December 31, 2014 and 2013, the Group's joint arrangement is in the form of a joint operation.

<u>Accounting Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Measurement of Mine Products Revenue
Mine products revenue is provisionally priced until or unless these are settled at pre-agreed future or past dates referred to as "quotational period," the prevailing average prices at which time become the basis of the final price. Revenue on mine products is initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing. The final shipment values are subsequently determined based on final weights and assays for metal content and prices

during the applicable quotational period. Total mine products revenue, gross of marketing charges, amounted to ₱10,582,360, ₱10,243,407 and ₱8,891,316 in 2014, 2013 and 2012, respectively (see Note 30).

Impairment of Loans and Receivables
The Group maintains an allowance for doubtful accounts at a level that management considers adequate to provide for potential uncollectibility of its loans and receivables. The Group evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Group uses judgment, based on available facts and circumstances, and based on a review of the factors that affect the collectibility of the accounts. The review is made by management on a continuing basis to identify accounts to be provided with allowance.

The Group did not assess its loans and receivables for collective impairment due to few counterparties that can be specifically identified. Outstanding trade receivables are mainly from the Parent Company's main customer. Other receivables of the Group are not material. The amount of loss is recognized in the consolidated statements of income with a corresponding reduction in the carrying value of the loans and receivables through an allowance account. Total carrying value of loans and receivables amounted to ₱1,055,864 and ₱295,451 as at December 31, 2014 and 2013, respectively (see Note 7). Allowance for impairment on these financial assets as at December 31, 2014 and 2013 amounted to ₱2,613 and ₱3,193, respectively (see Note 7).

Valuation of AFS Financial Assets
The Group carries its quoted and unquoted AFS financial assets at fair value and at cost, respectively. Fair value measurement requires the use of accounting estimates and judgment. At initial recognition, the fair value of quoted AFS financial assets is based on its quoted price in an active market, while the fair value of unquoted AFS financial assets is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology.

Any change in fair value of its AFS financial assets is recognized in the consolidated statements of comprehensive income. As at December 31, 2014 and 2013, the Group has net cumulative unrealized loss and unrealized gain on its AFS financial assets amounting to ₱64,010 and ₱4,689, respectively (see Note 11). As at December 31, 2014 and 2013, the carrying value of the Group's AFS financial assets amounted to ₱906,681 and ₱975,380, respectively (see Note 11).

Impairment of AFS Financial Assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 30% or more and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted securities. The Group recognized impairment loss on investments in quoted shares amounting to ₱1,006,508 in 2013 due to significant decline in the fair value of the quoted shares below its cost. As at December 31, 2014 and 2013, the carrying value of the Group's AFS financial assets amounted to ₱906,681 and ₱975,380, respectively (see Note 11).

Impairment of Goodwill
The Group reviews the carrying values of goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to

which the goodwill relates. Assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized. No impairment losses were recognized in 2014, 2013 and 2012, whereas the carrying value of goodwill as at December 31, 2014 and 2013 amounted to ₱1,238,583 (see Notes 1 and 4).

Measurement of NRV of Mine Products Inventory
The NRV of mine products inventory is the estimated sales value less costs to sell, which can be derived from such inventory based on its weight and assay for metal content, and the LME and London Bullion Metal Association for prices, which also represents an active market for the product. Changes in weight and assay for metal content as well as the applicable prices as the mine products inventory are eventually shipped and sold are accounted for and accordingly adjusted in revenue. The NRV of mine products inventory as at December 31, 2014 and 2013 amounted to ₱643,474 and ₱1,533,883, respectively, which were also reflected as part of mine products revenue for the years then ended (see Note 8).

Write-down of Carrying Values of Coal and Materials and Supplies Inventories
The Group carries coal and material and supplies inventories at NRV when such value is lower than cost due to damage, physical deterioration, obsolescence or other causes. When it is evident that the NRV is lower than its cost based on physical appearance and condition of inventories, an allowance for inventory obsolescence is provided. Additional provision for materials and supplies amounted to nil, ₱46,059 and ₱53,160 in 2014, 2013 and 2012, respectively. Related allowance for inventory obsolescence amounted to ₱116,185 and ₱197,474 as at December 31, 2014 and 2013, respectively. The carrying value of materials and supplies inventories amounted to ₱1,196,196 and ₱1,113,198 as at December 31, 2014 and 2013, respectively (see Note 8).

Additional provision for coal inventory write-down amounted to nil, ₱71,313 and ₱143,547 in 2014, 2013 and 2012, respectively. Reversal of coal inventory write-down amounted to ₱3,159 in 2014 and nil in 2013. Related allowance for decline in coal inventory amounted to ₱220,083 and ₱223,242 as at December 31, 2014 and 2013, respectively. The carrying amount of coal inventory amounted to nil as at December 31, 2014 and 2013 (see Note 8).

Estimation of Fair Value of Identifiable Net Assets of an Acquiree in a Business Combination
The Group applies the acquisition method of accounting whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. The determination of fair values requires estimates of economic conditions and factors such as metal prices, mineral reserve, freight exchange rates and others. Transactions qualified as business combinations are discussed in Note 4.

Estimation of Useful Lives of Property, Plant and Equipment
The Group estimates the useful lives of depreciable property, plant and equipment, except for mine and mining and oil and gas properties, based on internal technical evaluation and experience. These estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. For mine and mining properties which were depreciated based on units-of production, the Group estimates and periodically reviews the remaining recoverable reserves to ensure that remaining reserves are reflective of the current condition of the mine and

mining and oil and gas properties. The estimated useful lives of the Group's property, plant and equipment are disclosed in Note 2 to the consolidated financial statements.

As at December 31, 2014 and 2013, net book value of property, plant and equipment amounted to ₱7,138,912 and ₱6,880,096, respectively (see Note 10).

Estimation of Recoverable Reserves
Recoverable reserves were determined using various factors or parameters such as market price of metals and global economy. These are economically mineable reserves based on the current market condition and concentration of mineral resource. The estimated recoverable reserves are used in the calculation of depreciation, amortization and testing for impairment, the assessment of life of the mine, and for forecasting the timing of the payment of mine rehabilitation costs. On June 30, 2011, the Padcal Mine life had been extended from 2017 to 2020 due to the discovery of additional reserves per an internal geological study performed by the Parent Company's geologists.

As at December 31, 2014 and 2013, the carrying value of the mine and mining properties of the Parent Company amounted to ₱3,079,946 and ₱3,112,869, respectively net of related accumulated depletion amounting to ₱7,804,555 and ₱6,760,477, respectively.

Estimation of Provision for Mine Rehabilitation Costs
The Group recognized a liability relating to the estimated costs of mine rehabilitation. The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates.

Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at each end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statements of financial position by adjusting the rehabilitation asset and liability. If the net rehabilitation provisions of revised mine assets for mature mines exceed the carrying value, that portion of the increase is charged directly to the consolidated statements of income. For closed sites, changes to estimated costs are recognized immediately in the consolidated statements of income. Provision for mine rehabilitation costs amounted to ₱31,522 and ₱20,818 as at December 31, 2014 and 2013, respectively (see Note 10).

Impairment of Non-financial Assets
The Group's non-financial assets include input tax recoverable, property, plant and equipment, deferred mine and oil exploration costs and other noncurrent assets. The Group assesses whether there are indications of impairment on its current and noncurrent non-financial assets, at least on an annual basis. If there is objective evidence, an impairment testing is performed. This requires an estimation of the value in use of the CGUs to which the assets belong. Assessments require the use of estimates and assumptions such as VAT disallowance rate, long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. In assessing value in use, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses amounting to ₱569,944, ₱179,962 and ₱827,172 were recognized in 2014, 2013 and 2012, respectively. As at December 31, 2014 and 2013, the carrying value of non-financial assets amounted to ₱34,223,326 and ₱30,509,008, respectively (see Notes 9, 10, and 12).

Valuation of Financial Instruments
The Group carries certain financial assets and financial liabilities (i.e., derivatives and AFS financial assets) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, quoted equity prices), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities is recognized in the consolidated statements of income and in the consolidated statements of comprehensive income.

The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in Note 19.

Convertible Bonds
The Group's convertible bonds, treated as a compound financial instrument, are separated into liability and equity components based on the terms of the contract. On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

Provisions for Losses
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle the said obligations. An estimate of the provision is based on known information at each end of the reporting period, net of any estimated amount that may be reimbursed to the Group. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information. In 2014 and 2013, payments were made for a total of ₱219,495 and ₱1,060,528, respectively, through the Parent Company and PGPI. As at December 31, 2014 and 2013, FEP made payments to Basic Energy Corporation (BEC) amounting to nil and ₱41,050, respectively. Provisions in 2014 and 2013 amounted to ₱13,000 and ₱114,619, respectively. Total provision for losses amounted to ₱1,086,725 and ₱969,154 as at December 31, 2014 and 2013, respectively (see Note 31).

Estimation of Net Pension Obligations (Plan Assets) and Costs
The Group's net retirement benefits costs are actuarially computed using certain assumptions with respect to future annual salary increases and discount rates per annum, among others. The Parent Company's net retirement plan asset, which is recorded as part of "Deferred exploration costs and other noncurrent assets" amounted to ₱363,952 and ₱297,705 as at December 31, 2014 and 2013, respectively (see Note 18).

SMMCI's retirement liability amounted to ₱19,033 and ₱5,975 as at December 31, 2014 and 2013 are presented as part of noncurrent liabilities (see Note 18).

PPP's and FEPs retirement liability amounted to ₱24,552 and ₱15,623 as at December 31, 2014 and 2013 are presented as part of noncurrent liabilities (see Note 18).

4. **Business Combinations**

Acquisition of PPP
On April 5, 2013, PPC increased its stake in PPP from 18.46% to 50.28% through acquisition of additional 46.4 million shares at US$0.75 per share which resulted to PPC obtaining control over PPP.

The goodwill of ₱1,534,168 arising from the acquisition pertains to the revenue potential the Group expects from PPP Peru Block Z-38, SC 14 Block C-2 (West Linapacan) and other Philippine blocks.

As at the acquisition date, the fair value of the net identifiable assets and liabilities of the PPP are as follows:

	Fair Value Recognized on Acquisition	Previous Carrying Value in the Subsidiary
Assets		
Cash and cash equivalents	₱803,379	₱803,379
Receivables	40,916	40,916
Inventories	1,035	1,035
Deferred exploration oil and gas exploration costs	5,521,113	407,219
Property and equipment	2,801	2,801
Other noncurrent assets	6,842	6,842
	6,376,086	1,262,192
Liabilities		
Accounts payable and accrued liabilities	48,391	48,391
Deferred tax liability	1,534,168	–
	1,582,559	48,391
Total identifiable net assets	₱4,793,527	₱1,213,801
Total consideration	6,327,695	
Goodwill arising from acquisition	₱1,534,168	

The fair values of deferred oil and gas exploration costs recognized as at December 31, 2013 financial statements were based on a provisional assessment of their fair value while the Group sought for the final results of independent valuations for the assets. The valuation is based on discounted cash flows for each of the project subject to uncertainty which involves significant judgments on many variables that cannot be precisely assessed at reporting date.

During 2014, results of studies from third party oil and gas consultants and competent persons were obtained by each of the respective operators of the projects which enabled the Group to perform and update the discounted cash flows. As a result of these assessment, an increase in carrying amount of Peru exploration assets by ₱393,399 occurred while assets in the Philippines decreased by the same amount. These adjustments, however, did not have any material effect on goodwill, deferred tax assets or liabilities, impairment losses and foreign currency exchange gains or losses as at December 31, 2014.

In business combinations, the identifiable assets acquired and liabilities assumed are recognized at their fair values at the acquisition date. Deferred income tax liabilities are provided on temporary differences that arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination or are affected differently.

The aggregate consideration follows:

	Amount
Fair value of previously held interest	₱1,313,700
Consideration transferred for additional interest acquired	1,433,332
Fair value of non-controlling interest	3,580,663
	₱6,327,695

The Group measured NCI using the fair value method.

	Amount
Consideration transferred for additional interest acquired	₱1,433,332
Less cash of acquired subsidiary	803,379
	₱629,953

Revenues and net income of the acquiree since the acquisition date amounted to ₱3,465 and ₱1,980,796, respectively. Consolidated revenue and net income of the Group had the business combination occurred on January 1, 2013 would be higher by ₱2,564 and lower by ₱34,650, respectively.

The Group also recorded additional retirement benefit liability amounting to ₱11,373 as at January 1, 2013 as a result of the business combination.

Acquisition of SMECI and SMMCI
On February 6, 2009, the Parent Company acquired the 50% effective interest of Anglo American Exploration (Philippines), Inc. (Anglo) in SMECI and SMMCI, the companies holding the Silangan Project at that time, which gave the Parent Company control over the property together with its subsidiary, PGPI, which holds the other 50%.

The final fair values of the identifiable net assets of SMECI and SMMCI as at the date of acquisition are as follows:

	SMECI		SMMCI	
	Fair Values	Carrying Values	Fair Values	Carrying Values
Assets				
Current assets	₱1,440,247	₱1,440,247	₱1,569	₱1,569
Investment	3,236,355	2,500	–	–
Land	–	–	7,510	7,510
Deferred mine exploration costs	–	–	6,977,717	1,426,007
Other noncurrent assets	–	–	3,172	3,172
	4,676,602	1,442,747	6,989,968	1,438,258
Liabilities				
Current liabilities	(1,441,241)	(1,441,241)	(1,440,233)	(1,440,233)
Deferred income tax liability	–	–	(1,665,513)	–
	(1,441,241)	(1,441,241)	(3,105,746)	(1,440,233)
Net Assets	₱3,235,361	₱1,506	₱3,884,222	(₱1,975)

The share of the Group in the foregoing fair values amounted to ₱1,942,111 while the cost of the business combination amounted to ₱1,176,114 which consisted of the cash purchase price and transaction costs incurred for the equity interests in SMECI and SMMCI. The resulting negative goodwill based on the accounting for this business combination amounted to ₱765,997.

The acquisition of SMECI and SMMCI by the Parent Company in 2009 qualified as a step acquisition and resulted in the Parent Company's step-by-step comparison of the cost of the individual investments with the Group's interest in the fair values of SMECI's and SMMCI's identifiable assets, liabilities and contingent liabilities. A revaluation surplus amounting to ₱1,572,385 was recognized in 2009 which pertains to the adjustments to the fair values of the net assets of both SMECI and SMMCI relating to the previously held interest of the Parent Company in SMECI and SMMCI through PGPI.

Acquisition of FEP
On July 3, 2008, PPC acquired 4,004,000 shares of stock of FEP representing 13.31% of its outstanding shares for £1,922 (₱185,158). On September 23, 2008, PPC completed the purchase of additional 5,935,311 shares of FEP for £2,849 (₱251,481). These purchases of the FEP shares representing 19.73% of its issued capital stock, including the 28.42% interest of FEC, brought the total number of shares owned and controlled by the Group to 61.46%, which since then required the consolidation of FEP to the Group.

The finalized fair values of the identifiable net assets of FEP as at September 23, 2008 are as follows:

	Fair Values	Carrying Values
Assets		
Cash and cash equivalents	₱43,158	₱43,158
Receivables	29,927	29,927
Advances to subsidiaries	186,311	186,311
Inventories	3,212	3,212
Property and equipment	179,735	180,661
Investments	282	282
Deferred oil and gas exploration costs	948,811	1,897,621
Other assets	43,633	43,633
	1,435,069	2,384,805
Liabilities		
Accounts payable and accrued liabilities	12,427	12,427
Contingent liability	387,374	–
Other payables	183,817	183,817
	583,618	196,244
Net Assets	₱851,451	₱2,188,561

The acquisition of FEP by PPC in 2008 qualified as a step acquisition and resulted in the Parent Company's step-by-step comparison of the cost of the individual investments with the Group's interest in the fair value of FEP's identifiable assets, liabilities and contingent liabilities at each transaction dates. A revaluation surplus amounting to ₱39,012 was recognized which pertains to the adjustment to the fair values of the net assets of FEP relating to the previously held interest of the Parent Company in FEP through FEC. The related NCI in the net assets of FEP and its subsidiaries amounted to ₱315,188.

Acquisition of BEMC and FEC in 2010

On September 24, 2010, pursuant to an internal reorganization whereby all of the energy assets of PMC are to be held by PPC, PMC transferred all of its investment in shares of stock in BEMC and FEC. This qualified as a business combination under common control. The investment in FEP was previously recognized as an investment in associate.

The business combinations under common control were accounted for using the pooling-of-interests method since PMC controls PPC, BEMC, FEC and FEP before and after the transactions. No restatement of financial information for periods prior to the transactions was made.

The share of the Parent Company in the carrying amounts of net identifiable assets and liabilities amounted to ₱1,056,752 while the costs of business combinations amounted to ₱1,016,164 which consist of cash purchase price for BEMC and FEC, and the carrying amount of equity interest in FEP held by the Parent Company before the date of acquisition. The acquisitions resulted to an increase in equity reserves and non-controlling interests amounting ₱40,588 and ₱303,525, respectively, as at the date of business combinations. Goodwill arising from the business combination amounted to ₱258,593.

Total cash and cash equivalents acquired from the business combinations under common control amounted to ₱252,861.

5. Segment Information

The Group is organized into business units on their products and activities and has two reportable business segments: the metals segment and the energy and hydrocarbon segment. The operating businesses are organized and managed separately through the Parent Company and its subsidiaries according to the nature of the products provided, with each segment representing a strategic business unit that offers different products to different markets.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income (loss) for the year, earnings before interest, taxes and depreciation and depletion (EBITDA), and core net income (loss).

Net income (loss) for the year is measured consistent with consolidated net income (loss) in the consolidated statements of income. EBITDA is measured as net income excluding interest expense, interest income, provision for (benefit from) income tax, depreciation and depletion of property, plant and equipment and effects of non-recurring items.

EBITDA is not a uniform or legally defined financial measure. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. The Group relies primarily on the results in accordance with PFRS and uses EBITDA only as supplementary information.

In 2013, management reevaluated its calculation of EBITDA to exclude the effects of non-recurring items. Management believes that the revised computation of EBITDA is more useful in making decisions about resource allocation and performance assessment of its reportable segments. The EBITDA previously presented in 2012 and 2011 are then restated to effect this change.

The Group is also using core net income (loss) in evaluating total performance. Core income is the performance of business segments based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company excluding the effects of non-recurring items, net of their tax effects. Non-recurring items represent gains (losses) that, through occurrence or size, are not considered usual operating items, such as foreign exchange gains (losses), gains (losses) on derivative instruments, gains (losses) on disposal of investments, and other non-recurring gains (losses).

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments.

	December 31, 2014				
	Metals	**Energy and Hydrocarbon**	**Unallocated Corporate Balances**	**Eliminations**	**Total**
Revenue	**₱9,732,523**	**₱311,414**	**₱4,303**	**₱–**	**₱10,048,240**
External customers	**–**	**–**	**–**	**–**	**–**
Inter-segment	**–**	**–**	**–**	**–**	**–**
Consolidated revenue	**₱9,732,523**	**₱311,414**	**₱4,303**	**₱–**	**₱10,048,240**
Results					
EBITDA	**₱3,498,322**	**(₱115,803)**	**(₱4,004)**	**(₱58,521)**	**₱3,319,994**
Interest income (expense) - net	**(344,319)**	**6,756**	**54**	**–**	**(337,509)**
Income tax benefit (expense)	**(342,507)**	**(8,955)**	**25**	**–**	**(351,437)**
Depreciation and depletion	**(1,686,827)**	**(3,428)**	**(301)**	**–**	**(1,690,556)**
Non-recurring items	**82,634**	**(315,307)**	**12**	**(4,986)**	**(237,647)**
Consolidated net income (loss)	**₱1,207,303**	**(₱436,737)**	**(₱4,214)**	**(₱63,507)**	**₱702,845**
Core net income (loss)	**₱1,233,573**	**(₱103,557)**	**(₱8,223)**	**₱–**	**₱1,121,793**
Consolidated total assets	**₱36,654,743**	**₱4,988,051**	**₱9,631**	**₱2,987,923**	**₱44,640,348**
Consolidated total liabilities	**₱14,540,661**	**₱1,133,774**	**₱1,876**	**₱1,922,217**	**₱17,598,528**
Other Segment Information:					
Capital expenditures and other non-current assets	**₱5,434,637**	**₱396,384**	**₱–**	**₱–**	**₱5,831,021**
Non-cash expenses other than depletion and depreciation	**720,859**	**338,403**	**–**	**–**	**1,059,262**

	December 31, 2013				
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	₱9,583,871	₱208,773	₱9,612	₱–	₱9,802,256
Inter-segment	–	–	–	–	–
Consolidated revenue	₱9,583,871	₱208,773	₱9,612	₱–	₱9,802,256
Results					
EBITDA	₱4,209,905	(₱294,016)	₱3,641	₱–	₱3,919,530
Interest income (expense) - net	(395,475)	5,054	121	–	(390,300)
Income tax benefit (expense)	(776,484)	14,837	(1,010)	–	(762,657)
Depreciation and depletion	(1,442,750)	(4,478)	(364)	–	(1,447,592)
Non-recurring items	(1,188,626)	181,945	95	–	(1,006,586)
Consolidated net income (loss)	₱406,570	(₱96,658)	₱2,483	₱–	₱312,395
Core net income (loss)	₱816,409	₱440,927	₱2,418	₱248,585	₱1,508,339

(Forward)

	December 31, 2013				
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Consolidated total assets	₱29,938,772	₱6,010,486	₱20,366	₱3,950,921	₱39,920,545
Consolidated total liabilities	₱10,866,323	₱1,243,781	₱4,380	₱1,888,807	₱14,003,291
Other Segment Information					
Capital expenditures and other non-current assets	₱5,540,200	₱547,801	₱48	₱–	₱6,088,049
Non-cash expenses other than depletion and depreciation	1,444,597	105,377	–	–	1,549,974

	December 31, 2012				
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	₱8,451,545	₱239,033	₱7,011	₱–	₱8,697,589
Inter-segment	–	–	–	–	–
Consolidated revenue	₱8,451,545	₱239,033	₱7,011	₱–	₱8,697,589
Results					
EBITDA	₱3,227,837	₱65,375	₱457	₱–	₱3,293,669
Interest income (expense) - net	50,577	(36,955)	224	–	13,846
Income tax benefit (expense)	(445,737)	(101,831)	(21)	–	(547,589)
Depreciation and depletion	(708,360)	(70,259)	(376)	–	(778,995)
Non-recurring items	(1,349,008)	(942,688)	(74)	–	(2,291,770)
Consolidated net income (loss)	₱775,309	(₱1,086,358)	₱210	₱–	(₱310,839)
Core net income (loss)	₱1,910,561	(₱221,542)	₱262	₱–	₱1,689,281
Consolidated total assets	₱23,580,984	₱3,097,230	₱17,890	₱2,575,901	₱29,272,005
Consolidated total liabilities	₱4,810,049	₱1,363,888	₱883	₱1,006,183	₱7,181,003
Other Segment Information					
Capital expenditures and other non-current assets	₱3,783,569	₱396,843	₱15	₱–	₱ 4,180,427
Non-cash expenses other than depletion and depreciation	22,807	767,748	–	–	790,555

The following table shows the Group’s reconciliation of core net income to the consolidated net income for the years ended December 31, 2014, 2013 and 2012.

	2014	2013	2012
Core net income	**₱1,121,793**	₱1,508,339	₱1,689,281
Non-recurring gains (losses):			
Gain on sale of assets	**764,685**	97,747	–
Gain on reversal of impairment	**11,741**	–	–
Provision for impairment of AFS investments	**–**	(1,006,508)	–
Marked to market gain on derivative instruments	**–**	–	307,928
Clean- up costs	**–**	–	(21,657)
Proceeds from insurance claims	**–**	406,850	–

(Forward)

	2014	2013	2012
Provision for rehabilitation costs and others	**₱–**	(₱161,400)	(₱1,446,859)
Foreign exchange losses	**(56,505)**	(180,062)	(167,761)
Net tax effect of aforementioned adjustments	**(94,208)**	(19,615)	344,955
Net provision for impairment of asset	**(347,800)**	(303,419)	(497,154)
Reorganization costs	**(394,154)**	–	–
Net income attributable to equity holders of the Parent Company	**1,005,552**	341,932	208,733
Net income attributable to NCI (Note 25)	**(302,707)**	(29,537)	(519,572)
Consolidated net income (loss)	**₱702,845**	₱312,395	(₱310,839)

Core net income per share is computed as follows:

	2014	2013	2012
Core net income	**₱1,121,793**	₱1,508,339	₱1,689,281
Divided by weighted average number of common shares outstanding during year (Note 27)	**4,938,577,039**	4,933,657,951	4,932,216,253
Core net income per share	**₱0.227**	₱0.306	₱0.342

Sales of the Parent Company are made to Pan Pacific Copper Co., Ltd. (Pan Pacific), which is covered by a Long-term Gold and Copper Concentrates Sales Agreement (see Note 30), and to Louis Dreyfuss Commodities Metals Suisse SA (LD Metals) for the remaining ore produce. Gross revenue from Pan Pacific and LD Metals for the year ended December 31, 2014, 2013 and 2012 are presented below:

	2014	2013	2012
LD Metals	**₱8,336,374**	₱5,961,458	₱4,428,747
Pan Pacific	**3,179,773**	2,606,474	4,047,513
	₱11,516,147	₱8,567,932	₱8,476,260

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2014	2013
Cash on hand	**₱3,305**	₱3,616
Cash with banks	**719,424**	703,854
Short-term deposits	**4,509,163**	3,373,042
	₱5,231,892	₱4,080,512

Cash with banks and short-term deposits earn interest at bank deposit rates. Short-term deposits are made for varying periods, usually of up to three months depending on the cash requirements of the Group. Interest income arising from cash with banks and short-term deposits amounted to ₱16,952, ₱26,060 and in ₱58,201 in 2014, 2013 and 2012, respectively. The Group has US dollar (US$) accounts and short-term deposits in various banks amounting to US$67,776 and US$90,577 as at December 31, 2014 and 2013, respectively (see Note 22).

7. Accounts Receivable

Accounts receivable consist of:

	2014	2013
Trade	**₱893,943**	₱100,908
Accrued interest	**1,968**	3,591
Others	**162,566**	194,145
	1,058,477	298,644
Less allowance for impairment losses	**2,613**	3,193
	₱1,055,864	₱295,451

The Parent Company's trade receivables arise from shipments of copper concentrates which are initially paid based on 90% of their provisional value, currently within one week from shipment date. The 10% final balance does not bear any interest until final settlement, which usually takes around three months from shipment date. The Group has US dollar (US$) accounts receivable amounting to US$18,295 and nil as at December 31, 2014 and 2013, respectively (see Note 22).

Accrued interest receivables arise from the Group's short-term deposits. Other receivables include advances to officers and employees, and other non-trade receivables.

The following table is a rollforward analysis of the allowance for impairment losses recognized on accounts receivable:

	2014	2013
January 1		
Trade	**₱423**	₱689
Others	**2,770**	1,708
Provisions during the year		
Others	**–**	2,429
Reversals during the year		
Trade	**(423)**	(266)
Others	**(157)**	(1,367)
December 31	**₱2,613**	₱3,193

The impaired receivables were specifically identified as at December 31, 2014 and 2013.

8. Inventories

Inventories consist of:

	2014	2013
Mine products - at NRV	**₱643,474**	₱1,533,883
Coal - at NRV	**–**	–
Petroleum - at cost	**18,550**	21,193
Materials and supplies:		
On hand - at NRV	**1,165,764**	1,052,311
In transit - at cost	**30,432**	60,887
	₱1,858,220	₱2,668,274

As at December 31, 2014 and 2013, the cost of materials and supplies inventories on hand amounted to ₱1,281,949 and ₱1,249,785, respectively. As at December 31, 2014 and 2013, the Group's coal inventory at cost amounted to ₱220,083 and ₱223,242, respectively.

The following table is a rollforward analysis of the allowance for impairment losses recognized on coal and materials and supplies inventories:

	2014	2013
January 1		
Coal	**₱223,242**	₱151,941
Materials and supplies	**197,474**	248,261
Provisions during the year		
Coal	–	71,313
Materials and supplies	–	46,059
Reversals during the year		
Coal	**(3,159)**	–
Materials and supplies	**(78,322)**	(62,682)
Write-off during the year		
Materials and supplies	**(2,967)**	(34,164)
Coal	–	(12)
December 31	**₱336,268**	₱420,716

Additional provision for coal inventories which is related to BEMC's closure in 2013 is included in the "Impairment loss on deferred exploration cost and others" account in the consolidated statements of income due to its non-recurring nature. In 2014, impairment losses amounting to ₱3,159 were reversed by the BEMC since it was able to sell these inventories at cost.

Materials and supplies recognized as expense amounted to ₱1,789,423, ₱1,656,530 and ₱1,148,044, for the years ended December 31, 2014, 2013 and 2012, respectively (see Note 15).

9. Other Current Assets

Other current assets consist of:

	2014	2013
Input tax recoverable - net	**₱1,266,949**	₱1,201,726
Prepaid expenses and others	**109,792**	141,519
	₱1,376,741	₱1,343,245

Allowance for impairment loss on input tax recoverable amounted to ₱99,392 as at December 31, 2014 and 2013.

10. Property, Plant and Equipment

Property, plant and equipment consist of:

	December 31, 2014						
	Mine, Mining and Oil and Gas Properties	**Land, Buildings and Improvements***	**Machinery And Equipment**	**Surface Structures**	**Construction in Progress**	**Non-operating Property and Equipment at Bulawan Mine**	**Total**
Cost:							
January 1	**₱10,680,277**	**₱328,248**	**₱7,399,540**	**₱130,159**	**₱514,326**	**₱2,197,683**	**₱21,250,233**
Additions	**1,036,672**	**62,082**	**1,166,038**	**56,199**	**32,700**	**–**	**2,353,691**
Disposals	**–**	**–**	**(73,658)**	**–**	**–**	**(112,610)**	**(186,268)**
Reclassifications (see Note 32)	**(10,911)**	**23,162**	**(88,537)**	**–**	**(44,839)**	**–**	**(121,125)**
Other Adjustments	**(3,583)**	**–**	**(3,772)**	**–**	**–**	**–**	**(7,355)**
Effect of CTA	**4,093**	**–**	**3,996**	**–**	**–**	**–**	**8,089**
December 31	**11,706,548**	**413,492**	**8,403,607**	**186,358**	**502,187**	**2,085,073**	**23,297,265**
Accumulated Depletion and Depreciation:							
January 1	**7,227,623**	**229,711**	**4,585,052**	**130,068**	**–**	**2,197,683**	**14,370,137**
Depletion and depreciation for the year (Notes 17 and 32)	**1,086,277**	**24,344**	**894,549**	**3,295**	**–**	**–**	**2,008,465**
Disposals	**–**	**–**	**(71,464)**	**–**	**–**	**(112,610)**	**(184,074)**
Reclassifications	**–**	**–**	**(39,918)**	**–**	**–**	**–**	**(39,918)**
Other Adjustments	**–**	**–**	**(725)**	**–**	**–**	**–**	**(725)**
Effect of CTA	**2,134**	**–**	**2,334**	**–**	**–**	**–**	**4,468**
December 31	**8,316,034**	**254,055**	**5,369,828**	**133,363**	**–**	**2,085,073**	**16,158,353**
Net Book Values	**₱3,390,514**	**₱159,437**	**₱3,033,779**	**₱52,995**	**₱502,187**	**₱–**	**₱7,138,912**

**Cost of land amounts to ₱2,053. This also includes capitalized costs of mine rehabilitation of ₱18,130 and related accumulated amortization of ₱18,130.*

	December 31, 2013						
	Mine, Mining and Oil and Gas Properties	Land, Buildings and Improvements*	Machinery And Equipment	Surface Structures	Construction in Progress	Non-operating Property and Equipment at Bulawan Mine	Total
Cost:							
January 1	₱9,000,304	₱239,945	₱7,671,416	₱135,944	₱795,469	₱2,197,683	₱20,040,761
Additions	633,376	5,513	710,809	206	961,045	–	2,310,949
Acquisition of subsidiary	–	–	35,161	–	–	–	35,161
Disposals	–	(3,538)	(1,111,252)	(730)	–	–	(1,115,520)
Reclassifications (see Note 32)	1,073,959	86,328	133,347	(5,261)	(1,242,188)	–	46,185
Effect of CTA	(27,362)	–	(3,150)	–	–	–	(30,512)
December 31	10,680,277	328,248	7,436,331	130,159	514,326	2,197,683	21,287,024
Accumulated Depletion and Depreciation:							
January 1	6,413,990	228,563	5,034,991	129,600	760	2,197,683	14,005,587
Depletion and depreciation for the year (Notes 17 and 32)	812,891	4,335	698,102	231	–	–	1,515,559
Acquisition of subsidiary	–	–	32,360	–	–	–	32,360
Disposals	–	(3,187)	(1,106,987)	(729)	–	–	(1,110,903)
Impairment (Note 1)	18,290	–	954	206	–	–	19,450
Reversal of impairment	–	–	(34,739)	–	–	–	(34,739)
Reclassifications (see Note 32)	–	–	–	760	(760)	–	–
Effect of CTA	(17,548)	–	(2,838)	–	–	–	(20,386)
December 31	7,227,623	229,711	4,621,843	130,068	–	2,197,683	14,406,928
Net Book Values	₱3,452,654	₱98,537	₱2,814,488	₱91	₱514,326	₱–	₱6,880,096

**Cost of land amounts to ₱2,053. This also includes capitalized costs of mine rehabilitation of ₱18,130 and related accumulated amortization of ₱18,130.*

Mine and mining properties as at December 31, 2014 and 2013 include mine development costs of the 908 Meter Level, 782 Meter Level and 798 Meter Level project amounting to ₱2,526,172 and ₱2,130,265, respectively. In 2011, the estimated mine life of the Parent Company's Padcal Mine was extended until 2020, or an additional three years from the original estimated mine life of until 2017. Correspondingly, the extension in mine life was considered as a change in estimate and the effect on the amortization of the depletion costs was taken up prospectively.

Total depreciation cost of machinery and equipment used in exploration projects amounting to ₱317,909, ₱67,967 and ₱166,984 in 2014, 2013 and 2012, respectively, are capitalized under deferred exploration costs, which relate to projects that are currently ongoing for PMC, SMMCI and PGPI.

Land, buildings and improvements include the estimated costs of rehabilitating the Parent Company's Padcal Mine. These costs, net of accumulated amortization, amounted to nil as at December 31, 2014 and 2013. These were based on technical estimates of probable costs, which may be incurred by the Parent Company in rehabilitating the said mine from 2021 up to 2030, discounted using the Parent Company's historical average borrowing rate of 10% per annum. The provision for mine rehabilitation costs amounted to ₱31,522 and ₱20,818 as at December 31, 2014 and 2013, respectively.

Included in the mine and mining properties is the present value of the BEMC's mine rehabilitation costs amounting to nil as at December 31, 2014 and 2013. Discount rate of 14% was used to compute the present value of mine rehabilitation costs as at December 31, 2010. Accretion of interest totaled nil and ₱120 in 2014 and 2013, respectively. Accordingly, the provision for mine rehabilitation costs of BEMC amounted to ₱953 as at December 31, 2014 and 2013.

Non-operating property and equipment in the Bulawan mine pertains to PGPI's fully-depreciated property and exploration equipment that are presently not in use. These assets do not qualify as assets held for sale under PFRS 5 and are thus retained as property, plant and equipment.

On July 17, 2014, the Parent Company sold its property located in Pasig City for a total amount of ₱777,445. Total gain of ₱764,685 was recognized in the consolidated statements of income after the related necessary taxes and expenses.

11. **Available-for-sale (AFS) Financial Assets**

AFS Financial Assets
The Group's AFS financial assets consist of the following:

	2014	2013
Investments in quoted shares of stock of:		
Lepanto Consolidated Mining Company (Lepanto)	**₱479,509**	₱672,608
Indophil Resources NL (Indophil)	**316,066**	190,375
Philippine Realty & Holdings Corporation (PRHC)	**33,400**	29,956
Other quoted equity investments	**5,012**	9,747
	833,987	902,686
Investments in unquoted shares of stock of:		
Pacific Global One Aviation	**37,500**	37,500
Philippine Associated Smelting and Refining Corporation	**14,055**	14,055
Other unquoted equity investments	**21,139**	21,139
	72,694	72,694
	₱906,681	₱975,380

AFS financial assets in quoted shares of stock are carried at fair value with cumulative changes in fair values presented as a separate account in equity. Meanwhile, AFS financial assets in unquoted shares of stock are carried at cost because fair value bases (i.e., quoted market prices) are neither readily available nor is there an alternative basis of deriving a reliable valuation at the end of the reporting period.

As at December 31, 2014 and 2013, the cumulative change in value of AFS financial assets amounted to a decrease of ₱64,010 and increase of ₱4,689, respectively. These changes in fair values in the same amounts have been recognized and shown as "Net unrealized gain (loss) on AFS financial assets" account in the equity section of the consolidated statements of financial position and are also shown in the consolidated statements of comprehensive income.

In 2013, the Company recognized impairment loss on quoted AFS investments in Lepanto and Indophil amounting to ₱1,006,508 due to a significant decline in the fair value of the quoted shares below its cost.

The following table shows the movement of the "Net unrealized gain (loss) on AFS financial assets" account:

	2014	2013
January 1	**₱4,689**	₱587,836
Decrease in fair value of AFS financial assets	**(68,699)**	(1,620,140)
Loss transferred in consolidated statements of income due to impairment	–	1,006,508
Loss transferred in consolidated statements of income (Note 25)	–	30,485
December 31	**(₱64,010)**	₱4,689

Investment in PPP
On April 5, 2013, PPC increased its stake in PPP from 18.46% to 50.28% through acquisition of additional 46.4 million shares at US$0.75 per share which resulted in PPC obtaining control over PPP. The related investment account in PPP by PPC was reclassified as investment in subsidiary and eliminated during consolidation.

Investment in PERC
The Group's investment in shares of stock of PERC was carried at fair value with cumulative changes in fair value presented as part of "Unrealized gain on AFS financial asset" in the equity section of the consolidated statements of financial position.

On February 21, 2013, the Company sold all of its investment in PERC for ₱167,999. Gain on sale of PERC shares amounted to ₱26,867 which was recognized in the consolidated statements of income.

Subscriptions Payable
Subscriptions payable which is included as part of "Provisions and subscription payable" in the consolidated statements of financial position is related to the investments in shares of stock of PRHC and Philodrill amounting to ₱21,995 in 2014 and 2013.

12. **Deferred Exploration Costs and Other Noncurrent Assets**

Deferred exploration costs and other noncurrent assets consist of:

	2014	2013
Deferred mine exploration costs	**₱22,054,748**	₱18,359,454
Less allowance for impairment losses	**1,519,542**	1,288,123
	20,535,206	17,071,331
Deferred oil exploration costs	**5,705,778**	5,421,457
Less allowance for impairment losses	**874,415**	442,974
	4,831,363	4,978,483
Other noncurrent assets	**450,896**	377,372
	₱25,817,465	₱22,427,186

The following table is a rollforward analysis of the allowance for impairment losses recognized on deferred exploration cost and other noncurrent assets:

	2014	2013
January 1		
Deferred mine exploration cost	**₱1,288,123**	₱1,048,811
Deferred oil exploration cost	**442,974**	442,974
Others	**–**	47,435
Provisions during the year		
Deferred mine exploration cost	**231,419**	242,686
Deferred oil exploration cost	**338,525**	–
Write-off during the year		
Deferred mine exploration cost	**–**	(3,374)
Cumulative translation adjustment		
Deferred oil exploration cost	**92,916**	–
Reversals during the year		
Others	**–**	(47,435)
December 31	**₱2,393,957**	₱1,731,097

Deferred Mine and Oil Exploration Costs

a. Deferred mine and oil exploration costs relate to projects that are ongoing. The recovery of these costs depends upon the success of exploration activities and future development of the corresponding mining properties or the discovery of oil and gas that can be produced in commercial quantities. Allowances have been provided for those deferred costs that are specifically identified to be unrecoverable. Allowances recognized for the year are included under “Impairment loss on deferred exploration costs and others” and “Others - net” in the consolidated statements of income amounted to ₱569,926 and ₱18, respectively.

b. PPP, PPC and FEP, through its subsidiaries, has various participating interests in petroleum service contracts as follows:

	Participating Interest		
Service Contract	Pitkin	PPC	FEP
SC 6 (Cadlao Block)	–	1.65%	–
SC 6A (Octon Block)	70.00%[1]	1.67%	1.67%
SC 6B (Bonita Block)	–	–	7.03%
SC 14 (Tara PA)	–	–	10.00%
SC 14 Block A (Nido)	–	–	8.47%
SC 14 Block B (Matinloc)	–	–	12.41%
SC 14 Block B-1 (North Matinloc)	–	–	19.46%
SC 14 Block C (Galoc)	–	–	2.28%
SC 14 Block C-2 (West Linapacan)	29.15%[2]	–	2.28%
SC 14 Block D (Retention Block)	–	–	8.17%
SC 40 (North Cebu Block)	–	–	66.67%
SC 53 (Mindoro)	35.00%	–	–
SC 72 (Reed Bank)	–	–	70.00%
SC 74 Area 5 (Northwest Palawan)	70.00%	–	–
SC 75 Area 4 (Northwest Palawan)	–	50.00%	–

(Forward)

	Participating Interest		
Service Contract	Pitkin	PPC	FEP
Peru Block XXVIII	100.00%	–	–
Peru Block Z-38	25.00%	–	–

[1] *Pitkin is awaiting the approval of DOE on the reassignment of its participating interest back to the farm-out partners which includes PPC and FEPCO, a subsidiary of FEP.*
[2] *Pitkin is seeking the approval of DOE of its Purchase and Sale Agreement with RMA (HK) Limited transferring its participating interests to the latter.*

SC 6A (Octon Block)
The SC covers an area of 1,080 square kilometres and was entered into by the DOE and the original second parties to the contract on September 1, 1973. In July 2011, PPP acquired 70% interest and operatorship of the block by carrying all costs of Phase 1 of the work program which involved acquisition, processing, and interpretation of 500-kilometer 3D seismic data. PPP shall also have the right but not the obligation to proceed and carry the costs of Phases 2 and 3 upon notification of the other farmors.

In 2014, Pitkin elected not to enter Phase 2 of a farm-in agreement to earn a 70% participating interest in SC 6A which is located offshore NW Palawan. Pitkin will be reassigning its participating interest back to the farm-out partners upon completion of the Phase 1 work program on December 31, 2014. The reassignment of Pitkin's participating interest will be subject to the approval of the Department of Energy. As a result of the decision to exit SC 6A, Pitkin recorded an impairment loss of ₱338,525.

SC 14 Block C (Galoc)
On September 10, 2012, the Galoc JV approved the Final Investment Decision (FID) for Phase 2 development of the Galoc Field starting first half of 2013. On June 4, 2013, drilling of two additional production wells commenced and was completed on October 23, 2013. On December 4, 2013, Galoc Phase 2 started to produce oil and is expected to increase field production from the average 4,500 BOPD to around 12,000 BOPD.

The total project cost, including drilling and development, is approximately US$188,000, of which FEP's share is US$4,278 (2.27575%).

On December 21, 2012, FEP and Galoc Production Company (GPC) entered into a loan facility with BNP Paribas to provide a total of US$40 million project financing for the Galoc Field's Phase 2 development. In 2014, the total amount drawn from the loan facility was fully paid with BNP Paribas.

SC 14 Block C-2 (West Linapacan)
West Linapacan is located in 300 to 350 metres of water, approximately 60 kilometres offshore from Palawan Island in SC 14 Block C2 in the Northwest Palawan Basin, Philippines. It comprises of two main oil bearing structures - West Linapacan A and B - and several seismic leads. The SC was entered into on December 17, 1975 between the Petroleum Board and the original second parties to the contract. PPP had a 58.30% interest in this SC pursuant to a Farm-In Agreement approved by the DOE on September 11, 2008. However, on February 7, 2011, PPP concluded a farm-out agreement whereby it transferred 29.15% participating interest to RMA (HK) Limited in exchange for being carried through the drilling and testing of the West Linapacan A appraisal/development well. The farm-out agreement was approved by the DOE on July 4, 2011. The viability of redeveloping the West Linapacan oil field is currently being evaluated as at December 31, 2014.

SC 40 (North Cebu)
In 2012, FEP commissioned a resource assessment study to be undertaken by Petroleum Geo-Services (PGS) Reservoir Consultants, an independent competent person. The results of the study, which was received in 2013, downgraded previously identified leads and prospects within SC 40. An important factor in this assessment was that third parties had experienced a dry hole in drilling efforts within the Central Tañon Straits which significantly reduced the likelihood of the existence of a commercially viable hydrocarbon deposit in this region. In light of this report and applying appropriate caution, the carrying value of the investment in SC40 has been impaired by ₱388,631 which is included in 'Impairment loss on deferred exploration costs and others' in the consolidated statement of income in 2012. The carrying value as at December 31, 2014 reflects the potential of a number of smaller onshore locations within SC 40.

SC 53 (Mindoro)
SC 53 measures 6,600 square kilometres and is mostly located in onshore Mindoro Island. It is adjacent to the petroliferous North Palawan Basin where almost all of the producing oil and gas wells in the Philippines are found. The SC was entered into on July 8, 2005 between the Government of the Republic of the Philippines through the DOE and Laxmi Organic Industries Ltd. On September 5, 2007, PPP executed a farm-in agreement with the existing partners of SC 53. The agreement was subsequently approved by the DOE on June 11, 2008. On April 4, 2011, PPP executed a farm-out agreement whereby it transferred 35% of its participating interest to the farmee in exchange for being carried through the drilling, testing and completing of the Progreso-2 well and the acquisition, processing and interpretation of 2D onshore and offshore seismic data. The farm-out agreement was approved by the DOE on July 4, 2011.

During 2014, Pitkin has been able to obtain most of the necessary local government permits as preparation for the drilling activities in the SC. However, activities may not proceed until the final resolution of the complaint filed by the indigenous people of Mindoro against the operations in the area. The DOE has granted the Company, through a letter of confirmation that the delay in the operations shall not in any way affect the term of the 10 year exploration period.

SC 72 (Reed Bank)
SC 72 was awarded on February 15, 2010. It covers an area of 8,800 square kilometers and contains the Sampaguita Gas Discovery which has the potential to contain In-Place Contingent Resources of 2.6 trillion cubic feet (TCF) as reported by Weatherford Petroleum Consultants (Weatherford) in 2012.

Based on the study, In-Place Prospective Resources totalling 5.4 TCF is expected to be drilled in the area. The results of the study were used to define the location of two wells, to be named Sampaguita-4 and Sampaguita-5, which if successfully drilled, would be expected to increase the amount of potentially recoverable resources. The drilling of two wells is part of the work programme of FEP for the second-sub-phase of SC 72 which was supposed to be accomplished in August 2013. However, FEP was unable to commence the drilling programme because of maritime disputes between the Philippine and Chinese governments. The DOE has granted FEP an extension from August 2014 up to August 2015 on the grounds of force majeure to allow the completion of obligations under the SC.

In the meantime, FEP recognizes its ongoing commitment to the project by continuously undertaking studies to discover the field's potential. In October 2013, CGG Mumbai (CGG) completed the reprocessing of 700 line-km of vintage 2D seismic data in Reed Bank. CGG earlier completed the reprocessing of the 2011-acquired 2D data totaling 2,200 line-km.

In 2014, the Department of Energy granted Forum (GSEC 101) Limited's request to extend the completion date of the second Exploration Sub-Phase of Service Contract 72 ("SC 72") by one year to August 15, 2016. The Sub-Phase 2 exploration work program of SC 72 which is located offshore West Palawan, comprises the drilling of two wells.

SC 74 Area 5 (Northwest Palawan)
In September 2013, PPP, in consortium with Philodrill, acquired acreage covering Area 5 North West (NW) Palawan Basin in a competitive bid under the Fourth Philippine Energy Contracting Round (PECR4), with operating interest of 70% and participating interest of 30%, respectively. It covers an area of 4,240 square kilometers and is located in shallow waters of the NW Palawan area.

SC 75 Area 4 (Northwest Palawan)
On January 3, 2014, the duly executed copy of Petroleum SC 75 was granted to the bid group comprising PPC, Philippine National Oil Company Exploration Corporation and PERC with operating interest of 50%, participating interests of 35% and 15%, respectively. It covers an area of 6,160 square kilometers in the NW Palawan Basin which was referred to as Area 4 in PECR4.

Peru Block XXVIII
Block XXVIII was awarded to PPP in October 2010. It covers an area of 3,143 square kilometres located in the eastern portion of the productive Sechura Basin. As at December 31, 2014, the project is in its 2nd phase of exploration which involves several geological and geophysical studies such as gradiometry and magnetometry.

Peru Block Z-38
In April 2007, Block Z-38 was awarded to PPP. Farm-out agreement has been made by PPP in which it resulted to Karoon Gas Australia Ltd. obtaining operating interest of seventy-five percent (75%). It covers an area of 4,875 square kilometers and is located in the Tumbes Basin offshore NW Peru.

In 2014, the Peruvian oil and gas regulator, Perupetro S.A., approved the application to place Peru Block Z-38 into force majeure. The application for force majeure was requested on the basis of the Operator, Karoon Gas, being unable to secure a suitable drilling unit within the required timeframe on the Pacific side of the Americas. The force majeure was granted effective September 1, 2013. As a result, the term of the current third exploration period will have approximately 22 months remaining once the force majeure is lifted.

Other Noncurrent Assets
This account primarily includes the following:

a. Materials and supplies that are being used in operations over a period of more than one year.

b. Bank accounts that the Parent Company and PGPI maintain with Land Bank of the Philippines to establish their respective Mine Rehabilitation Funds (MRF), pursuant to the requirements of Republic Act (RA) No. 7942, otherwise known as “The Philippine Mining Act of 1995.” The MRF shall be used for the physical and social rehabilitation of areas and communities affected by the Padcal, Bulawan and Sibutad Mines, and for research in the social, technical and preventive aspects of their rehabilitation. As at December 31, 2014 and 2013, the Parent Company’s MRF amounted to ₱5,474 and ₱5,988, while PGPI’s MRF amounted to ₱6,768 and ₱6,730, respectively.

c. The Parent Company’s net retirement plan asset amounted to ₱363,952 and ₱297,705 as at December 31, 2014 and 2013, respectively (see Note 18).

13. **Loans and Bonds Payable**

	2014	2013
Current Loans		
Bank loans		
Philippine National Bank (PNB)	**₱1,788,800**	₱887,900
Banco de Oro (BDO)	**1,341,600**	987,900
Bank of the Philippine Islands (BPI)	**827,320**	693,950
Land Bank of the Philippines (LBP)	**350,000**	–
BNP Paribas - current portion	**–**	55,019
Related parties		
Asia Link B.V.	**–**	2,219,750
Kirtman Limited	**–**	665,925
Maxella Limited	**–**	665,925
Total current loans	**4,307,720**	6,176,369
Noncurrent Loans		
BNP Paribas - net of current portion	**–**	55,014
Bonds payable	**5,947,366**	–
	₱10,255,086	₱6,231,383

Kirtman Limited Loan

On November 9, 2012, the Parent Company entered into an unsecured Term Loan Facility Agreement (the 1st Loan Agreement) with Kirtman Limited (a subsidiary of FPC), a related party, amounting to a maximum of ₱2,100,000 in cash maturing 364 days after the Agreement date. The interest rate of the loan is set at 5% per annum. Initial drawdown of ₱1,100,000 was made on November 13, 2012. On January 14, 2013, the Parent Company availed of the ₱1,000,000 balance of the facility. The proceeds of the loan were used to fund the capital expenditures of Silangan Project and working capital requirements of the Group.

On March 12, 2013, the Parent Company entered into a second Term Loan Facility Agreement (the 2nd Loan Agreement) with Kirtman Limited amounting to a maximum of US$25,000 maturing 364 days after the 2nd Loan Agreement date. The interest rate of the loan is set at 5% per annum. Initial drawdown of US$15,000 was made on March 18, 2013.

Both loans are to be settled in cash and contain a pre-termination clause which allows the Parent Company to pay all outstanding drawdown before maturity date.

On November 8, 2013, the Parent Company fully paid the ₱2,100,000 loan from Kirtman Limited.

On April 4, 2014, the Parent Company has requested Kirtman Limited to extend the repayment date of the US$25,000 term loan facility, dated March 12, 2013, to March 10, 2015.

On December 18, 2014, the Parent Company fully paid the US$15,000 initial drawdown on the US$25,000 loan agreement with Kirtman Limited.

Maxella Limited Loan

On March 12, 2013, the Parent Company entered into a Term Loan Facility Agreement (the 3rd Loan Agreement) with Maxella Limited (a subsidiary of FPC), a related party, amounting to a maximum of US$25,000 maturing 364 days after the 3rd Loan Agreement date. The interest rate of the loan is set at 5% per annum. Initial drawdown of US$15,000 was made on March 18, 2013.

The loan also contains a pre-termination clause which allows the Parent Company to pay all outstanding drawdown before maturity date.

On April 4, 2014 the Parent Company has requested Maxella Limited to extend the repayment date of the US$25,000 term loan facility, dated March 12, 2013, to March 10, 2015.

On December 18, 2014, the Parent Company fully paid the US$15,000 initial drawdown on the US$25,000 loan agreement with Maxella Limited.

Asia Link B.V. Loan

On March 12, 2013, the Parent Company entered into a Term Loan Facility Agreement (the 4th Loan Agreement) with Asia Link B.V., a related party, for up to a maximum of US$100,000. Initial drawdown of US$50,000 at the interest rate of 5% per annum was made on April 12, 2013.

On April 4, 2014 the Parent Company has requested Asia Link B.V. to extend the repayment date of the US$50,000 initial drawdown, dated March 12, 2013, to March 10, 2015.

On December 18, 2014, the Parent Company fully paid the US$50,000 initial drawdown on the US$100,000 loan agreement with Asia Link B.V.

Interest expense on the Term Loan Facility Agreements with Kirtman Limited, Maxella Limited and Asia Link B.V amounted to ₱207,074 and ₱374,765 for 2014 and 2013, respectively.

BDO Loans

On April 25, 2013, PMC assumed the liability of BEMC for the settlement of the ₱100,000 loan from BDO at the interest rate of 4% subject to repricing. After a series of renewals, the maturity of the loan was extended to January 20, 2014. The loan was consequently renewed upon maturity for an additional 85 days until April 15, 2014 under the same terms. The loan was fully paid in July 2014.

On November 6, 2013, the Parent Company obtained unsecured short-term loans from BDO amounting to US$20,000. The loan carries 2.5% interest per annum and will mature on February 4, 2014. The loan was also renewed upon maturity for an additional 90 days until May 5, 2014 under the same terms and was subsequently renewed several times with last renewal maturing January 28, 2015 under the same terms.

On July 1, 2014, the Parent Company obtained unsecured short term loan from BDO amounting to US$10,000. The loan carries 2.5% interest per annum and will mature on September 29, 2014. The loan was renewed for another 81 days until December 19, 2014 under the same terms and was again renewed for another 90 days to mature on March 19, 2015.

BPI Loans

On January 14, 2013 and February 18, 2013, PMC assumed the liability for the settlement of the ₱150,000 and ₱100,000 loans with BPI, previously payable by BEMC. The interest rates of the notes are at 4% per annum but subject to repricing every 30 days based on the prevailing interest rate at the date of repricing. The related interest is payable every 30 days. After a series of renewals, the maturity of the ₱150,000 and ₱100,000 loans from BPI was extended to January 30, 2014 and February 14, 2014, respectively. Interest was increased to 4.5% per annum for both loans. The maturity dates of both loans were extended through another renewal under the increased interest rate until March 3, 2014 and March 28, 2014, respectively. These loans were both fully paid in July 2014.

On April 2, 2013, the Parent Company obtained an unsecured short-term loan from BPI amounting to US$10,000. The loan carries 2.375% interest per annum but subject to repricing every 30 days and will mature on July 1, 2013. After a series of renewals, the maturity of the US$10,000 BPI loan was extended and paid on September 12, 2013.

On November 6, 2013, the Parent Company obtained an unsecured short-term loan from BPI amounting to US$10,000. The loan carries 2.5% interest per annum and will mature on February 6, 2014. The loan was also renewed upon maturity for an additional 45 days or until March 21, 2014 under the same terms. The loan was fully paid on March 21, 2014.

On May 12, 2014, the Parent Company obtained an unsecured short-term loan from BPI amounting to US$10,000. The loan carries 2.5% interest per annum and will mature on June 1, 2014. This was subsequently renewed several times with last renewal to mature on January 1, 2015.

On November 24, 2014, the Parent Company obtained an unsecured short-term loan from BPI amounting to US$5,000. The loan carries 2.5% interest per annum but subject to repricing every 30 days and last renewal to mature on January 23, 2015.

On November 27, 2014, the Parent Company obtained an unsecured short-term loan from BPI amounting to US$3,500. The loan carries 2.5% interest per annum but subject to repricing every 30 days and last renewal to mature on January 26, 2015.

PNB Loans

The Parent Company also obtained a short-term loan on April 2, 2013 from PNB amounting to US$17,500 guaranteed by the Parent Company's ore concentrate shipment number 691 to Pan Pacific. The loan carries 2.5% fixed interest rate per annum and will mature on May 10, 2013 or upon receipt of payment from Pan Pacific, whichever comes earlier. The loan was fully settled on May 6, 2013.

On April 2, 2013, the Parent Company obtained an unsecured short-term loan from PNB amounting to US$2,500. The loan carries 2.5% interest per annum but subject to repricing every 30 days, respectively, and will mature on July 1, 2013. The US$2,500 loan from PNB was fully paid on July 1, 2013.

On November 6, 2013, the Parent Company obtained unsecured short-term loans from PNB amounting to US$20,000. The loan carries 2.5% interest per annum and will mature on February 4, 2014. The loan was renewed several times upon maturity for an additional 90 days or until May 5, 2014 under the same terms. Subsequent renewal followed with last renewal maturing on January 28, 2015.

On March 19, 2014, the Parent Company obtained an unsecured short-term loan from PNB amounting to US$10,000. The loan carries 2.5% interest per annum but subject to repricing every 30 days. The loan will mature on June 19, 2014. The loan was subsequently renewed several times with last renewal on January 12, 2015.

On June 3, 2014, the Parent Company obtained unsecured loan from PNB amounting to US$10,000. The loan carries 2.5% interest per annum and will mature on September 3, 2014. The loan was renewed for 28 days up to October 1 and was again renewed for another 89 days to mature on December 29, 2014 under the same terms. Latest renewal for another 90 days will mature on March 27, 2015.

LBP Loans

On July 14, 2014, the Parent Company obtained an unsecured short-term loan from LBP amounting to ₱100,000. The loan carries 4.5% interest per annum which will start on the date of initial borrowing and having a duration not exceeding 88 days, and will mature on October 10, 2014. This loan was renewed for another 88 days to mature on January 8, 2015.

On July 28, 2014, the Parent Company obtained an unsecured short-term loan from LBP amounting to ₱250,000. The loan carries 4.5% interest per annum but subject to repricing every 90 days, and will mature on October 27, 2014. This loan was renewed for another 88 days to mature on January 23, 2015.

Interest expense on the bank loans amounted to ₱90,757, ₱37,676 and ₱14,361 for 2014, 2013 and 2012, respectively.

BNP Paribas Loan

On December 21, 2012, FEP, together with Galoc Production Co. (GPC), entered into a $40,000 loan facility with BNP Paribas for the purpose of financing the development activities of SC 14C's Galoc Phase 2. A Proceeds Account was set-up between the parties to which all drawdowns and petroleum sales proceeds shall be deposited and from which all disbursements for the purposes in which the loan was entered into, and all repayments of the loan principal, interests, and other incidental costs shall come from.

Interest on the loan is set at 6% plus London Interbank Offered Rate (LIBOR) rate per annum as at December 31, 2013. It shall decrease to 5.5% plus LIBOR rate per annum once all stipulations in the loan facility agreement have been met. Interest expense capitalized as part of property and equipment relating to the loan amounted to nil and ₱1,095 as at December 31, 2014 and 2013, respectively. Interest expense recognized in profit or loss in 2014 amounted to ₱3,146. Facility fees and finance charges amounted to ₱466 and ₱1,402 for the year ended December 31, 2014, and ₱7,100 and ₱7,890 as at December 31, 2013. The facility fees and finance charges are also recorded under 'Interest expense' in the consolidated statements of comprehensive income.

The loan is secured by 500,000,006 shares of FEP representing 100% capital stock of the company. On June 30, 2014, the loan was fully-settled in cash and all accessory contracts were terminated simultaneously.

The Company's bank loans are expected to be settled in cash and are payable in lump sum.

Bonds Payable

On December 18, 2014, SMECI and PMC, as the co-issuer, issued 8-year convertible bonds with a face value of ₱7,200,000 at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares SMECI at ₱18 per share 12 months after the issue date ("Standstill Period"). On the last day of the Standstill Period, the Issuer shall have a one-time right to redeem the bonds from the holders in whole or in part. At redemption/maturity date, the bonds can be redeemed together with the principal or face value of the bonds, a 3% p.a. redemption premium based on the face value of the bonds and unpaid accrued interest (if there be any) at the relevant payment date.

At the date of issuance, the carrying amount of the bonds payable and equity conversion options amounted to ₱5,974,482 and ₱1,225,518, respectively. Interest expense pertaining to the convertible bonds amounting to ₱14,731 was capitalized as deferred exploration costs.

14. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	2014	2013
Trade	**₱776,581**	₱1,331,320
Accrued expenses	**678,546**	675,338
Accrued royalties and excise taxes	**104,360**	129,233
Withholding taxes	**53,875**	99,975
Refundable retention fee	–	13,270
Other nontrade liabilities	**182,393**	72,165
	₱1,795,755	₱2,321,301

Trade payables are non-interest bearing and are generally settled within 30-60 day terms. Accrued expenses consist of accrued operating and administrative expenses, contracted and outside services. Other nontrade liabilities include payroll-related liabilities.

15. Costs and Expenses

Costs and expenses include the following:

	2014	2013	2012
Mining and milling costs:			
Materials and supplies	**₱1,785,909**	₱1,580,141	₱978,683
Communications, light and water	**1,709,707**	1,291,863	907,070
Depletion and depreciation (Notes 10 and 17)	**1,665,523**	1,339,139	552,783
Personnel (Note 16)	**1,076,790**	862,676	665,939
Contracted services	**240,024**	232,155	286,561
Others	**241,975**	151,907	82,147
	₱6,719,928	₱5,457,881	₱3,473,183
General and administrative expenses:			
Personnel (Note 16)	**₱507,299**	₱550,866	₱437,122
Contracted services	**152,189**	236,400	201,143
Taxes and licenses	**73,951**	60,592	66,735
Travel and transportation	**13,408**	48,101	59,246
Repairs and maintenance	**12,189**	27,999	20,956
Depreciation (Notes 10 and 17)	**25,033**	22,562	26,330
Communications, light and water	**15,762**	18,738	17,165
Donations	**3,934**	6,875	29,450
Business meetings	**1,880**	4,279	6,519
Office supplies	**2,907**	3,821	5,209
Exploration supplies	**607**	1,908	8,947
Others	**133,842**	328,918	269,469
	₱943,001	₱1,311,059	₱1,148,291

(Forward)

	2014	2013	2012
Excise taxes and royalties:			
Royalties	**₱311,248**	₱343,548	₱295,590
Excise taxes	**195,940**	192,974	159,268
	₱507,188	₱536,522	₱454,858

Other general and administrative expenses include security, janitorial and other outside services, and general miscellaneous expenses.

Starting August 1, 2012, the Parent Company suspended its operations at the Padcal Mine after tailings were accidentally discharged from the underground tunnel of Penstock A being used to drain water from TSF No. 3 of the mine. Maintenance costs incurred during the suspension of operations of the Padcal Mine until March 7, 2013 are as follows:

	2014	2013	2012
Padcal maintenance costs:			
Personnel (Notes 16 and 18)	**₱–**	₱126,313	₱187,919
Depreciation (Notes 10 and 17)	**–**	85,891	199,882
Materials and supplies	**–**	70,660	155,205
Communications, light and water	**–**	67,213	151,362
Contracted services	**–**	60,580	117,755
Others	**–**	28,933	99,984
	₱–	₱439,590	₱912,107

16. **Personnel Cost**

Details of personnel costs are as follows:

	2014	2013	2012
Mining and milling costs (Note 15):			
Salaries and wages	**₱733,826**	₱576,940	₱404,962
Employee benefits	**402,622**	228,047	210,760
Retirement costs (gain) (Note 18)	**(59,658)**	57,689	50,217
	1,076,790	862,676	665,939
General and administrative expenses (Note 15):			
Salaries and wages	**317,898**	323,714	246,679
Employee benefits	**191,386**	211,304	179,677
Retirement costs (gain) (Note 18)	**(1,985)**	15,848	10,766
	507,299	550,866	437,122
Padcal maintenance costs (Note 15):			
Salaries and wages	**–**	73,398	114,275
Employee benefits	**–**	36,637	59,474
Retirement costs (Note 18)	**–**	16,278	14,170
	–	126,313	187,919
	₱1,584,089	₱1,539,855	₱1,290,980

As of December 31, 2014, retirement costs amounted to ₱2,939 and ₱4,788 for PPP and FEP, respectively. The Parent company recognized a net retirement gain amounting to ₱69,370 in 2014 (see Note 18).

17. **Depletion and Depreciation**

Details of depletion and depreciation expense are as follows:

	2014	2013	2012
Mining and milling costs	**₱1,665,523**	₱1,339,139	₱552,783
General and administrative	**25,033**	22,562	26,330
Padcal maintenance costs	**–**	85,891	199,882
	₱1,690,556	₱1,447,592	₱778,995

18. **Retirement Benefits**

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employees retirement benefit under the collective bargaining and other agreements shall not be less than provided under the law. The law does not require minimum funding of the plan.

Parent Company Retirement Fund

The Parent Company has a funded, noncontributory, defined benefits retirement plan covering all of its regular employees. The pension funds are being administered and managed through the Retirement Gratuity Plan of Philex Mining Corporation, with Bank of Commerce (BC) and BDO as Trustee. The retirement plan provides for retirement, separation, disability and death benefits to its members.

Changes in the net defined benefit liability (asset) of funded funds of the Parent Company are as follows:

2014

		Net benefit cost in charged to consolidated statements of income					Remeasurements in other comprehensive income					
	January 1, 2014	Current service cost	Net interest	Settlement/ Curtailment	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2014
Present value of defined benefit obligation	**₱1,138,837**	**₱71,905**	**₱33,064**	**(₱492,422)**	**(₱387,453)**	**(₱78,155)**	**₱–**	**₱130,802**	**(₱5,942)**	**₱124,860**	**₱–**	**₱798,089**
Fair value of plan assets	**(1,436,542)**	**–**	**(45,508)**	**363,591**	**318,083**	**78,155**	**(89,737)**	**–**	**–**	**(89,737)**	**(32,000)**	**(1,162,041)**
	(₱297,705)				**(₱69,370)**	**₱–**	**(₱89,737)**	**₱130,802**	**(₱5,942)**	**₱35,123**	**(₱32,000)**	**(₱363,952)**

2013

		Net benefit cost in charged to consolidated statements of income				Remeasurements in other comprehensive income					
	January 1, 2013	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2013
Present value of defined benefit obligation	₱1,418,115	₱88,819	₱49,395	₱138,214	(₱145,263)	₱–	(₱33,906)	(₱238,322)	(₱272,228)	₱–	₱1,138,838
Fair value of plan assets	(1,374,142)	–	(52,303)	(52,303)	116,397	(30,495)	–	–	(30,495)	(96,000)	(1,436,543)
	₱43,973			₱85,911	(₱28,866)	(₱30,495)	(₱33,906)	(₱238,322)	(₱302,723)	(₱96,000)	(₱297,705)

	2012										
		Net benefit cost in charged to consolidated statements of income				Remeasurements in other comprehensive income					
	January 1, 2012	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2012
Present value of defined benefit obligation	₱1,307,421	₱76,396	₱56,513	₱132,909	(₱127,253)	₱–	₱25,765	₱79,273	₱105,038	₱–	₱1,418,115
Fair value of plan assets	(1,199,523)	–	(58,041)	(58,041)	88,744	(109,322)	–	–	(109,322)	(96,000)	(1,374,142)
	₱107,898			₱74,868	(₱38,509)	(₱109,322)	₱25,765	₱79,273	(₱4,284)	(₱96,000)	₱43,973

The fair value of net plan assets of the Parent Company by each classes as at the end of the reporting period are as follows:

	2014	2013
Assets		
Cash and cash equivalents	**₱218,917**	₱154,040
Receivables	**8,209**	12,639
Investment in debt securities	**555,279**	144,423
Investment in equity securities	**380,264**	1,112,738
Other investments	**447**	13,551
	1,163,116	1,437,391
Liabilities		
Accrued trust fees payables	**1,075**	848
	₱1,162,041	₱1,436,543

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2014	2013
Discount rate	**3.34%**	3.20%
Salary increase rate	**5.00%**	5.00%

The overall expected rate of return of assets is determined based on market expectation prevailing on that date, applicable to the period over which the obligation is expected to be settled.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the defined benefit obligation as of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	Effect on defined benefit obligation
Discount rates	1.00%	(₱40,823)
	(1.00%)	43,600
Salary increase rate	1.00%	₱35,383
	(1.00%)	(34,100)

Shown below is the maturity analysis of the Company’s undiscounted benefit payments:

	Expected benefit payments
Less than one year	₱35,637
More than one year to five years	120,315
More than five years to ten years	1,290,457

The average duration of the defined benefit obligation at the end of the reporting period is 5 years.

The Parent Company's actuarial funding requirement in 2014 and 2015 is nil, however, the intention is to continue regular contributions to the fund.

Pension expense from the defined benefit retirement plan is actuarially determined using the projected unit credit method. The latest actuarial valuation report was made as at December 31, 2014.

SMMCI Retirement Fund

SMMCI has unfunded, noncontributory defined benefit retirement plan covering its regular and full-time employees. The Company also provides additional post employment healthcare benefits to certain senior employees in the Philippines.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2014	2013
Discount rates	**4.60%**	5.84%
Future salary increases	**10.00%**	10.00%
Turnover rate	**2.08%**	3.12%

Changes in the defined benefit liability of SMMCI are as follows:

	2014	2013
January 1	**₱5,975**	₱993
Current service cost	**8,909**	1,295
Interest cost	**486**	46
Subtotal	**9,395**	1,341
Remeasurements in other comprehensive income:		
Experience adjustments	**(2,175)**	2,950
Actuarial changes from changes in financial assumptions	**5,838**	691
Subtotal	**3,663**	3,641
December 31	**₱19,033**	₱5,975

The net retirement liability as at the end of the reporting period amounted to ₱19,033 and ₱5,975 as at December 31, 2014 and 2013, respectively.

Retirement expense amounting to ₱9,395 and ₱1,341 in 2014 and 2013, respectively were capitalized as part of the deferred mine exploration costs.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	2014	
	Increase (decrease)	Present Value of Obligation
Discount rates	1.00%	(₱2,884)
	(1.00%)	3,646
Future salary increases	1.00%	3,293
	(1.00%)	(2,693)
Turnover rate	2.00%	(2,389)
	(2.00%)	3,289

The average duration of the defined benefit obligation at the end of the reporting period is 25.42 and 20.4 years in 2014 and 2013, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2014	2013
Less than 1 year	**₱123**	₱119
More than 1 year to 5 years	**10,147**	11,351
More than 5 years to 10 years	**17,674**	21,899
More than 10 years to 15 years	**21,280**	22,287
More than 15 years to 20 years	**72,867**	76,590
More than 20 years	**500,595**	449,226

<u>PPP Retirement Fund</u>
PPP has an unfunded, noncontributory defined benefit retirement plan covering its regular and full-time employees.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2014	2013
Discount rates	**3.50 - 5.77%**	3.25 - 4.86%
Future salary increases	**5.00%**	5.00%

Present value of defined benefit obligation:

	2014	2013
Net benefit cost in consolidated statements of comprehensive income		
January 1	**₱15,623**	₱11,373
Current service cost	**5,132**	2,023
Interest cost	**2,595**	540
Subtotal	**23,350**	13,936
Re-measurements in OCI		
Experience adjustments	**2,267**	494
Actuarial changes from changes in financial assumptions	**(1,065)**	1,193
Subtotal	**1,202**	1,687
Ending balance	**₱24,552**	₱15,623

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		Present Value of Obligation	
	Increase (decrease)	**2014**	2013
Discount rates	1.00%	**₱23,638**	₱19,464
	(1.00%)	**26,326**	22,903
Future salary increases	1.00%	**26,271**	22,807
	(1.00%)	**23,668**	19,508
Turnover rate	1.00%	**23,570**	20,167
	(1.00%)	**25,602**	22,026

Shown below is the maturity analysis of the undiscounted benefit payments:

	2014	2013
Less than 1 year	**₱–**	₱–
More than 1 year to 5 years	**27,050**	18,856
More than 5 years to 10 years	**16,527**	21,739

The retirement benefits liability amounting to ₱24,552 and ₱15,623 as at December 31, 2014 and 2013, respectively, are recorded under 'Pension obligation' in the consolidated statements of financial position.

19. **Financial Instruments**

Fair Values of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, short-term bank loan, accounts payable and accrued liabilities, dividends payable and subscriptions payable, approximate their fair values because of their short-term nature. Quoted AFS financial assets are carried at fair value based on the quoted values of the securities. Unquoted AFS financial assets are carried at book value since fair value cannot be readily determined based on observable market data.

The fair value measurement of the quoted financial assets is categorized as under Level 1 under fair value hierarchy.

20. Financial Risk Management Objectives and Policies and Hedging Activities

Financial Risk Management Objectives and Policies
The Group's principal financial instruments, other than derivatives, comprise mainly of cash and cash equivalents, accounts receivable, AFS financial assets, short-term bank loan and accounts payable and accrued liabilities. The main purpose of these financial instruments is to provide financing for the Group's operations and capital intensive projects.

The BOD is mainly responsible for the overall risk management and approval of the risk strategies and principles of the Group. On June 29, 2011, the BOD approved its formalized hedging policy in relation to entering into commodity derivatives in order to manage its financial performance.

Financial Risks
The main risks arising from the Group's financial instruments are credit and concentration risks, liquidity risk and market risk. The market risk exposure of the Group can be further classified to foreign currency risk, interest rate risk, equity price risk and commodity price risk. The BOD reviews and approves the policies for managing these risks and they are summarized as follows:

Credit and Concentration Risks
Credit risk is the risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. To avoid such losses, the Group's primary credit risk management strategy is to trade only with recognized, creditworthy third parties. At present, 60% of the Parent Company's annual mineral products sales are committed to Pan Pacific with whom the Parent Company has a long-term sales agreement. This agreement is effective until the end of the Padcal Mine life currently declared at year 2020. The balance of the Parent Company's annual mineral products sales is with LD Metals which is covered by a long-term sales agreement up to January 31, 2013 and several short-term agreements for 25,000 DMT representing the 40% excess production from June 2013 to May 2014 (see Note 5).

Credit risk may also arise from the Group's other financial assets, which comprise of cash and cash equivalents. The Group's exposure to credit risk could arise from default of the counterparty, having a maximum exposure equal to the carrying amount of these instruments.

The table below summarizes the Group's exposure to credit risk for the components of the consolidated statements of financial position as of December 31, 2014, and 2013:

	2014	2013
Cash and cash equivalents:		
Cash with banks	**₱719,424**	₱703,854
Short-term deposits	**4,509,163**	3,373,042
Accounts receivable:		
Trade	**893,943**	100,485
Accrued interest	**1,968**	3,591
Others	**159,953**	191,375
Gross maximum credit risk exposure	**₱6,284,451**	₱4,372,347

The following tables show the credit quality of the Group's financial assets by class as at December 31, 2014 and 2013 based on the Group's credit evaluation process:

	December 31, 2014			
	Neither Past Due nor Impaired		**Past Due and Individually**	
	High-Grade	**Standard**	**Impaired**	**Total**
Cash and cash equivalents:				
Cash with banks	**₱719,424**	**₱–**	**₱–**	**₱719,424**
Short-term deposits	**4,509,163**	**–**	**–**	**4,509,163**
Accounts receivable:				
Trade	**893,943**	**–**	**–**	**893,943**
Accrued interest	**1,968**	**–**	**–**	**1,968**
Others	**159,953**	**–**	**2,613**	**162,566**
Total	**₱6,284,451**	**₱–**	**₱2,613**	**₱6,287,064**

	December 31, 2013			
	Neither Past Due nor Impaired		Past Due and Individually	
	High-Grade	Standard	Impaired	Total
Cash and cash equivalents:				
Cash with banks	₱703,854	₱–	₱–	₱703,854
Short-term deposits	3,373,042	–	–	3,373,042
Accounts receivable:				
Trade	100,485	–	423	100,908
Accrued interest	3,591	–	–	3,591
Others	191,375	–	2,770	194,145
Total	₱4,372,347	₱–	₱3,193	₱4,375,540

Credit quality of cash and cash equivalents and accounts receivable are based on the nature of the counterparty and the Group's evaluation process.

High-grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience.

The Group has no past due but not impaired financial assets as at December 31, 2014 and 2013.

Liquidity Risk

Liquidity risk is the risk where the Group becomes unable to meet its obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary.

The tables below summarize the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as at December 31, 2014 and 2013, respectively:

	December 31, 2014			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Loans and receivables:				
Cash and cash equivalents	**₱5,231,892**	**₱–**	**₱–**	**₱5,231,892**
Accounts receivable:				
Trade	**–**	**893,943**	**–**	**893,943**
Others	**–**	**159,953**	**–**	**159,953**
AFS financial assets:				
Quoted equity investments	**833,987**	**–**	**–**	**833,987**
Unquoted equity investments	**72,694**	**–**	**–**	**72,694**
Total undiscounted financial assets	**₱6,138,573**	**₱1,053,896**	**₱–**	**₱7,192,469**

	December 31, 2013			
	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	₱4,080,512	₱–	₱–	₱4,080,512
Accounts receivable:				
Trade	–	100,485	–	100,485
Others	–	191,375	–	191,375
AFS financial assets:				
Quoted equity investments	902,686	–	–	902,686
Unquoted equity investments	72,694	–	–	72,694
Total undiscounted financial assets	₱5,055,892	₱291,860	₱–	₱5,347,752

Market Risks

Foreign Currency Risk
Foreign currency risk is the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from sales in currencies other than its functional currency. All of the Parent Company's sales are denominated in US dollar. Also, the Parent Company is exposed to foreign exchange risk arising from its US dollar-denominated cash and cash equivalents, and trade receivables. For the years ended December 31, 2014, 2013 and 2012, the Group recognized net foreign exchange losses of ₱56,374, ₱173,972 and ₱164,716, respectively, arising from the translation of these foreign currency-denominated financial instruments.

As the need arises, the Group enters into structured currency derivatives to cushion the effect of foreign currency fluctuations.

The following tables summarize the impact on income before income tax of reasonably possible changes in the exchange rates of US dollar against the Peso. The reasonable movement in exchange rates was determined using 1-year historical data.

Year Ended December 31, 2014	
US$ Appreciate (Depreciate)	**Effect on Income before Income Tax**
4%	**(₱5,728)**
(4%)	**5,728**

Year Ended December 31, 2013	
US$ Appreciate (Depreciate)	Effect on Income before Income Tax
9%	(₱212,367)
(9%)	212,367

There were no outstanding dollar derivatives as of December 31, 2014 and 2013.

Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. The Group's exposure to the risk in changes in market interest rates relates primarily to BEMC's short-term loans in 2012 which was transferred to PMC in 2013 and other bank loans availed of the Parent Company.

The Group relies on budgeting and forecasting techniques to address cash flow concerns. The Group also keeps its interest rate risk at a minimum by not borrowing when cash is available or by prepaying, to the extent possible, interest-bearing debt using operating cash flows.

The following table illustrates the sensitivity to reasonably possible change in interest rates, with all other variables held constant, of the Group's 2014, 2013 and 2012 income before income tax. The change in market interest rates is based on the annualized volatility of the 6-month benchmark rate:

Year Ended December 31, 2014	
Change in Market Rate of Interest	**Effect on Income before Income Tax**
Decrease by 1.0%	**₱102,551**
Decrease by 0.5%	**51,275**
Increase by 1.0%	**(₱102,551)**
Increase by 0.5%	**(51,275)**

Year Ended December 31, 2013	
Change in Market Rate of Interest	Effect on Income before Income Tax
Decrease by 1.0%	₱26,798
Decrease by 0.5%	13,399
Increase by 1.0%	(₱26,798)
Increase by 0.5%	(13,399)

Year Ended December 31, 2012	
Change in Market Rate of Interest	Effect on Income before Income Tax
Decrease by 1.0%	₱3,500
Decrease by 0.5%	1,750
Increase by 1.0%	(₱3,500)
Increase by 0.5%	(1,750)

There is no other impact on the Group's equity other than those affecting the consolidated statements of income.

Equity Price Risk

Equity price risk is the risk where the fair values of investments in quoted equity securities could increase or decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Management monitors the movement of the share prices pertaining to the Group's investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company and PPC, which are classified in the consolidated statements of financial position as AFS financial assets (see Note 11). As of December 31, 2014 and 2013, investments in quoted shares totaling ₱833,987 and ₱902,686 represent 1.87% and 2.26% of the total assets of the Group, respectively. Reasonable possible changes were based on an evaluation of data statistics using 1-year historical stock price data.

The effect on equity, as a result of a possible change in the fair value of the Group's quoted equity instruments held as AFS financial assets as at December 31, 2014 and 2013 that could be brought by changes in equity indices with all other variables held constant are as follows:

	December 31, 2014	
Currency	**Change in Quoted Prices of Investments Carried at Fair Value**	**Effect on Equity**
Australian dollar (AU$)	**Increase by 48%**	**(AU$4,141)**
	Decrease by 95%	**(8,195)**
Peso	**Increase by 21%**	**₱100,696**
	Increase by 41%	**196,597**
	Decrease by 21%	**(100,696)**
	Decrease by 41%	**(196,597)**

	December 31, 2013	
Currency	Change in Quoted Prices of Investments Carried at Fair Value	Effect on Equity
Australian dollar (AU$)	Increase by 25%	AU$1,937
	Decrease by 49%	(3,797)
Peso	Increase by 67%	₱438,811
	Increase by 34%	219,406
	Decrease by 67%	(438,811)
	Decrease by 34%	(219,406)

Commodity Price Risk
The Parent Company's mine products revenues are valued based on international commodity quotations (i.e., primarily on the LME and London Bullion Metal Association quotes) over which the Parent Company has no significant influence or control. This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash inflows. The Parent Company enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products.

The following table shows the effect on income before income tax should the change in the prices of copper and gold occur based on the inventory of the Company as at December 31, 2014. The change in metal prices is based on 1-year historical price movements.

	December 31, 2014
Change in Metal Prices	Effect on Income before Income Tax
Gold:	
Increase by 12%	₱43,903
Decrease by 12%	(43,903)
Copper:	
Increase by 13%	35,553
Decrease by 13%	(35,553)

There were no outstanding gold and copper derivatives as at December 31, 2013.

As at December 31, 2014, there were outstanding gold derivatives designated as cash flow hedges wherein fair value changes are reported under equity. The following table summarizes the impact on equity of reasonably possible change in the prices of gold and copper.

	December 31, 2014
Change in Metal Prices	**Effect on Equity**
Gold:	
Increase by 12%	**₱30,732**
Decrease by 12%	**(30,732)**

Derivative Financial Instruments
There were no outstanding derivative financial instruments as at December 31, 2013.

Unwinding of Derivative Contracts
In August 2012, the Parent Company pre-terminated all outstanding derivative financial instruments prompted by the suspension of Padcal operations which could no longer deliver the underlying production supposed to be covered by the hedged volumes for the rest of the year. Fair value gains amounting to ₱307,928 were realized in the consolidated statements of income.

Gold Derivatives
During 2014, the Parent Company has entered into gold collar contracts to hedge the Parent Company's position to possibly decreasing gold prices. These contracts have a total notional amount of 1,500 ounces and were designated as cash flow hedges.

There were no outstanding gold derivatives as at December 31, 2013.

Embedded Derivatives
As at December 31, 2014, 2013 and 2012, the Parent Company had embedded derivatives, which is represented by price exposure relative to its provisionally priced commodity sales contracts (see Note 30). Mark-to-market gains and losses from open or provisionally priced sales are recognized through adjustments to revenue in the consolidated statements of income and to trade receivables in the consolidated statements of financial position. The Parent Company determines mark-to-market prices using the forward price for quotational periods after the consolidated statements of financial position date stipulated in the contract. The effect of these fair value adjustments arising from embedded derivatives amounted to a loss of nil as at December 31, 2014 and ₱65,037 as at December 31, 2013, respectively, which were included under revenue and adjusted against receivables.

Fair Value Changes on Derivatives
Fair value changes of derivatives that are not designated as accounting hedges flow directly to the consolidated statements of income, while those which are designated as accounting hedges go to equity. Realized gains and losses on settlement are adjusted to the related revenue accounts.

The details of the net changes in the fair values of all derivative instruments as at December 31, 2014 and 2013 are as follows:

	2014	2013
January 1	**₱–**	₱–
Premiums paid	**–**	–
Net changes in fair values of derivatives:		
Designated as accounting hedges	**7,766**	–
Not designated as accounting hedges	**–**	–
	7,766	–
Fair value of settled instruments	**–**	–
December 31	**₱7,766**	₱–

In 2012, fair value of settled instruments includes fair value gains from derivatives designated as accounting hedges, copper derivatives not designated as accounting hedge, and unwound deals amounting to ₱384,745, ₱20,740, and ₱287,188, respectively.

Hedge Effectiveness of Cash Flow Hedges
Below is a rollforward of the Parent Company’s cumulative translation adjustments (CTA) on cash flow hedges for the years ended December 31, 2014 and 2013:

	2014	2013
January 1	**₱–**	₱–
Changes in fair value of cash flow hedges	**7,766**	–
Transferred to consolidated statements of income	–	–
Tax effects of items taken directly to or transferred from equity	–	–
December 31	**₱7,766**	₱–

21. **Capital Management**

The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities. No significant changes have been made in the objectives, policies and processes of the Group from the previous years.

The following table summarizes the total capital considered by the Group:

	2014	2013
Capital stock	**₱4,940,399**	₱4,936,996
Additional paid-in capital	**1,117,627**	1,058,497
Retained earnings:		
Unappropriated	**4,712,032**	4,128,826
Appropriated	**10,000,000**	10,000,000
	₱20,770,058	₱20,124,319

22. **Foreign Currency-Denominated Monetary Assets and Liabilities**

The Group's foreign currency-denominated monetary assets and liabilities as at December 31, 2014 and 2013 follow:

	2014		2013	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Assets				
Cash and cash equivalents	**$67,776**	**₱3,030,943**	$90,577	₱4,021,166
Trade receivables	**18,295**	**818,152**	–	–
	86,071	**3,849,095**	90,577	4,021,166
Liabilities				
Accounts payable	**773**	**34,569**	11,251	499,488
Bank loan	**88,500**	**3,957,720**	52,477	2,329,716
Related party loans	**–**	**–**	80,000	3,551,600
	89,273	**3,992,289**	143,728	6,380,804
Net Assets (Liabilities)	**($3,202)**	**($143,194)**	($53,151)	(₱2,359,638)

The exchange rates of the Peso to US dollar were ₱44.72 to US$1 as at December 31, 2014 and ₱44.40 to US$1 as at December 31, 2013.

23. **Related Party Transactions**

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Companies within the Group in the regular conduct of business, enters into transactions with related parties which consists of advances, loans, reimbursement of expenses, regular banking transactions, leases and management and administrative service agreements.

Intercompany transactions are eliminated in the consolidated financial statements. The Group's significant related party transactions, which are under terms that are no less favorable than those arranged with third parties, are as follows:

	Year	Amount/ Volume	Outstanding Balance	Terms	Conditions
Loans from:					
Kirtman Limited	**2014**	**US$–**	**US$–**	Payable in 364 days	Unsecured,
(Dollar)	2013	US$15,000	US$15,000	at interest rate of 5%	no impairment
Maxella Limited	**2014**	**US$–**	**US$–**	Payable in 364 days	Unsecured,
	2013	US$15,000	US$15,000	at interest rate of 5%	no impairment
Asia Link B.V.	**2014**	**US$–**	**US$–**	Payable in 364 days	Unsecured,
	2013	US$50,000	US$50,000	at interest rate of 5%	no impairment

a. Related party transactions involving loans from subsidiaries of FPC are disclosed under Note 13.

<u>Compensations of Key Management Personnel</u>
Compensations of the members of key management personnel follow:

	2014	2013	2012
Short-term employee benefits	**₱112,498**	₱100,521	₱151,299
Pension costs	**5,094**	7,719	4,316
Share-based payments	**–**	–	–
	₱117,592	₱108,240	₱155,615

24. Income Taxes

a. The components of the Group's net deferred income tax assets (liabilities) are as follows:

	2014	2013
Deferred income tax assets on:		
Provision for losses and others	**₱270,984**	₱182,848
Unrealized foreign exchange losses – net	**65,432**	145,758
Unamortized past service costs	**51,981**	68,175
Accumulated accretion of interest on provision for mine rehabilitation costs	**6,456**	5,959
Pension obligation	**5,917**	1,793
Allowances for:		
Unrecoverable deferred mine and oil exploration costs	**24,159**	24,159
Disallowable claims receivable	**24,095**	24,095

(Forward)

	2014	2013
Materials and supplies obsolescence	**₱–**	₱23,497
Total deferred income tax assets	**449,024**	476,284
Deferred income tax liabilities on:		
Difference in fair value and carrying value of the net assets of subsidiary acquired	**(₱2,645,504)**	(₱2,645,504)
Accelerated depreciation	**(1,346,332)**	(1,346,174)
Mine inventory at year-end	**(57,515)**	(195,662)
Gain on dilution on interest	**(126,615)**	(126,615)
Net retirement plan assets	**(111,214)**	(89,311)
Unrealized foreign exchange gain	**(12,761)**	(8,141)
Total deferred income tax liabilities	**(4,299,941)**	(4,411,407)
Net deferred income tax liabilities	**(₱3,850,917)**	(₱3,935,123)

b. A reconciliation of the Group's provision for income tax computed at the statutory income tax rates based on income before income tax to the provision for income tax is as follows:

	2014	2013	2012
Provision for income tax computed at the statutory income tax rates	**₱316,285**	₱322,516	₱71,025
Additions to (reductions in) income tax resulting from:			
Unrecognized DTA, NOLCO and excess MCIT	**287,310**	406,144	161,647
Nondeductible expenses and non-taxable income - net	**(254,813)**	35,906	309,992
Stock-based compensation expense	**7,742**	25,240	6,384
Dividend income	**–**	–	(1,777)
Interest income already subjected to final tax	**(5,087)**	(7,818)	(17,460)
Effect of difference in tax rates and others - net	**–**	(19,331)	17,778
Provision for income tax	**₱351,437**	₱762,657	₱547,589

c. As at December 31, 2014 and 2013, no deferred income tax assets were recognized on deductible temporary differences amounting to about ₱2,472,080 and ₱2,175,544, respectively.

d. As at December 31, 2014, significant respective NOLCO and MCIT of the Parent Company's subsidiaries for which no deferred income taxes were recognized are as follows:

PPC and subsidiaries:
As at December 31, 2014, the PPC and subsidiaries' NOLCO that can be claimed as deduction from future taxable income and excess MCIT that can be deducted against income tax due are as follows:

Year Incurred	Available Until	NOLCO	Excess MCIT
2012	2015	₱76,440	₱292
2013	2016	109,821	1,022
2014	2017	516,164	1,428
		₱702,425	₱2,742

The following are the movements of the PPC and subsidiaries' NOLCO and excess MCIT for the years ended December 31:

	NOLCO		Excess MCIT	
	2014	2013	**2014**	2013
Beginning balance	**₱291,483**	₱264,422	**₱1,316**	₱533
Additions	**516,164**	109,821	**1,428**	1,022
Applications	**(36,474)**	(14,781)	**–**	–
Expirations	**(68,748)**	(67,979)	**(2)**	(239)
Ending balance	**₱702,425**	₱291,483	**₱2,742**	₱1,316

SMMCI
As at December 31, 2014, SMMCI's NOLCO and excess MCIT that can be claimed as deduction from future taxable income are as follows:

Year	Available	NOLCO		Excess
Incurred	Until	Amount	Tax Effect	MCIT
2012	2015	₱33,388	₱10,016	₱3
2013	2016	24,187	7,256	–
2014	2017	11,183	3,355	71
		₱68,758	₱20,627	₱74

The following are the movements of the Company's NOLCO and excess MCIT for the years ended December 31:

	NOLCO		Excess MCIT	
	2014	2013	**2014**	2013
At January 1	**₱77,243**	₱53,927	**₱3**	₱3
Additions	**11,183**	24,187	**71**	–
Expirations	**(19,668)**	(871)	–	–
At December 31	**₱68,758**	₱77,243	**₱74**	₱3

PGPI
As at December 31, 2014, PGPI's NOLCO and excess MCIT that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Available Until	NOLCO	Excess MCIT
2012	2015	₱35,339	24
2013	2016	92,882	22
2014	2017	32,604	–
		₱160,825	₱46

The following are the movements in NOLCO and excess MCIT for the years ended December 31:

	NOLCO		Excess MCIT	
	2014	2013	**2014**	2013
Beginning balance	**₱164,715**	₱153,470	**₱52**	₱30
Additions	**32,604**	92,882	**–**	22
Expirations	**(36,494)**	(81,637)	**(6)**	–
Ending balance	**₱160,825**	₱164,715	**₱46**	₱52

25. Equity

Capital Stock
The details of the Parent Company's capital stock follow:

	Number of Shares	
	2014	2013
Authorized common stock - ₱1 par value	**8,000,000,000**	8,000,000,000
Issued, outstanding and fully paid:		
January 1	**4,936,996,068**	4,933,026,818
Issuance during the year	**3,403,000**	3,969,250
December 31	**4,940,399,068**	4,936,996,068

Below is a summary of the capital stock movement of the Parent Company:

Year	Date of Approval	Change in Number of Authorized Capital Stock	New Subscriptions/ Issuances***
1956	November 26, 1956	60,000,000	20,590,250
1957			30,539,750
1958			107,035
1959			1,442,500
1960	September 12, 1960	30,000,000	10,997,397
1961			1,238,500
1962			9,737,294
1963	December 16, 1993	90,000,000*	103,258,378
1964	March 6, 1964	220,000,000	65,339,520
1965			61,546,755

(Forward)

Year	Date of Approval	Change in Number of Authorized Capital Stock	New Subscriptions/ Issuances***
1966			60,959,182
1969	September 22, 1969	600,000,000	182,878,280
1970			274,317,420
1971	August 20, 1971	1,000,000,000	411,476,131
1973		4,000,000,000****	2,623,160,332
1974			1,543,035,476
1978			540,062,420
1981	August 4, 1981	5,000,000,000	1,485,171,655
1983			742,006,977
1985			815,707,473
1986			3,923,841,215
1987	August 14, 1987	9,000,000,000	3,867,787,326
1989	July 11, 1989	20,000,000,000	5,028,123,524
1990	June 27, 1990	(38,000,000,000)**	(20,549,744,536)
1991			375,852,233
1992			162,869,258
1993			179,156,183
1995			403,849
1997			985,928,483
1999	May 23, 1997	3,000,000,000	–
2007			10,781,250
2008			912,279,662
2009	May 22, 2009	3,000,000,000	1,019,753,789
2010			21,525,999
2011			7,619,783
2012			3,276,075
2013			3,969,250
2014			**3,403,000**
		8,000,000,000	**4,940,399,068**

*This is the result of the change of par value from ₱0.10 to ₱0.05.
**This is the result of the change in par value from ₱0.05 to ₱1.00.
***Information on issue/offer price on public offering not available or information not applicable since the shares were not issued in relation to a public offering.
****Information on date of approval not available.

As at December 31, 2014 and 2013, the Parent Company's total stockholders is 44,386 and 44,533, respectively.

Retained Earnings
Retained earnings consist of the following:

	2014	2013
Retained earnings:		
Unappropriated	**₱4,610,889**	₱4,000,400
Cumulative actuarial gains	**101,143**	128,426
Total Unappropriated	**4,712,032**	4,128,826
Appropriated	**10,000,000**	10,000,000
Ending balance	**₱14,712,032**	₱14,128,826

On February 29, 2012, the BOD of the Parent Company approved the declaration of cash dividends amounting to a ₱2,071,217 to all stockholders of record as at March 15, 2012 (total of ₱0.42 per share) comprising of ₱0.14 per share regular dividend and ₱0.28 per share special dividend for a full year payout at 50%.

On July 25, 2012, the BOD of the Parent Company approved the declaration of cash dividends amounting to ₱542,625 to all stockholders of record as at August 8, 2012 at ₱0.11 per share.

On December 13, 2013, the Parent Company's BOD approved the appropriation of ₱10,000,000 of the unappropriated retained earnings for purposes of mine development and construction of the Silangan Project from 2016 to 2018.

On February 26, 2014, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.05 per share as regular dividend to all stockholders at record date of March 12, 2014.

On October 29, 2014, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.03 per share as regular dividend to all stockholders at record date of November 12, 2014.

The Parent Company's retained earnings available for dividend distribution amounted to ₱4,235,911 and ₱2,758,063 as at December 31, 2014 and 2013, respectively.

<u>NCI</u>
NCI consist of the following:

	Percentage of Ownership		**Amount**	
	2014	2013	**2014**	2013
NCI on net assets of:				
PPC	**35.2%**	35.2%	**₱617,807**	₱609,915
BEMC	**35.2%**	35.2%	**(251,157)**	(256,318)
FEC	**66.8%**	66.8%	**98,765**	114,407
FEP and its subsidiaries	**68.4%**	68.4%	**(80,005)**	(104,876)
PPP and its subsidiaries	**65.6%**	67.4%	**3,057,212**	3,743,683
LMC	**0.7%**	0.7%	**(219)**	(177)
			₱3,442,403	₱4,106,634

Transactions with NCI are disclosed in Note 2.

Financial information of subsidiaries that have material non-controlling interests are provided below:

Income (loss) allocated to material NCI:

	2014	2013
PPP and its subsidiaries	**(₱326,008)**	₱1,335,395
PPC	**7,698**	7,293

Other comprehensive income (loss) allocated to material NCI:

	2014	2013
PPP and its subsidiaries	**₱7,903**	₱88,613
PPC	–	10,734

The summarized financial information of these subsidiaries are provided below:

Statements of comprehensive income as of December 31, 2014:

	PPP	**PPC**
Revenue	**₱–**	**₱–**
Cost of sales	**–**	**–**
General and administrative expenses	**(167,102)**	**(23,287)**
Other income (charges)	**(327,327)**	**45,151**
Interest expense	**–**	**–**
Income (loss) before tax	**(494,429)**	**21,864**
Provision for (benefit from) income tax	**–**	**–**
Net income	**(494,429)**	**21,864**
Other comprehensive income	**9,308**	**–**
Total comprehensive income	**(₱485,121)**	**₱21,864**
Attributable to non-controlling interests	**(₱227,903)**	**₱7,698**

Statements of comprehensive income as of December 31, 2013:

	PPP	PPC
Revenue	₱3,465	₱–
Cost of sales	(2,494)	–
General and administrative expenses	(143,061)	(28,322)
Other income	2,122,886	41,181
Interest expense	–	–
Income before tax	1,980,796	12,859
Provision for income tax	–	7,854
Net income	1,980,796	20,713
Other comprehensive income (loss)	(1,686)	30,485
Total comprehensive income	₱1,979,110	₱51,198
Attributable to non-controlling interests	₱1,334,259	₱18,027

Statements of financial position as at December 31, 2014:

	PPP	**PPC**
Current assets	**₱1,818,056**	**₱143,495**
Noncurrent assets	**567,738**	**4,332,927**
Current liabilities	**(25,747)**	**(2,692,336)**
Noncurrent liabilities	**(20,964)**	**(113,555)**
Total equity	**2,339,083**	**1,670,531**
Attributable to:		
Equity holders of the Parent Company	**₱1,241,351**	**₱1,082,336**
Non-controlling interests	**1,097,732**	**588,195**

Statements of financial position as at December 31, 2013:

	PPP	PPC
Current assets	₱2,581,170	₱20,460
Noncurrent assets	790,023	4,328,903
Current liabilities	(54,327)	(2,590,288)
Noncurrent liabilities	(15,623)	(113,555)
Total equity	₱3,301,243	₱1,645,520
Attributable to:		
Equity holders of the Parent Company	₱1,075,640	₱1,066,132
Non-controlling interests	2,225,603	579,388

Statements of cash flows as of December 31, 2014:

Activities	**PPP**	**PPC**
Operating	**(₱196,275)**	**(₱14,106)**
Investing	**(112,817)**	**7,459**
Financing	**(513,737)**	**95,044**
Net increase (decrease) in cash and cash equivalents	**(₱822,829)**	**₱88,397**

Statements of cash flows as of December 31, 2013:

Activities	PPP	PPC
Operating	(₱194,886)	(₱30,281)
Investing	1,824,363	(1,265,347)
Financing	332,985	1,303,935
Effect of exchange rate changes on cash	–	21
Net increase in cash and cash equivalents	₱1,962,462	₱8,328

Statements of cash flows as of December 31, 2012:

Activities	PPP	PPC
Operating	₱–	(₱28,634)
Investing	–	1,833
Financing	–	14,565
Effect of exchange rate changes on cash	–	(132)
Net decrease in cash and cash equivalents	₱–	(₱12,368)

26. **Share-based Payments**

2006 Parent Company Stock Option Plan (SOP)
On June 23, 2006, the Parent Company's stockholders approved and ratified the stock option plan of the Parent Company as approved by the Parent Company's BOD on March 31, 2006. Among the salient terms and features of the stock option plan are as follows:

i) Participants: directors, officers, managers and key consultants of the Company and its significantly-owned subsidiaries;
ii) Number of shares: up to 3% of the Company's issued and outstanding shares;
iii) Term: Five years from adoption date;
iv) Exercise price: Average stock price during the last 20 trading days prior to the date of grant multiplied by a factor of 0.8, but in no case below par value; and
v) Vesting period: Up to 16.67% in six months from grant date; up to 33.33% in 1 year from grant date; up to 50% in 1.5 years from grant date; up to 66.67% in 2 years from grant date; up to 83.35% in 2.5 years from grant date; and up to 100% in 3 years from grant date.

On March 8, 2007, the stock option plan was approved by the Philippine SEC.

A total of two confirmed new grants for 15,000,000 shares were awarded on June 24 and December 7, 2009.

For the year ended December 31, 2010, three confirmed new grants were endorsed. A total of 9,950,000 shares were awarded on May 25, September 28 and November 23, 2010.

On January 5, 2011, a new stock option grant was given following the terms of the approved plan. A total of 6,000,000 options were awarded vesting every 6 months up to January 5, 2014. The Company uses the Customized Binomial Lattice Model to compute for the fair value of the options together with the following assumptions:

	January 5, 2011
Spot price per share	₱15.40
Time to maturity	5 years
Volatility*	54.57%
Dividend yield	1.93%
Suboptimal exercise behavior multiple	1.5
Forfeiture rate	2%

	2010		
	May 25	September 28	November 23
Spot price per share	₱11.00	₱14.88	₱14.00
Time to maturity	5 years	5 years	5 years
Volatility*	54.57%	55.09%	54.98%
Dividend yield	2.69%	2.00%	2.12%
Suboptimal exercise behavior multiple	1.5	1.5	1.5
Forfeiture rate	2%	2%	2%

**Volatility is calculated using historical stock prices and their corresponding logarithmic returns.*

The following table shows the movements in 2014 and 2013 of the 2006 Parent Company SOP:

	Number of Options		Weighted Average Exercise Price	
	2014	2013	**2014**	2013
January 1	**₱9,001,400**	₱12,970,650	**₱11.35**	₱8.99
Exercised	**(3,403,000)**	(3,969,250)	**10.79**	3.64
Forfeited	**(230,250)**	–	**9.54**	–
December 31	**₱5,368,150**	₱9,001,400	**₱11.78**	₱11.35

The number of unexercised vested stock options as at December 31, 2014 and 2013 are 5,368,150 and 7,981,400, respectively.

2011 Parent Company SOP

On April 27, 2011, the BOD approved the 2011 SOP of the Company, which was concurrently approved by the shareholders on June 29, 2011. Among the salient terms and features of the stock option plan are as follows:

i) Option Grant Date is the date on which option is awarded under the Parent Company 2011 SOP, provided such award is subsequently accepted by eligible participant.
ii) The vesting percentage and vesting schedule of the options granted under the 2011 Parent Company SOP shall be determined by the Compensation Committee of the Board.
iii) 246,334,118 shares representing 5% of the Parent Company's outstanding capital stock shall be initially reserve for exercise of options to be granted.
iv) The exercise price for the options granted under the 2011 Parent Company SOP shall be determined by the Compensation Committee of the Board but shall not be lower than the highest of: (i) the closing price of the shares on PSE on the Option Grant Date, (ii) the average closing price of the shares on the PSE for the 5 business days on which dealings in the shares are made immediately preceding the Option Grant Date; and (iii) the par value of shares.
v) Any amendments to the 2011 Parent Company SOP shall be deemed adopted and made effective upon approval by shareholders owning at least two-thirds of the outstanding capital stock of the Parent Company and, to the extent legally necessary, by the SEC.

On March 5, 2013, the Parent Company received the SEC resolution approving the 2011 SOP.

The Parent Company granted 40,410,000 options under the 2011 SOP.

The Parent Company uses the Customized Binomial Lattice Model to compute for the fair value of the options together with the following assumptions:

Spot price per share	₱17.50
Exercise price per share	₱24.05
Time to maturity	7 years
Risk-free rate	3.3435%
Volatility*	49.8731%
Dividend yield	1.0031%

**Volatility is calculated using historical stock prices and their corresponding logarithmic returns.*

The following table shows the movements in 2014 of the 2011 SOP of the Parent Company:

	Number of Options	Weighted Average Exercise Price
	2014	2014
January 1	**₱29,910,000**	**₱24.05**
Forfeited	**(1,660,000)**	**24.05**
December 31	**₱28,250,000**	**₱24.05**

The following table shows the movements in 2013 of the 2011 SOP of the Parent Company:

	Number of Options	Weighted Average Exercise Price
	2013	2013
January 1	₱40,410,000	₱24.05
Forfeited	(10,500,000)	24.05
December 31	₱29,910,000	₱24.05

The number of unexercised vested stock options as at December 31, 2014 totaled to 21,347,500.

The total share-based compensation expense for the 2006 and 2011 SOP in 2014 and 2013 amounted to ₱25,808 and ₱84,133, respectively. The corresponding share-based option reserve included under Additional Paid-in Capital as at December 31, 2014 and 2013 amounted to ₱326,816 and ₱301,008, respectively.

27. Basic/Diluted Earnings Per Share

Basic earnings per share are computed as follows:

	2014	2013	2012
Net income attributable to equity holders of the Parent Company	**₱1,005,552**	₱341,932	₱208,733
Divided by weighted average number of common shares outstanding during year	**4,938,577,039**	4,933,657,951	4,932,216,253
Basic earnings per share	**₱0.204**	₱0.069	₱0.042

Diluted earnings per share amounts are calculated as follows:

	2014	2013	2012
Net income attributable to equity holders of the Parent Company	**₱1,005,552**	₱341,932	₱208,733
Divided by weighted average number of common shares adjusted for the effect of exercise of stock options	**4,938,577,039**	4,933,657,951	4,938,632,314
Diluted earnings per share	**₱0.204**	₱0.069	₱0.042

(Forward)

	2014	2013	2012
Weighted average number of common shares for basic earnings per share	**₱4,938,577,039**	₱4,933,657,951	₱4,932,216,253
Effect of exercise of stock options	–	–	6,416,061
Weighted average number of common shares adjusted for the effect of exercise of stock options	**₱4,938,577,039**	₱4,933,657,951	₱4,938,632,314

The Parent Company considered the effect of its potentially dilutive stock options outstanding as at December 31, 2014 and 2013 (see Note 26). The assumed exercise of these stock options would have resulted in additional 6,416,061 common shares in 2012. The stock options outstanding as at December 31, 2014 and 2013 are anti-dilutive. The Group considered the effect of the convertible bonds of SMECI and determined it to be anti-dilutive.

28. **Farm-in Agreement with Manila Mining Corporation (MMC)**

On May 11, 2011, the Parent Company entered into a farm-in agreement with MMC and to acquire up to 60% of the outstanding capital stock of Kalayaan Copper Gold Resources, Inc. (Kalayaan), a wholly owned subsidiary of MMC. The Parent Company purchased from MMC 125,000 shares of Kalayaan representing 5% of the outstanding capital stock for US$25,000 or ₱1,071,521. Further, the Parent Company will subscribe to additional 3,437,500 shares of Kalayaan, representing 55% of outstanding capital stock, subject to the condition that the Parent Company will fulfill the subscription services within the earlier of 3 years following the execution of the agreement or expiry of the term of the exploration permit.

Upon acquisition of 5% stake over Kalayaan, MMC, under the Operating Agreement, grants the Parent Company exclusive, irrevocable and unconditional rights:

a. To conduct exploration and pre-development;
b. To perform all activities necessary to complete a final feasibility study for the project; and,
c. To possess and/or exercise all of Kalayaan's surface rights, to exercise, utilize and enjoy all the rights, benefits, privileges, and perform all the obligations of Kalayaan under and in relation to the exploration permit and the mineral rights, provided that Kalayaan shall remain liable for all accrued obligations under the exploration permit as at the date of the agreement.

The transaction was recorded by allocating the US$25,000 to Investment in AFS pertaining to the 5% interest in Kalayaan and to the exploration rights acquired. The acquisition cost is then allocated by valuing the investment in AFS at ₱100 and the deferred exploration cost at ₱1,071,421.

As at December 31, 2014, the Company is undergoing discussions with MMC to revise, and consequently, extend the term of the farm-in agreement on the Kalayaan Project.

29. **Joint Ventures with Anglo**

In order to accelerate exploration, the Parent Company and PGPI entered into separate joint ventures with Anglo covering the Parent Company's Baguio District and PGPI's Surigao del Norte mineral tenements, respectively. Shareholders agreements were executed on September 2, 1999, pursuant to which Anglo is to fund all exploration costs up to feasibility studies, if warranted, in return for equity in the tenements. Minimum annual expenditures totaling US$8,000 for the Baguio District and US$2,200 for the Surigao del Norte tenements over a five-year period are required for the respective joint ventures to continue, failing of which would revert the tenements at no cost to the Parent Company or to PGPI.

The exploration work of Anglo led to the discovery of the Boyongan copper-gold deposit in August 2000. In 2001, Anglo exceeded the US$2,200 threshold of expenditures and earned a 40% equity interest in the Surigao del Norte tenements, now referred to as the Silangan Project. If the project is carried through to the completion of a bankable feasibility study at Anglo's cost, Anglo would be entitled to additional 30% equity interest in the project, which will bring its equity interest to 70%, and to manage mine development and operations. Anglo would provide full guarantees for non-recourse project financing while PGPI would need to raise its pro-rata share of the equity.

On April 10, 2000 and December 29, 1999, final government approval of the Parent Company and PGPI's respective mining tenements in the form of MPSA were granted. For the Surigao del Norte joint venture, SMECI (60% owned by PGPI and 40% owned by Anglo) and SMMCI (then wholly-owned by SMECI) were organized in 1999 and 2000, respectively. In 2000, the Parent Company and PGPI transferred their respective rights and interest in the MPSAs to SMMCI. All costs incurred by the Parent Company and PGPI arising from their acquisition of ownership interests in SMECI, respectively, were reimbursed by Anglo. SMECI started to be consolidated in 2009.

In December 2001, Anglo purchased from PGPI an effective 10% equity interest in SMMCI for US$20,000, plus additional payments of up to US$5,000 should there be an increase in metal content of the deposit or from any subsequent discovery within the surrounding tenements on the basis of feasibility studies. Benefits from subsequent discovery of minerals by SMMCI that will increase the value of its shares will inure to Anglo. Conversely, the risk of decrease in the value of SMMCI shares will be suffered by Anglo.

Anglo completed its pre-feasibility study of the Boyongan deposit in December 2007 which concluded that a mining operation based on the currently defined resources, proposed mining and processing methods, assumed long-term copper and gold prices, and estimated capital and operating costs would not provide an acceptable rate of the return on the project investment. The Parent Company, however, had differing points of view from Anglo on a number of assumptions and conclusions made in the feasibility study. The Parent Company thus asserted its position that given the results of the study, as provided for under the terms of the joint venture agreements, Anglo should return the Boyongan property to the Parent Company, which Anglo contested.

Anglo claimed that other mineralized centers have been discovered in the vicinity, currently then the subject of intensive exploration and delineation drilling program which Anglo wanted to continue throughout 2008. Anglo also reported that there was geologic evidence for two additional porphyry copper-gold targets within two kilometers of Boyongan which Anglo planned to test. These recent discoveries and their impact were not included in the Boyongan pre-feasibility study.

On September 25, 2008, the BOD approved the Parent Company to pursue the acquisition of the 50% equity interest over the Silangan Project through SMECI and SMMCI from Anglo. The acquisition, which was consummated on February 6, 2009, was executed through a share and asset purchase agreement for a total consideration of US$55,000 (or ₱2,619,375) broken down as follows: US$24,695 (or ₱1,176,114) for the shares, US$43 (or ₱2,020) for the project properties, US$27,053 (or ₱1,288,416) for the receivables and US$3,209 (or ₱152,825) for the payment of loans of Anglo to the joint venture companies. This acquisition effectively gave the Parent Company, together with PGPI, which currently owns the other 50% interest, control over the property.

On December 7, 2011, the Parent Company entered into an agreement with Anglo and Anglo American Exploration (Philippines), Inc. (AAEPI) where the Parent Company agreed to buy and Anglo agreed to sell all Anglo's rights, interests and obligations in MECI for US$25. In addition, AAEPI agreed with the Parent Company that all of its rights, interests and title in and to its receivable to MECI will be assigned to the Parent Company for a consideration amounting to US$175. The purchase of share and assignment of receivable will become effective and legally enforceable only upon fulfillment of the closing obligations. As at December 31, 2014, the closing obligations are not yet fulfilled.

30. Long-term Gold and Copper Concentrates Sales Agreement

On March 11, 2004, the Parent Company entered into a Long-term Gold and Copper Concentrates Sales Agreement (Sales Agreement) with Pan Pacific covering the copper concentrates produced at the Padcal Mine (Concentrates) pursuant to which the Parent Company shall sell its concentrate production to Pan Pacific in diminishing proportion from 75% of the Padcal Mine's total concentrate production for contract year 2004 to as follows:

a. Contract Year 2012 (starting on April 1, 2012 and ending on March 31, 2013), approximately 40,000 DMT or 60% of the total Concentrates production during each Contract Year, for which the treatment and refining charges for copper shall be negotiated by the parties in good faith during the Contract Year 2012.

b. Contract Year 2013 (starting April 1, 2013 and ending on March 31, 2014), approximately 40,000 DMT or 60% of the total Concentrates production during each Contract Year, for which the treatment and refining charges for copper shall be negotiated by the parties in good faith during the Contract Year 2013.

c. Contract Year 2014 (starting April 1, 2014 and ending on March 31, 2015), approximately 60% of the total Concentrates production during each Contract Year, for which the treatment and refining charges for copper shall be negotiated by the parties in good faith during the Contract Year 2014.

The Sales Agreement shall be effective until the date of the closure of the Padcal Mine, unless terminated earlier in accordance with the terms. Further, if the Parent Company or its affiliate, as defined in the Sales Agreement, develops other mines which produce sulfide flotation copper concentrates, then the Parent Company or its affiliates shall discuss the sale of such copper concentrates with Pan Pacific before offering to sell to others.

31. **Other Matters**

a. The Group is currently involved in certain legal, contractual and regulatory matters that require the recognition of provisions for related probable claims against the Group. Management and the Group's legal counsel reassess their estimates on an annual basis to consider new relevant information. The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

b. On February 8, 2013, the Company entered into a Settlement, Release and Policy Buy Back Agreement with Chartis Philippines Insurance, Inc. (Chartis) for the compromise settlement of the Company's insurance claim under its Pollution Legal Liability Select Policy covering the Padcal Mine. The claims pertain to the discharge of tailings from TSF No. 3 of the mine in 2012. Under the terms of the agreement, Chartis shall pay the Company within 15 days the amount of US$25,000 (or ₱1,017,125) in full settlement of the claims. The Company received the full settlement from Chartis on February 12, 2013. The consideration received was recorded under "Other income (charges)" in the Parent Company's statements of income. Of the insurance proceeds, 60% was reflected under core net income as this amount represented claims against business interruption and part of normal operations while the remaining 40% was considered non-recurring representing claims against pollution.

c. On May 10, 2011, FEP and BEC signed a settlement agreement in relation to disputes relating to BEC's share in the historical cost recoveries arising from certain service contracts in the NW Palawan area pursuant to the SPA executed by FEP and BEC on April 3, 2006. If the terms and conditions of the settlement agreement are met, FEP will make a cash payment to BEC of US$650 (₱28,204), and cause the conveyance of (a) 50% of FEPCO participating interests in certain service contracts; and (b) 50% of the related recoverable costs, subject to the approval of DOE. The settlement agreement will become executory upon the satisfaction of certain conditions present, such as the approval by the consortium participants and the DOE, and the final consent award from the Arbitration Tribunal.

d. In June 2012, a compromise agreement was entered into between FEP and BEC which finalized the terms of payment and total consideration for the purchase amounting to US$12,000. As at December 31, 2013 and 2012, FEP made payments to BEC amounting to ₱41,050 and ₱451,550, respectively, which fully extinguished the liability.

e. In 2014, the Parent Company recognized additional provision amounting to ₱394,154 for its manpower right-sizing program (MRP), which brought down overall manpower headcount by 512 employees.

32. **Notes to Consolidated Statements of Cash Flows**

The principal non-cash investing activities of the Group are as follows:

a. In 2014 and 2013, total depreciation expense that was capitalized as part of deferred mine exploration costs by PMC, SMMCI and PGPI amounted to ₱317,909 and ₱67,967, respectively.

b. In 2012, FEP transferred the balance of deferred oil exploration costs relating to Libertad block amounting to ₱50,212 to property, plant and equipment upon start of commercial production of Libertad gas fields.

33. Events After the End of Reporting Period

On February 3, 2015, the SMECI's BOD approved the amendment of the it's Articles of Incorporation for the increase in capital stock from 170,000 shares with par value of ₱10,000 per share to 1,000,000 shares also with a par value of ₱10,000 per share. On February 10, 2015, PMC subscribed 500,000 shares out of the 830,000 shares increased for an aggregate price of ₱7,207,500.

On February 25, 2015, the BOD of the Parent Company approved the dividend declaration of ₱0.02 per share payable on March 24, 2015.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Philex Mining Corporation
Philex Building
27 Brixton Street
Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philex Mining Corporation and its Subsidiaries as at December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014 included in their form 17-A and have issued our report thereon dated February 25, 2015. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-2 (Group A),
March 1, 2012, valid until March 31, 2015
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751344, January 5, 2015, Makati City

February 25, 2015

PHILEX MINING CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Schedule
Reconciliation of Retained Earnings Available for Dividend Declaration	I
Schedule of Financial Soundness Indicators	II
Chart Showing Ownership and Relationship between the Parent Company and its Subsidiaries	III
Schedule of All Effective Standards and Interpretations	IV
Schedules as Required by SRC Rule 68, As Amended	V

A. Financial Assets
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than related Parties)
C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
D. Intangible Assets - Other Assets
E. Long Term Debt
F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
G. Guarantees of Securities of Other Issuers
H. Capital Stock

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2014

PHILEX MINING CORPORATION
Philex Building, 27 Brixton Street, Pasig City, Metro Manila
(Amounts in Thousands)

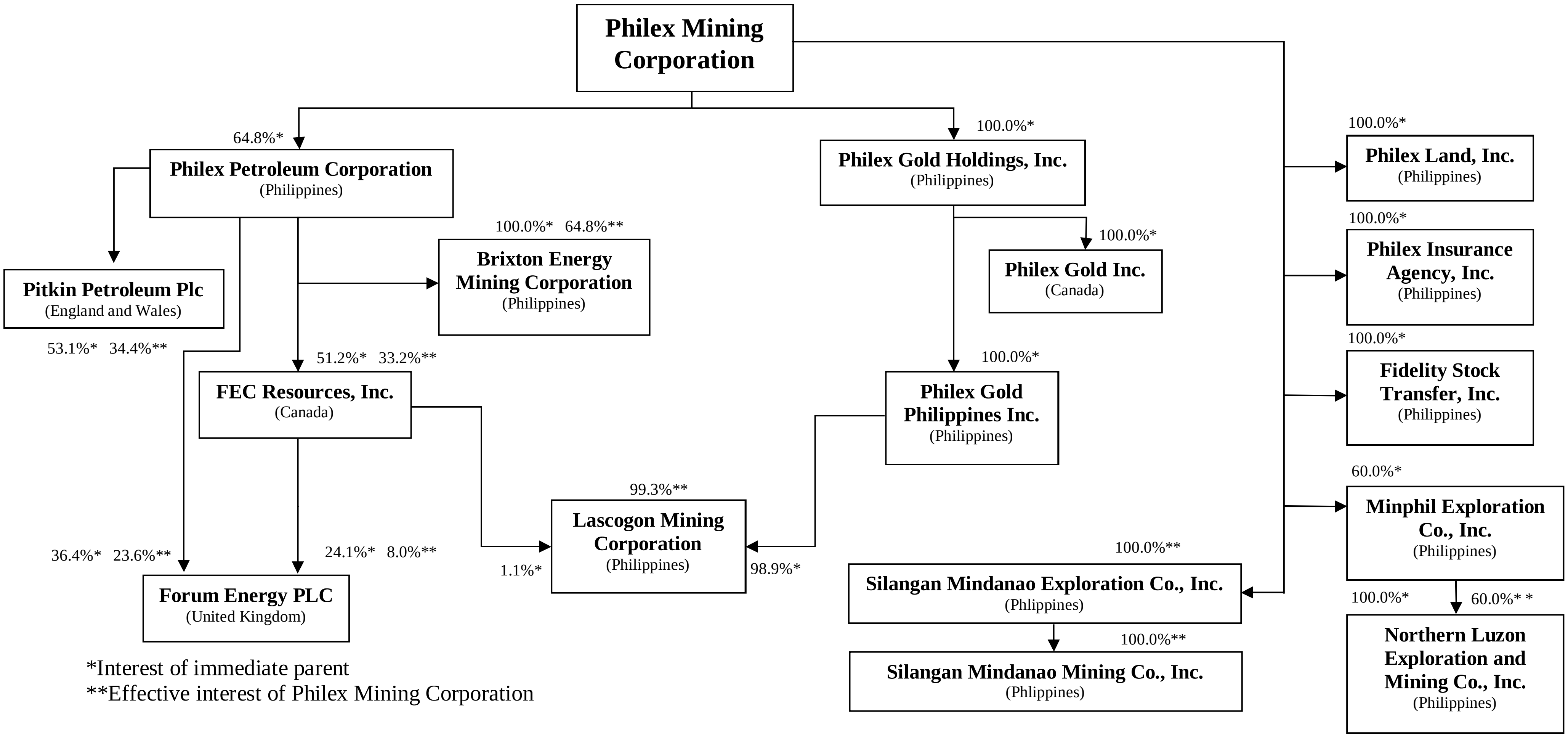
Unappropriated retained earnings, *as adjusted to available for dividend distribution,* December 31, 2013		**₱2,758,063**
Net income during the period closed to retained earnings	**₱1,493,473**	
Less: Recognized deferred tax asset that increased net income	74,283	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted under the PFRS	305,155	
Subtotal	**379,438**	
Net income actually earned during the period		**1,872,911**
Less: Dividend declared during the year		(395,063)
Unappropriated retained earnings as at December 31, 2014, as adjusted		**₱4,235,911**

<u>SCHEDULE II</u>

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

	2014	2013	2012
Current/Liquidity ratios			
Current ratio	**1.27**	0.86	0.94
Quick ratio	**0.84**	0.45	0.41
Solvency ratios and debt to equity ratio			
Debt-to-equity ratio	**0.65**	0.54	0.33
Solvency ratio	**0.13**	0.12	0.03
Financial leverage ratios			
Asset-to-equity ratio	**1.65**	1.54	1.33
Interest rate coverage ratio	**3.97**	3.58	6.34
Profitability ratios			
Return on assets	**1.66%**	0.90%	-2.12%
Return on equity	**2.65%**	1.30%	-2.81%
Net profit margin	**6.99%**	3.19%	-3.57%

SCHEDULE III
PHILEX MINING CORPORATION AND SUBSIDIARIES
CHART SHOWING OWNERSHIP AND RELATIONSHIP BETWEEN THE PARENT COMPANY AND ITS SUBSIDIARIES
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014



*Interest of immediate parent
**Effective interest of Philex Mining Corporation

SCHEDULE IV
PHILEX MINING CORPORATION AND SUBSIDIARIES
TABULAR SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	✓		
	Amendments to PFRS 1: *Additional Exemptions for First-time Adopters*			✓
	Amendment to PFRS 1: *Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters*			✓
	Amendments to PFRS 1: *Severe Hyperinflation and Removal of Fixed Date for First-time Adopters*			✓
	Amendments to PFRS 1: *Government Loans*			✓
PFRS 2	*Share-based Payment*	✓		
	Amendments to PFRS 2: *Vesting Conditions and Cancellations*	✓		
	Amendments to PFRS 2: *Group Cash-settled Share-based Payment Transactions*			✓
PFRS 3 (Revised)	*Business Combinations*	✓		
PFRS 4	*Insurance Contracts*			✓
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
PFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*			✓
PFRS 6	*Exploration for and Evaluation of Mineral Resources*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		**Adopted**	**Not Adopted**	**Not Applicable**
PFRS 7	*Financial Instruments: Disclosures*	✓		
	Amendments to PFRS 7: *Transition*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*	✓		
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets - Effective Date and Transition*	✓		
	Amendments to PFRS 7: *Improving Disclosures about Financial Instruments*	✓		
	Amendments to PFRS 7: *Disclosures - Transfers of Financial Assets*	✓		
	Amendments to PFRS 7: *Disclosures - Offsetting Financial Assets and Financial Liabilities*			✓
	Amendments to PFRS 7: *Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not early adopted		
PFRS 8	*Operating Segments*	✓		
PFRS 9	*Financial Instruments*	✓		
	Amendments to PFRS 9: *Mandatory Effective Date of PFRS 9 and Transition Disclosures*	✓		
PFRS 10	*Consolidated Financial Statements*	✓		
PFRS 11	*Joint Arrangements*	✓		
PFRS 12	*Disclosure of Interests in Other Entities*	✓		
PFRS 13	*Fair Value Measurement*	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	*Presentation of Financial Statements*	✓		
	Amendment to PAS 1: *Capital Disclosures*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendments to PAS 1: *Presentation of Items of Other Comprehensive Income*	✓		
PAS 2	*Inventories*	✓		
PAS 7	*Statement of Cash Flows*	✓		
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		
PAS 10	*Events after the Balance Sheet Date*	✓		
PAS 11	*Construction Contracts*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		**Adopted**	**Not Adopted**	**Not Applicable**
PAS 12	*Income Taxes*	✓		
	Amendment to PAS 12 - *Deferred Tax: Recovery of Underlying Assets*	✓		
PAS 16	*Property, Plant and Equipment*	✓		
PAS 17	*Leases*	✓		
PAS 18	*Revenue*	✓		
PAS 19 (Amended)	*Employee Benefits*	✓		
	Amendments to PAS 19: *Actuarial Gains and Losses, Group Plans and Disclosures*	✓		
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
	Amendment: *Net Investment in a Foreign Operation*	✓		
PAS 23 (Revised)	*Borrowing Costs*	✓		
PAS 24 (Revised)	*Related Party Disclosures*	✓		
PAS 26	*Accounting and Reporting by Retirement Benefit Plans*			✓
PAS 27 (Amended)	*Separate Financial Statements*	✓		
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*	✓		
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 31	*Interests in Joint Ventures*	✓		
PAS 32	*Financial Instruments: Disclosure and Presentation*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendment to PAS 32: *Classification of Rights Issues*	✓		
	Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities*	✓		
PAS 33	*Earnings per Share*	✓		
PAS 34	*Interim Financial Reporting*	✓		
PAS 36	*Impairment of Assets*	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*	✓		
PAS 39	Financial Instruments: *Recognition and Measurement*	✓		
	Amendments to PAS 39: *Transition and Initial*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Recognition of Financial Assets and Financial Liabilities			
	Amendments to PAS 39: *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*			✓
	Amendments to PAS 39: *The Fair Value Option*			✓
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets - Effective Date and Transition*			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*	✓		
	Amendment to PAS 39: *Eligible Hedged Items*	✓		
PAS 40	*Investment Property*			✓
PAS 41	*Agriculture*			✓
Philippine Interpretations				
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	✓		
IFRIC 2	*Members' Share in Co-operative Entities and Similar Instruments*			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	✓		
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	*Reassessment of Embedded Derivatives*	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	*Service Concession Arrangements*			✓
IFRIC 13	*Customer Loyalty Programmes*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
IFRIC 14	*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	✓		
	Amendments to Philippine Interpretations IFRIC- 14, *Prepayments of a Minimum Funding Requirement*	✓		
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*			✓
IFRIC 17	*Distributions of Non-cash Assets to Owners*	✓		
IFRIC 18	*Transfers of Assets from Customers*			✓
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
SIC-7	*Introduction of the Euro*			✓
SIC-10	*Government Assistance* - *No Specific Relation to Operating Activities*			✓
SIC-12	*Consolidation* - *Special Purpose Entities*			✓
	Amendment to SIC - 12: *Scope of SIC 12*			✓
SIC-13	*Jointly Controlled Entities* - *Non-Monetary Contributions by Venturers*			✓
SIC-15	*Operating Leases* - *Incentives*			✓
SIC-25	*Income Taxes* - *Changes in the Tax Status of an Entity or its Shareholders*			✓
SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓		
SIC-29	*Service Concession Arrangements: Disclosures.*			✓
SIC-31	*Revenue* - *Barter Transactions Involving Advertising Services*			✓
SIC-32	*Intangible Assets* - *Web Site Costs*			✓

SCHEDULE V
PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE A
FINANCIAL ASSETS
(Amounts in Thousands, Except Number of Shares)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Investments in quoted shares:			
Lepanto Consolidated Mining Corporation	2,169,703,990	₱479,509	₱–
Indophil Resources NL	29,240,806	316,066	–
Philippine Realty & Holdings Corporation	68,865,002	33,400	–
Others	various	5,012	–
		833,987	
Investments in unquoted shares:			
Pacific Global One Aviation	1	37,500	–
Philippine Associated Smelting and Refining Corporation	14,047,247	14,055	–
Others	various	21,139	–
		72,694	
		₱906,681	₱–

Quoted AFS financial assets are valued based on PSE and ASX (Australian stock exchange) quotation as at December 31, 2014. AFS financial assets in quoted shares of stock are carried at fair value with cumulative changes in fair values presented as a separate account in equity. Meanwhile, AFS financial assets in unquoted shares of stock are carried at cost because fair value bases (i.e., quoted market prices) are neither readily available nor is there an alternative basis of deriving a reliable valuation at the end of the reporting period.

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE B
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2014

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION
December 31, 2014
(Amounts in Thousands)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Forex Adjustment	Current	Not Current	Balance at end of period
Subsidiaries							
Advances:							
Silangan Mindanao Exploration Co., Inc.	₱2,141,072	₱4,033,278	₱–	₱–	₱6,174,350	₱–	₱6,174,350
Philex Gold Philippines, Inc.	1,292,170	57,112	–	–	1,349,282	–	1,349,282
Silangan Mindanao Mining Co., Inc.	5,414,998	–	5,414,998	–	–	–	–
Philex Petroleum Corporation (PPC)	2,578,958	105,063	–	–	2,684,021	–	2,684,021
Philex Gold, Inc.	19,399	5,049	–	–	24,448	–	24,448
Philex Gold Holdings, Inc. (PGHI)	917,428	142	–	(17,988)	899,582	–	899,582
Lascogon Mining Corporation	138,098	2,212	–	–	140,310	–	140,310
Others	832	109	–	–	941	–	941
	₱12,502,955	₱4,202,965	₱5,414,998	(₱17,988)	₱11,272,934	₱–	₱11,272,934

i) Advances to PGHI are net of allowance for impairment losses amounting to ₱984,725 recognized in prior years.

ii) Majority of these advances are intended to be reinvested as capital stock/deposit for future stock subscription to the respective subsidiary/related party, subsequent to the consolidated statement of financial position date.

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE D
INTANGIBLE ASSETS - OTHER ASSETS
December 31, 2014
(Amounts in Thousands)

Description	Beginning balance	Additions at Cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
i) Intangible Assets						
Goodwill	₱1,238,583	₱–	₱–	₱–	₱–	₱1,238,583
ii) Other Assets						
Deferred mine exploration costs	18,359,454	3,695,294	–	–	–	22,054,748
Allowance for impairment	(1,288,123)	–	(231,419)	–	–	(1,519,542)
	17,071,331	3,695,294	(231,419)	–	–	20,535,206
Deferred oil exploration costs	5,421,457	284,321	–	–	–	5,705,778
Allowance for unrecoverable costs	(442,974)	–	(338,525)	(92,916)	–	(874,415)
	4,978,483	284,321	(338,525)	(92,916)	–	4,831,363
Others	377,372	73,524	–	–	–	450,896
Allowance for write down	–	–	–	–	–	–
	377,372	73,524	–	–	–	450,896
	₱23,665,769	₱4,053,139	(₱569,944)	(₱92,916)	₱–	₱27,056,048

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE E
LONG TERM DEBT
December 31, 2014

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt"	Amount shown caption "Long-term Debt"

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE F
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
December 31, 2014

Name of the Related Party	Balance at beginning of period	Balance at end of period

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE G
GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2014

Name of the issuing entity of securities guaranteed by the company for which the statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is lifted	Nature of guarantee

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE H
CAPITAL STOCK
December 31, 2014

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	8,000,000,000	4,940,399,068	–	–	11,965,959	–

2014

PHILEX MINING CORPORATION

ANNUAL CORPORATE GOVERNANCE REPORT
STATEMENT OF CHANGES FOR YEAR 2014

Table of Contents

Note: All changes & updates for year 2014 are in italics and underlined for easy reference.

A. BOARD MATTERS

1. Board of Directors

Number of Directors per Articles of Incorporation	Eleven (11)

Actual number of Directors for the year	Eleven (11)

a. Composition of the Board

Complete the table with information on the Board of Directors:

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 *(as December 31, 2014)*
Manuel V. Pangilinan	NED	First Pacific Company Limited	Manuel V. Pangilinan	11/28 2008	*6/25/2014*	Annual meeting	*6yrs., 1 month*
Juan B. Santos	NED	SSS	Juan B. Santos	9/28 2010	*6/25/2014*	Annual meeting	*4 yrs., 3 months*
Eulalio B. Austin, Jr.	ED	Two Rivers Holding Corp.	Manuel V. Pangilinan	6/29 2011	*6/25/2014*	Annual meeting	*3 yrs. 6 months*
Eliza Bettina R. Antonino	NED	SSS	Juan B. Santos	4/27 2011	*6/25/2014*	Annual meeting	*3 yrs., 8 months*
Marilyn V. Aquino	NED	Two Rivers Holding Corp.	Manuel V. Pangilinan	12/7 2009	*6/25/2014*	Annual meeting	*5 yrs.,1 month*
Oscar J. Hilado	ID	N/A	Manuel V. Pangilinan Relationship – None	12/7 2009	*6/25/2014 (ID; has served as ID 5 yrs.,1 month)*	Annual meeting	*5yrs., 1 month*
Bienvenido E. Laguesma	NED	SSS	Juan B. Santos	2/27 2013	*6/25/2014*	Annual Meeting	*1yr 10 months*
Robert C. Nicholson	NED	First Pacific Company Limited	Manuel V. Pangilinan	11/28 2008	*6/25/2014*	Annual meeting	*6yrs, 1 month*
Wilfredo A. Paras	ID	N/A	Juan B. Santos Relationship – None	6/29 2011	*6/25/2014 (ID; has served as ID for 3 years 6 months)*	Annual meeting	*3 yrs. 6 months*
Edward A. Tortorici	NED	First Pacific Company Limited	Manuel V. Pangilinan	12/7 2009	*6/25/2014*	Annual meeting	*4 yrs. - 11months*
Barbara Anne C. Migallos	ED	First Pacific Company Limited	Manuel V. Pangilinan	6/26 2013	*6/25/2014*	Annual meeting	*1 year 6 months*

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.

The corporate governance policies adopted by the Board are embodied in the Company's Corporate Governance Manual (the "CG Manual") adopted on 27 April 2010, revised on 23 February 2011, *and further revised on 31 July 2014 to comply with SEC Memorandum Circular No. 9 Series of 2014.*

Please see summary of changes in Company policies and practices this 2014:

- *Organizational changes:*
  - ➢ *Formation of Corporate Governance (CG) Committee at Board level, the majority of which are independent directors.*
  - ➢ *Appointment of the Corporate Governance Officer (CGO), Mr. Danny Y. Yu, who has rank of Senior Vice President (SVP).*
  - ➢ *Formalization and creation of Corporate Governance Office at management level, and appointment of a Deputy CGO to assist the CGO.*
  - ➢ *Separation / Spin-off of the Risk Committee from the Audit Committee at Board level.*

- *Formalized and/or approved adoption of the following CG policies and practices:*

  (i) Code of Business Conduct and Ethics Policy (Approved last 26 February 2014) -- which provides the basic code of behavior and ethics that will apply to directors and employees in line with principles of integrity, teamwork, work excellence, respect for individuals, corporate responsibility, social and environmental responsibility,

  (ii) Whistle Blowing & Protection from Retaliation Policy (Approved last 26 February 2014) -- which lays down the formal system and venue for whistle-blowing complaints and disclosures, including protection against retaliation.

  (iii) Conflict of Interest Policy (Approved last 26 February 2014) – which seeks to ensure that all work-related decisions, actions or inactions of directors, officers, employees and consultants are above-board and based on sound business principles and judgment.

  (iv) Policy on Gifts, Entertainment and Sponsored Travels (Approved last 26 February 2014) -- which provides the general guidelines for directors, employees and consultants on the handling of gifts, entertainment and/or sponsored travels offered by external parties.

  (v) Contractor/Vendor Relations Policy (Approved last 26 February 2014) – which will govern business dealings with suppliers in the procurement of products and/or services in the accordance with professional standards, core values and ethics.

  (vi) Related-Party Transaction (RPT) Policy (Approved last 25 June 2014), providing a system of review and approval of significant or material related party transactions – which was amended and approved in February 2015.

  (vii) Amendments to Policy on Dealings in Company's Shares of Stock (Approved 01 August 2014) – which formalizes the disclosure and reporting period requirements of concerned directors and key officers.

  (viii) Company has adopted a policy of paying dividends, if any, within thirty (30) calendar days to all shareholders of record from date of declaration of such dividend.

(ix) Directors' and Officers' Orientation and Training Policy (Approved 29 October 2014) – which formalizes the Company's practice on orientation and training programs for all directors and officers with the rank of Vice President (VP) and above.

Copies of the policies are available at the Company website.

- *Company has likewise fine-tuned CG-related documents and practices, in line with best practices, for the benefit of shareholders and stakeholders, as follows:*
  - *Notice of the 2014 Annual Stockholders Meeting (ASM) held on June 25 2014 was released at least 28 days before actual meeting, and with detailed agenda to encourage more informed participation of shareholders in the open forum;*
  - *Minutes of the 2014 ASM contained transcript of the open forum during the ASM, voting results per agenda, and the attendance of directors and key officers;*
  - *Year 2013 and Year 2014 audited financial results of operations were released within 60 days from financial year-end;*
  - *Year 2013 annual report contained a CG section that summarizes all the CG developments and/or initiatives of the Company;*
  - *Company website was updated in accordance with SEC Memorandum Circular No. 11 Series of 2014, and contains the required CG section which included copies of policies and contact details of responsible officers for concerns of shareholders, suppliers or investors.*
  - *Established a Board Appraisal/ Performance Evaluation Policy (approved February 25, 2015) to enable the Members of the Board to assess their respective performances as well as that of each member of the Board and the Board committees*

(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 or Senior Management level, and disclosures of significant matters such as financial results are reviewed to ensure that material information is complete and fairly presented.

In reference to calendar year 2013 and 2014 , the Company released its consolidated full year audited financial results within sixty (60) days from end of calendar year. As matter of policy, the quarterly results will be released thirty (30) days from end of quarter.

(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-Laws[1]);
(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.

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

(ff) Amendment to the Articles of Incorporation (Sec. 16, Code)
(gg) Increase in 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 *at least twenty eight (28) days in advance*. 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.

[1] *All of these items are in the Agenda and in the Information Statement for each annual meeting*
[1] *A copy of the Company's Amended By-Laws may be viewed on its website (http://www.philexmining.com.ph/userfiles/Amended%20By-Laws(1).pdf)*
[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] *A copy of the Company's Articles of Incorporation may be viewed on its website (http://www.philexmining.com.ph/userfiles/Amended%20Articles%20of%20Incorporation.pdf)*

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 28 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.

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.

The minutes of the 2014 Annual Stockholders Meeting (ASM), including the Question & Answer (Q&A) portion during ASM open forum, were posted in the Company's website in line with SEC Memorandum Circular No. 11 Series of 2014 and SEC Corporate Governance & Finance Department Memorandum dated June 2 2014.

(v) Right to dividends (Sec. 4.1[e], CG Manual).[4] The Company's dividend policy is to distribute at least 25% of core net income as dividends *paid out within thirty (30) days to shareholders of record from date of declaration*.

In 2014, Company declared and paid cash dividends as follows:

- *Date of declaration on February 26, 2014 to shareholders of record as of March 12, 2014, and date of payment on March 26, 2014 or within 30 days from declaration; and*
- *Date of declaration on October 29, 2014 to shareholders of record as of November 12, 2014, and date of payment on November 28, 2014 or within 30 days from declaration.*

(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

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

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

(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

[5] http://www.philexmining.com.ph/userfiles/Corporate%20Governance%20Manual.pdf

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 the Role of Stakeholders - (Section H) and Corporate Social Responsibility Initiatives - (Section L) of 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 Group[7]

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
Juan B. Santos	Philex Gold Philippines, Inc.	NED
Eulalio B. Austin, Jr.	Philex Gold Philippines, Inc. Philex Petroleum Corporation Silangan Mindanao Mining Co., Inc. Silangan Mindanao Exploration, Inc. Brixton Mining and Energy	ED NED NED NED 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
Barbara Ann C. Migallos	Philex Petroleum Corporation	ED

[6] *The Company's mission and vision may be viewed on its website.(http://www.philexmining.com.ph/corporate-governance/our-values-and-principles/vision-and-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.
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	Philippine Long Distance Telephone Co. (PLDT) Manila Electric Company Metro Pacific Investments Corporation *Roxas Holdings, Inc.*	Non-Executive Director *Non-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	Lepanto Consolidated Mining Corporation	Non-Executive Director
Oscar J. Hilado	Phinma Corporation Trans Asia Oil & Energy Development Corporation and *Trans Asia Petroleum Corporation (TAPET)* First Philippine Holdings Corp. A. Soriano Corporation	Non-Executive Director Non-Executive Director Independent Director Non-Executive Director
Bienvenido E. Laguesma	None	N/A
Barbara Ann C. Migallos	*Mabuhay Vinyl Corporation*	*Non-Executive Director*
Robert C. Nicholson	Metro Pacific Investments Corporation	Executive Director
Wilfredo A. Paras	GT Capital Holdings, Inc.	Independent Director

Director's Name	Name of Listed Company	Type of Directorship
Edward A. Tortorici	Metro Pacific Investments Corporation	Executive Director

(*) List excludes directorship in other listed companies outside Philippines. Details as follows:

1.) Manuel V. Pangilinan – First Pacific Company Limited (Hong Kong) - CEO/ Executive Director
2.) Robert C. Nicholson – First Pacific Limited – Executive Director; QPL International Holdings Limited (Hong Kong) – Independent Director; Pacific Basin Shipping Limited (Hong Kong) – Independent Director
3.) Edward A. Tortorici – First Pacific Limited – Executive Director, PT Indofood Sukses –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

(iii) 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:

The Company observes a limit of five board seats in other listed Companies in the Philippines in line with the CG Manual (Sec. 2.1.8) that provides for the adoption of guidelines on the number of directorships that members of the Board may hold and that the capacity of the directors to diligently and intelligently perform their duties and responsibilities to the Company should not be compromised.

	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 shareholdings as of December 31, 2013	*Changes in Year 2014*	Number of Direct shareholdings *as of December 31, 2014*	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	*3,000,000*	*3,000,001*	Direct	*0.06%*
Eliza Bettina R. Antonino	1	*0*	1	Direct	0.00%
Marilyn V. Aquino	500,100	*0*	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	10,006,439	*0*	*13,006,439*		*0.26%*

Note: The Company has in place a revised Policy on Dealings in Company's Shares of Stock dated 25 June 2014 to formalize the required period of disclosure by Company to three (3) business days from date of transaction by concerned director/s.

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). *In year 2014, a Corporate Governance Committee at Board level was formed to assist the Board and the Chairman in upgrading the corporate governance platform of the Company at par with the regional standards.*	Provide general care, management, and administration of the business of the Company (Sec. 2.4, CG Manual).
Accountabilities	Provide leadership to the Board; ensure that Board works effectively and key issues are discussed in a	Ensure that operations and financial affairs are managed in a sound and prudent manner

	Chairman	Chief Executive Officer
	timely manner, taking into account proposals and recommendations of the CEO and management (Sec. 2.3, CG Manual). Ensure that the lines of communication and flow of information between Management and the Board are maintained (Sec. 2.3, CG Manual). 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).	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). 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)
Deliverables	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). Supervise the preparation of the agenda in coordination with the Corporate Secretary, taking into consideration the proposals of the CEO, Management and Directors. Ensure that lines of communication and flow of information between Management and the Board are maintained. Encourage directors with different views to voice their concerns, allowing sufficient time for discussion and ensure that board decisions fairly reflect board consensus. 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. 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. Oversee the preparations for and the conduct of shareholders' meetings to ensure that the rights of all shareholders are respected.	Realize the objectives set by the Board; implement the Company's strategy, policies and processes. Ensure that the Board is informed as necessary to enable it to monitor the performance of management. 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. 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. 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. With the CFO, establish and maintain proper internal controls and systems. Discharge such duties and authority as may be delegated in writing to him by the Board.

3. Explain how the board of directors plans 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. _The Company is ably assisted by Mr. Roy Agustin K. Evalle, General Manager- "Leadership, Succession" and Development –First Pacific Leadership Academy (FPLA)._

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)

The diversity statement as disclosed in the Company's 2013 annual report reads:

"We embrace and promote diversity at all levels, including the Board. The Company recognizes that human capital remains as its most valuable asset and as such, PMC is committed to fostering, cultivating, and preserving a culture of diversity and inclusion. The collective sum of the diversity - in terms of background, race, ethnicity, religion, gender, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities, and talents - represents a significant part of Philex Mining Corp.'s culture, reputation, and achievements."

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 as former Chairman of Holcim Philippines Inc. 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 (COMP).

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. See role of Directors and provisions on independent directors in the CG Manual. (Annex A, CG Manual, Independent Directors)
Accountabilities		All directors, both executive and non-executive, must observe duties of obedience, diligence and loyalty to the Company and must:	Independent directors must exercise their independent best judgment for the interests of the Corporation and its shareholders and other stakeholders

	Executive	Non-Executive	Independent Director
		(1) Act within the scope of power and authority of the Company as prescribed by its Articles, By-Laws and applicable rules and regulations. (2) Exercise best care, skill and judgment and observe utmost good faith in the conduct and management of the business of the Company. (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).	(Annex A of CG Manual). Independent directors' accountabilities are generally the same as those of other directors. They must serve as members of the Audit Committee and *the Risk Committee*, 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). *An Independent Director should always be present to promote transparency and provide an objective and independent view.*
Deliverables	Realization of the objectives of the Company as set by the Board. (*See also the deliverables for all directors, as discussed under the Non-Executive)*	Comply with the duties and functions of the Board, as set forth in the Corporation Code CG Manual (Sec. 2.1.4), among others: Oversee the establishment and maintenance of effective and adequate financial reporting and internal control systems. 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. Adopt plans for compensation and for the professional development f officers and succession planning for senior management. Ensure that the Company an internal audit system that can reasonably assure that the Company's organizational and operational controls are complied with. Monitor performance of executive director and management Protect the interests of the corporation and its stakeholders (Sec. 2.1.4, CG Manual)	Always exercise independent judgment in all matters relating to the Company and its business. (*See also the deliverables for all directors, as discussed under the Non-Executive*).

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 (2014):

Name	Position	Date of Cessation	Reason
None	*N/A*	*N/A*	*N/A*

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 law, 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).*

<u>In the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of directors, the Board's consideration is that its structure comprises ethical and honest experts who are knowledgeable, experienced, and skillful in diverse fields relevant to the conduct of business, and that members are selected with non-discrimination of gender, race, religion, age, professional skill, or other qualifications. As needed, the Board may use professional search firms to fill in Board vacancies.</u>

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	All directors are elected each year, for a term of one year. (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. (2) The Nominations Committee considers the qualifications of nominees based on curriculum vitae and other available information. (3) The Committee prepares a list of qualified candidates. (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.	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). 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). Directors are required to attend a seminar on Corporate Governance (Item 6, Qualifications for Directorship, Annex B, CG Manual).
(ii) Non-Executive Directors	For the selection and election of non-executive directors, the same procedure as for executive directors is observed. (See above)	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.
(iii) Independent Directors	For the selection and election of independent directors the same procedure as for executive and non-executive directors is observed (See above) Further, the Nominations Committee determines whether the nominee is independent under the Company's definition of independence and applicable rules of the SEC.	For the selection of independent directors, the same criteria as that for executive directors are followed. Independence is an essential consideration. (Independent Director, Annex A, CG Manual)
b. Re-appointment		

Procedure	Process Adopted	Criteria
(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	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. 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. 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.	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).
d. Temporary Disqualification		

Procedure	Process Adopted	Criteria
(i) Executive Directors	The procedure for determining permanent disqualification is followed. 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. In the case of a temporary disqualification of a sitting director, the process and discussion in (c[i]) above will apply.	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	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. 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.	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	
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	

Procedure	Process Adopted	Criteria
	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	

Voting Results in the *2014 Annual Stockholders Meeting (AGM) held on 25 June 2014, as follows:*

Name of Director	Approving	Dissenting	Abstaining
Manuel V. Pangilinan	*3,397,692,153*	*0*	*0*
Juan B. Santos	*3,397,692,153*	*0*	*0*
Eliza Bettina R. Antonino	*3,397,692,153*	*0*	*0*
Marilyn V. Aquino	*3,397,692,153*	*0*	*0*
Eulalio B. Austin, Jr.	*3,397,692,153*	*0*	*0*
Robert C. Nicholson	*3,397,692,153*	*0*	*0*
Bienvenido E. Laguesma	*3,397,692,153*	*0*	*0*
Edward A. Tortorici	*3,397,692,153*	*0*	*0*
Barbara Anne C. Migallos	*3,397,692,153*	*0*	*0*
Oscar J. Hilado	*3,397,692,153*	*0*	*0*
Wilfredo A. Paras	*3,397,692,153*	*0*	*0*

6. Orientation and Education Program

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

The orientation program is based on Directors Orientation & Training Policy approved 29 October 2014.

The program provides new directors with an overview of the overall operations and interaction with key partners of the Company, and opportunity to meet with the Chairman of the Board, the Chief Executive Officer, Compliance Officer, and the Corporate Secretary on topics as follows:

- *Overview of the Company;*
- *Current events and reports of the Company;*

_ Corporate Governance Structure and Policies;_
_ Business Plans & Forecasts;_
_ Directors' and Officers' Insurance Coverage._
The orientation program shall be undertaken within the first thirty (30) days of director's tenure, and if possible, before the director's first Board meeting.

Further, the program provides new directors an opportunity for mine site visit and inspection during same period in order for them to gain familiarity with the business environment and the actual operations, and to have needed interaction with the middle management and the other employees of the Company.

b. State any in-house training and external courses attended by Directors and Senior Management[8] 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
	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
	12/2/2013	Ensuring Effective Board Oversight of Ethics and Compliance: Emerging Trends and Lessons Learned	First Pacific Leadership Academy
	_4/1/2014_	_Briefing on Corporate Governance Requirements Under U.S. Laws and Regulations and Foreign Corrupt Practices Act of 1997_	_Philippine Long Distance Telephone Co.,_
	_12/4/2014_	_Corporate Governance : What to Expect from SEC and Corporate Governance Trends and Practices in Advanced Economies_	_Philex Mining Corporation_
Juan B. Santos Vice Chairman; Director	11/19/2012	Corporate Governance Forum "Navigating the New World of Business"	First Pacific Leadership Academy
	12/2/2013	Executive Talks: Corporate Governance Enhancement Session	First Pacific Leadership Academy
	_4/1/2014_	_Briefing on Corporate Governance Requirements Under U.S. Laws and Regulations and Foreign Corrupt Practices Act of 1997_	_Philippine Long Distance Telephone Co.,_
	_12/4/2014_	_Corporate Governance : What to Expect from SEC and Corporate Governance Trends and Practices in Advanced Economies_	_Philex Mining Corporation_

[8] _Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company._

Name of Director/Officer	Date of Training	Program	Name of training institution/ Sponsor
Eulalio B. Austin, Jr. Pres. & CEO Director	3/8/2013 7/24/2013 Sept-Oct. 2013 *11/28/2014*	Lifting the hood: The Obama Engine and how it worked from day 1 Talent Management, Leadership Succession and Development Program Advance Management Program *"Going for the Gold: Competing Successfully in the ASEAN Corporate Governance Scorecard."*	First Pacific Leadership Academy First Pacific Leadership Academy Harvard Business School *Institute of Corporate Directors*
Oscar J. Hilado Independent Director	6/20/2013 *7/8/2014*	Business Continuity Management Training *Corporate Governance Programs*	SGV & Co. *SGV & Co./PHINMA Corporation*
Marilyn V. Aquino Director	11/19/2012 12/2/2013 *11/13/14*	Corporate Governance Forum "Navigating the New World of Business" Corporate Governance Enhancement Session *Corporate Governance Programs*	First Pacific Leadership Academy First Pacific Leadership Academy *SGV & Co./Lepanto Consolidated Mining Company*
Robert C. Nicholson Director	11/19/2012 2/2-4/2012 5/2/2013 8/27/2013 12/5/2013 *10/15/2014*	Corporate Governance Forum "Navigating the New World of Business" Future Proofing Our Business Hong Kong Corporate Law Regulatory Update Diversity on Board and Recent Regulatory Developments on Corporate Governance Synopsis on Legal and Regulatory Issues *First Pacific Corporation Directors' Training*	First Pacific Leadership Academy First Pacific Leadership Forum Pacific Basin First Pacific Co. Ltd. First Pacific Co. Ltd. *Gibson, Dunn & Crutcher/ First Pacific Co. Ltd*
Edward A. Tortorici Director	11/19/2012 12/5/2013 *12/4/2014*	Corporate Governance Forum "Navigating the New World of Business" Synopsis on Legal and Regulatory Issues *Corporate Governance : What to Expect from SEC and Corporate Governance Trends and Practices in Advanced Economies*	First Pacific Leadership Academy First Pacific Co. Ltd. *Philex Mining Corporation*
Wilfredo A. Paras Independent Director	8/15/ 2011 2/28/2013, 3/7-8/2013, 3/14-15/2013	Corporate Governance & Anti-Money Laundering Act Seminar Professional Directors' Program	Philippine Securities Consultancy Corp. (PHILSECC) Institute of Corporate Directors

Name of Director/Officer	Date of Training	Program	Name of training institution/ Sponsor
	12/16/2013 *11/20/2014*	Inducted as a Fellow *Distinguished Corporate Governance Seminar Speaker Series*	Institute of Corporate Directors *Institute of Corporate Directors*
Eliza Bettina Antonino Director	*12/4/2014*	*Corporate Governance : What to Expect from SEC and Corporate Governance Trends and Practices in Advanced Economies*	*Philex Mining Corporation*
Bienvenido E. Laguesma Director	12/1-2/2011 3/21/2013 1/ 11/ 2013 1/30/2013 3/21/2013 *10/10/2014*	Orientation Course on Corporate Governance New Rules on Taxation of Internal Income & Other Issues Affecting Financial Institutions Philippines on the Rise: 2013 Economic Outlook Philippine Investment Summit with Dr. Nouriel Roubini New Rules on Taxation of Internal Income & Other Issues Affecting Financial Institution *Corporate Governance Seminar for GOCC's*	Institute of Corporate Directors In-house Training First Metro Investment Corporation First Metro Investment Corporation First Metro Investment Corporation *Institute of Corporate Directors*
Barbara Anne C. Migallos Corporate Secretary/ *Director*	5/18/2013 8/21 -23/2013 *9/3/2014* *12/4/2014*	SEC's Revised Code of Corporate Governance Corporate Governance for Directors and Institutional Investors *Corporate Governance Seminar* *Corporate Governance : What to Expect from SEC and Corporate Governance Trends and Practices in Advanced Economies*	Center for Global Best Practices Truventus Kuala Lumpur, Malaysia *SGV & Co.* *Philex Mining Corporation*
Danny Y. Yu- SVP & Chief Financial Officer/ Chief Compliance Officer/ Corporate Governance Officer	9/9/2013 11/7/2013 *3/6/2014* *07/9-10/2014* *8/27/2014* *10/21/2014*	Talent Management, Leadership Succession and Development Program The Business Innovation *Project Planning Workshop* *Board of Directors' Guide for Audit Committees* *Mastering Enterprise Risk Management* *SEC- PSE Corporate Governance Forum*	First Pacific Leadership Academy First Pacific Leadership Academy *Philex Mining Corporation- Human Resources: Learning and Development Department* *Center for Global Best Practices* *Center for Global Best Practices* *PSE and SEC*

Name of Director/Officer	Date of Training	Program	Name of training institution/ Sponsor
	_12/1/2014_	_21st Century Leadership & Governance: Thriving and Change, Complexity and Lots of Choices_	_Philex Mining Corporation_
	_12/4/2014_	_Corporate Governance : What to Expect from SEC and Corporate Governance Trends and Practices in Advanced Economies_	_Philex Mining Corporation_
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
	7/24/2013	Talent Management, Leadership Succession and Development Program	First Pacific Leadership Academy
	10/18/2013	Self- Mastery	Organizational Change Consultants International
	11/07/2013	The Business Innovation	First Pacific Leadership Academy
	_6/4-6/2014_	_Creating a Discipline of Innovation_	_First Pacific Leadership Academy_
	_12/1/2014_	_21st Century Leadership & Governance: Thriving and Change, Complexity and Lots of Choices_	_Philex Mining Corporation_
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
	1/30/2013	The Philippine Investment Summit 2013: The Philippine Economic Upgrade: A bright spot in Asia with Dr. Nouriel Roubini	The Pinnacle Group International
		Arangkada Philippines Forum: Realize	Joint Foreign Chambers of the Philippines

Name of Director/Officer	Date of Training	Program	Name of training institution/ Sponsor
	2/26/2013 3/8/2013 7/24/2013 11/7/2013 *12/1/2014*	the potential (Pres. Aquino and CJ Sereno: Keynote speakers) Executive Talks: Lifting the hood with Mr. Roger Fisk Talent Management, Leadership Succession and Development Program The Business Innovation *21st Century Leadership & Governance: Thriving and Change, Complexity and Lots of Choices*	 First Pacific Leadership Academy First Pacific Leadership Academy First Pacific Leadership Academy *Philex Mining Corporation*
Redempta P. Baluda VP Exploration	9/12-15/2011 3/8/2013 7/24/2013 *12/1/2014*	Senior Exploration Management Course Lifting the hood The Obama Engine and how it worked from day 1 Talent Management, Leadership Succession and Development Program *21st Century Leadership & Governance: Thriving and Change, Complexity and Lots of Choices*	Western Mining Services (WMS) First Pacific Leadership Academy First Pacific Leadership Academy *Philex Mining Corporation*
Enrique C. Rodriguez, Jr. VP for Legal	3/27-28/2012 11/16/2012 3/8/2013 7/24/2013 11/7/2013 *6/11/2014*	Investment Forum Best Practices For "Resolving Company – Community Disputes" Executive Talks Talent Management, Leadership Succession and Development Program The Business Innovation *Crafting Chapters & Lessors in Thoughts Leadership (Executive Talks)*	Institute of Corporate Directors The Core Group First Pacific Leadership Academy First Pacific Leadership Academy First Pacific Leadership Academy *First Pacific Leadership Academy*
Victor A. Francisco VP- Community Relations	7/24/2013 9/5/2013 *2/20-21/ 2014* *2/26-28/2014*	Talent Management, Leadership Succession and Development Program Top Management Program *Refresher Course on English* *Community Engagement Program " Co-Creating the Future: Mobilizing*	First Pacific Leadership Academy Asian Institute of Management *Center for Global Best Practices* *Asian Institute of Management*

Name of Director/Officer	Date of Training	Program	Name of training institution/ Sponsor
	 2/28-29/2014 *7/22/ 2014* *8/27/2014*	*Multi Stakeholder Partnership"* *Emergency Medical Responder* *Disaster Preparedness Forum* *Mastering Enterprise Risk Management*	*Center for Lifesaving Educ. & Development* *CSR Asia and Prudence Foundation* *Center for Global Best Practices*
Raymund Brett C. Medel VP- Information Technology	9/20-21/2012 11/20/2012 3/8/2013 7/24/2013 8/2/2013 *6/4-6/2014* *12/1/2014*	Leading the Self Corporate Governance Forum "Navigating the New World of Business" Lifting the hood The Obama Engine and how it worked from day 1 Talent Management, Leadership Succession and Development Program Info Session: Procurement and Import & Traffic *Leadership Forum : Creating a Discipline of Innovation* *21st Century Leadership & Governance: Thriving and Change, Complexity and Lots of Choices*	First Pacific Leadership Academy First Pacific Leadership Academy First Pacific Leadership Academy First Pacific Leadership Academy Philex Mining Corporation- Supply Chain Division- Traffic Department *First Pacific Leadership Academy* *Philex Mining Corporation*

B. CODE OF BUSINESS CONDUCT & ETHICS[9]

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	*The Company has a Conflict of Interest Policy approved by the Board on 26 February 2014.* *Under this policy, all transactions which are or may have the potential of being deemed as Conflict of Interest transactions are prohibited. All business decisions of the Directors must be based on the best interest of the company and its subsidiaries and affiliates and must not be motivated by personal considerations and other relationships that can interfere with their independent judgment.* *The policy covers directors, officers and employees. In case of conflict, the policy requires the director, senior management and/or employees must disclose in writing any actual or potential instances and/or situations where they may have a Conflict of Interest or the appearance of a Conflict of Interest to the relevant authorities specified in the Company's Conflict of Interest Policy, as soon as they become aware of such actual or potential instances and/or situations.*		

[9] *A copy of the Company's Code of Business Conduct and Ethics Policy was approved February 26, 2014 and may be viewed on its website. (http://www.philexmining.com.ph/userfiles/Code%20of%20Business%20Conduct%20and%20Ethics(1).pdf)*

Business Conduct & Ethics	Directors	Senior Management	Employees
(b) Conduct of Business and Fair Dealings	*The Company has the following policies on business and fair dealings: (i) Code of Business Conduct and Ethics; (ii) Vendor Relations Policy; (ii) Policy on Dealings in Company Shares of Stock, as amended.* *Under these policies, directors, officers and employees must avoid taking unfair advantage of anyone through manipulations, concealment, and abuse of privileged information, misrepresentation of material facts or any unfair dealing practices, and must deal fairly with the customers, service providers, suppliers, competitors and employees.* *Further, all concerned directors, are required to report to the Compliance Officer their dealings in company shares within two (2) business days from date of transaction. The Company shall report director's dealings in company shares within three (3) business days from date of transaction to the PSE.*		
(c) Receipt of gifts from third parties	*The Company has a Policy on Gifts, Entertainment and Sponsored Travel*[10] *which was approved by the Board on 26 February 2014.* *Under this policy, directors, senior management and all employees shall refrain from putting themselves in situations or acting in a manner that could significantly affect the objective, independent or effective performance of their duties and responsibilities in the Company. The policy provides that concerned individuals who receive gifts from third parties shall inform their donor that these were received in behalf of the Company and shall be handled in accordance with Company policy. Only token Gifts (gifts valued equal to or below P4,000.00 regardless of whether it is perishable or nonperishable) voluntarily given by a Third Party to a Director, Senior Management and all employees may be accepted and kept by the recipient.*		
(d) Compliance with Laws & Regulations	*All directors, senior management and employees should engage in honest conduct and comply with all applicable laws, rules, and regulations; adhere to the standards and restrictions imposed by these laws, rules and regulations; and avoid the direct or indirect commission of bribery and corruption of representatives of government or regulators to facilitate transaction or gain any perceived or factual or advantage. (Code of Business Conduct and Ethics).*		
(e) Respect for Trade Secrets/Use of Non-public Information	*Directors, senior management and employees should maintain and safeguard the confidentiality of information entrusted by the Company, except when disclosure is authorized or legally mandated. Confidential information includes any non-public information that might be used by competitors, or harmful to the Company, its subsidiaries, affiliates, customers, business partners, or other parties associated with the Company if disclosed.(Code of Business Conduct and Ethics)*		
(f) Use of Company Funds, Assets and Information	*Directors, officers and employees must ensure that records are not altered, concealed, destroyed or falsified to impede, obstruct or influence any investigation by, or proceeding before any official Company committee or body, governmental, regulatory or judicial body having jurisdiction. Use of Company property and resources including Company time, supplies and software must be done efficiently, responsibly and only for legitimate business purposes. Assets of the Company must be protected from loss, damage, misuse or theft. (Code of Business Conduct and Ethics Policy)*		
(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 (except the President and CEO) 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	Senior management being	Employees are subject to the

[10]*Copy of the Policy on Gifts, Entertainment and Sponsored Travels may be viewed in the company's website:* http://www.philexmining.com.ph/userfiles/Policy%20on%20Gifts%20Entertainment%20and%20Sponsored%20Travels.pdf

Business Conduct & Ethics	Directors	Senior Management	Employees
	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 the Philippine law.	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.	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 a Whistle-Blowing Policy approved by the Board in February 2014.* *The policy provides a system and venue for proper submission, handling or resolution of complaints or disclosure regarding violations of corporate governance rules, questionable accounting and auditing matters, and offenses covered by the Company's existing Code of Discipline or equivalent policy. The policy also has provisions on the protection of whistle-blower against Retaliation.*		
(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 Business Conduct and Ethics was reviewed and approved by the Board of Directors on 26 February 2014, and disseminated to Senior Management and Employees. A copy of the policy is available at Company website.*

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

Under Code of Business Conduct and Ethics, the Company's implementation and monitoring of compliance are as follows:

1. *Directors, officers, and employees of the Company commit to comply with both the letter and spirit of this Code and the Company endeavors to obtain the same commitment from its business partners. In this connection, directors and officers should explain to employees and business partners the Company's principles and values set forth in this Code, and emphasize the importance of conducting themselves in accordance with the standards set by this Code in order to attain financial rewards for the Company and to deter wrongdoing.*

2. *The Corporate Governance Office is responsible for applying the Code to specific situations in which questions or concerns may arise, and has the authority to interpret and decide on such issues arising from the implementation of the Code.*

3. *There shall be no waiver of any of the provisions of this Code in favor of any directors, officer or employee, except when expressly granted by the Board of Directors, in the case of waivers for directors and officers, or by the Corporate*

Governance Office in the case of waivers for employees. Any such waiver for any director or executive officer or any material amendment to the Code must be promptly disclosed to the shareholders of the Company.

4. *Any director, officer or employee is encouraged to contact the Corporate Governance Office when in doubt about the best course of action in a particular situation relating to a subject matter of the Code.*

5. *Any director, officer or employee who is aware of any existing or potential violation of the Code is required to notify the Corporate Governance Office promptly. The Corporate Governance Office shall take all action it considers appropriate to investigate any violations reported to it. If a violation has occurred, the Company shall take such disciplinary or preventive actions as it deems appropriate.*

6. *Disciplinary actions against violators include measures such as dismissal and/or filing of appropriate civil and criminal actions. For purposes of this Code, "violators" are defined as (a) person who commit prohibited acts or who fail to implement prescribed acts when there is an obvious opportunity to do so; (b) employees who knowingly abet such acts of commission or omission or who fail to report such acts that violate the Code; (c) persons of authority who fail to impose the necessary disciplinary measures against violators.*

7. *Retaliation of discrimination, whether direct or indirect and in any form against any director, officer or employee who reports, honestly and in good faith, any violation or perceived violation of this Code shall not be tolerated.*

8. *All policies, systems, practice. orders and similar official corporate issuances, whether existing or to be issued shall be revisited and revised as soon as practicable in order to be consistent with the letter and spirit of this Code. Pending the finalization of such amendments, the provisions of this Code shall prevail over any policies, systems in practice, orders, and similar corporate issuances inconsistent with this Code.*

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

The Company has Related Party Transaction (RPT) Policy approved by the Board on 25 June 2014.

Under the policy, salient rules and procedures are summarized as follows:

(1) The Company shall at all times observe and adhere with the provisions of the Corporation Code, Articles of Incorporation and By-laws, and all other relevant laws, rules and regulations, as may be applicable in the review, approval and disclosure of Related Party Transactions ("RPT"). The Company shall at all times observe, uphold and respect the rights of its shareholders, minority and majority alike, through this RPT Policy.

(2) In the review and approval of RPT, the Company shall at all times abide by the following standards:
  - *(i) That the RPT is "fair and at arm's length"[11]; and*
  - *(ii) That the RPT is in the best interest of the Company and its stockholders, based under relevant circumstances which include as follows:*
    - *Basic terms of the transaction*
    - *Related person's interest in the transaction*
    - *Purpose and timing of the transaction*

[11] "Fair & at Arm's Length" refers to transactions in an open and unrestricted market and between willing parties who are knowledgeable, informed, and who act independently of and without regard to any relationship with each other.

- *Nature of the Company's participation in the transaction*
- *Cost basis and other relevant information if involving sale of assets*
- *Information on potential counterparties in the transaction including market prices for similar products and services*
- *Description of any provisions or limitations that may be imposed as a result of the transaction*
- *Any potential reputational risk issues that may arise as a result of or in connection with the transaction.*

(3) For purposes of this Policy, a Material and/or Significant RPT is defined as those transactions with Related Party which involve an aggregate amount or value equal to or greater than Fifty Million Pesos (P50Million) over a twelve (12) month calendar year period ("Material and/or Significant RPT").

(4) As matter of policy and procedure, all Material and/or Significant RPT shall be subject to review and endorsement by the Corporate Governance Committee ("CG Committee") prior to approval by the Board except those covered under ("Exempt RPT").

(5) The Board, where necessary, may require the following Material and/or Significant RPT be submitted to the stockholders for ratification and final approval:

(i) contract between an officer and the Company (Board approval only);
(ii) contract between a director and the Company (Board approval), but when the presence of such director in the Board meeting in which the contract was approved was necessary to constitute a quorum and the vote of such director was necessary for the approval of the contract, approval by the Company's stockholders is also required;
(iii) contract between the Company and another corporation with interlocking directors (Board approval), but if the interest of the interlocking director in the Company is nominal and his interest in the other corporation is substantial, and such director's presence in the Company's Board meeting in which the contract was approved was necessary to constitute a quorum and the vote of such director was necessary for the approval of the contract, approval by the Company's stockholders is also required; and
(iv) management contract where the Company undertakes to manage or operate all or substantially all of the business of another corporation or vice versa.

(6) All Material and/or Significant RPT shall be reported by the Compliance Officer to the Audit Committee to ensure full and timely disclosure 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, as required under PAS 24 on Related Party Transaction Disclosures and other disclosure requirements.

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
(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

Related Party Transactions	Policies and Procedures
(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

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.

Company has Conflict of Interest Policy approved by the Board on 26 February 2014.

The policy sets forth the mechanism as follows:

(1) *Primarily, Directors, Employees and Consultants must disclose in writing any actual or potential instances and/or situations where they may have a Conflict of Interest or the appearance of a Conflict of Interest to the relevant authorities specified herein, as soon as they become aware of such actual or potential instances and/or situations. Depending on the nature of the conflict situation, conflicted Directors, Employees and Consultants may be required to comply with other requirements.*

(2) *The Director, Employee or Consultant concerned shall likewise inhibit himself from any direct or indirect participation or involvement at any stage of the transactional process flow and cannot sign any paper or document related to the transaction.*

(3) *In addition to the requirements of Sections 31 to 33 of the Corporation Code (where applicable), business transactions involving a conflicted Director shall be subject to the approval of the Board; while those involving a conflicted officer shall be subject to the approval of the President and CEO; and those involving a Consultant and other Employees shall be subject to the approval of the Management Committee; Provided, however, that in any transaction involving a conflicted Employee (including an officer) or Consultant where the amount of such transaction exceeds the level of approving authority of the President and CEO or Management Committee, as the case may be, the approval of such transaction shall be made by the relevant authority or authorities having the power to approve such transaction based on the Board-approved approval matrix in effect at the relevant time. Provided, further, that in all cases, the actual evaluation of the commercial and technical aspects of the transaction, including recommendation to award, shall be made and conducted by the appropriate management bodies or business units in accordance with the established procedures of the Company. Accordingly, the supporting documents, such as disclosures, reports and recommendations shall be provided to the said relevant authorities who are authorized to approve the transaction involving the conflicted Director, Employee or Consultant.*

	Directors/Officers/Significant Shareholders
Company	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. 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.
Group	Please see discussion above

5. Family, Commercial and Contractual Relations

a. Indicate, if applicable, any relation of a family,[12] 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. In 2013, the Credit facility was reduced to U.S.$150 Million of which U.S.$80 Million was outstanding as of September 1, 2014. *In December 18 2014, the Company paid in full the US$80 Million loan from First Pacific Group. By end of year, the credit facility agreement with First Pacific Group was cancelled and no longer renewed.*
First Pacific Group and Social Security System	*Noteholders*	*On December 9 2014, the Company and Silangan Mindanao Exploration Company, Inc. (SMECI) [a wholly-owned subsidiary of Company] signed a Convertible Notes Agreement (CNA) in the total aggregate amount of P7.2 billion, Philippine currency, convertible into shares of stock of SMECI, with Noteholders Asia Link B.V. – a subsidiary of First Pacific Company Limited – and Philippine Social Security System, which are both existing shareholders of the Company.*

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 as follows: (1) Credit facility of US$ 150 Million extended by the First Pacific Group to the Company *(which is no longer renewed by end of year 2014)*; and (2) *Convertible Notes Agreement signed*

[12] *Family relationship up to the fourth civil degree either by consanguinity or affinity.*

by Company on December 9, 2014. The CN bears a coupon rate of 1.5%, payable semi-annually every 18th June and 18th December and has a maturity of eight (8) years, with a one-time redemption option exercisable by the Issuer on the first anniversary of the issuance of the Note (i.e. December 18, 2015). A premium, payable at a rate of 3% per annum, retroactive from issue date and compounded semi-annually, will apply if the Issuer exercises the redemption option. Every P18,000 worth of CN is convertible into one common share of SMECI starting December 19, 2015. A total of 400,000 new shares, representing 40% of the expanded share capital of SMECI, will be issued upon full conversion. Upon maturity, all CN outstanding will be redeemed at par, plus all accrued interest, including the 3% per annum premium on face value, compounded semi-annually from the date of issue (December 18, 2014).

Names of Related Significant Shareholders	Type of Relationship	Brief Description
First Pacific Group	Significant shareholder of the Company	Extended a US$150 Million credit facility to the Company. *By end of year 2014, the credit facility agreement was cancelled and no longer renewed.*
First Pacific Group and SSS	*Significant shareholder of the Company*	*Convertible Note Agreement of P7.2B signed December 9, 2014.*

b. 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:

	Alternative Dispute Resolution System
Corporation & Stockholders	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: (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. (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. (3) Depending on the nature of the dispute and the significance of the matter, Board approval is sought before entering into a compromise settlement.
Corporation & Third Parties	In the case of disputes with third parties, the policy is to pursue a fair settlement to avoid protracted and costly litigation. Procedure:

	(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. (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. (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.
Corporation & Regulatory Authorities	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: (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 (2) Significant matters are reported to the Board. (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. (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.

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 2014)*:

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Manuel V. Pangilinan	11/28/2006	9	8	89%
Member	Juan B. Santos	9/28/2010	9	8	89%
Member	Eliza Bettina R. Antonino	4/27/2011	9	7	78%
Member	Marilyn V. Aquino	12/9/2009	9	9	100%
Member	Eulalio B. Austin, Jr.	6/29/2011	9	8	89%
Member	Bienvenido E. Laguesma	2/27/2013	9	8	89%
Member	Robert C. Nicholson	11/28/2008	9	9	100%
Member	Edward A. Tortorici	12/9/2009	9	4	44%
Member	Barbara Anne C. Migallos	6/26/2013	9	9	100%
Independent	Oscar J. Hilado	12/9/2009	9	8	89%
Independent	Wilfredo A. Paras	6/29/211	9	8	89%

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*. A separate meeting without the presence of CEO and other executive officer was held on 23 April 2014.*

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 papers[13] 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. *Company regularly sends soft copies of complete set of board papers to directors via e-mail at least 5 days in advance, and the hard copies are physically distributed on the day of the board meeting or earlier upon request of director/s.*

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.

   Yes, 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.

   Likewise, the Corporate Secretary, in coordination with Legal Department of Company, assists in the handling of various regulatory and/or legal matters involving different government agencies, e.g., SEC, PSE, DENR, MGB, PAB, Indigenous Group, Local Government, etc.

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

[13] *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.*

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.
Audit *(Formerly, Audit and Risk Committee until a separate Risk Committee was spun-off on October 31, 2014.)*	(1) Reports and other materials are provided to the members of the Committee prior to the meeting. (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. (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. (4) The Audit Committee meets with the external auditor on a quarterly basis and as may be necessary.
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.
Corporate Governance (CG) *[CG Committee at Board level was formed on 26 February 2014.]*	*The Corporate Governance Officer (CGO) and the Deputy Corporate Governance Officer are responsible to provide the Committee with information that are necessary, appropriate and adequate to enable the members of the committee to discharge their duties and responsibilities.*
Risk Committee *[A Risk Committee at Board level was formed last 29 October 2014.]*	*The CFO, Padcal Resident Manager (SVP) and Division Manager-Risk Management are responsible to provide the Committee with information that are necessary, appropriate and adequate to enable the members of the Committee to discharge their duties and responsibilities*

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.	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. 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.
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[14])	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.

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
Revised Corporate Governance Manual	*CG Manual was revised to include the duties and responsibilities of Company to its stakeholders.*	*To comply with the SEC Memorandum Circular No.9, Series of 2014.*
Amended Policy on Dealings in Company's Shares of Stock	*All concerned directors, officers and/or employees must report to Compliance Officer all respective dealings in company shares within two (2) business days, and for the Company to disclose the same within three (3) business days, from date of transaction.*	*To formalize the period of disclosure and/or reporting dealings in company shares of stock by Company directors to align with corporate governance best practices.*
Dividend Payment Policy	*As matter of policy, the Company will pay the any dividends within Thirty (30) Days from date of declaration.*	*To align with corporate governance best practices on period of payment of dividends based on Organization for Economic Cooperation and Development (OECD) Corporate Governance Principles.*
Revised Audit Committee Charter	*The Audit Committee Charter was revised in view of spin off of risk oversight functions to the Risk Committee.*	*To make appropriate changes to the Audit Charter in line with the formation of the Risk Committee at Board level.*
Risk Committee Charter (New)	*The Risk Committee Charter ("Charter") was codified to set forth the committee's purposes, authority, duties and responsibilities, structure and procedures.*	*To align with CG best practices and to underscore the importance of the risk function of the Board.*

[14] *The Company's Audit Committee Charter may be viewed at its website.*
http://www.philexmining.com.ph/userfiles/Revised%20Audit%20Committee%20Charter.pdf

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	Compensation Committee in consultation with the Chairman. Stock option grants that are determined by the said Committee are subject to Board approval. *V*ariable compensation for the CEO are in the form of: (1) Stock options under the Company's Stock Option Plan (2) Bonuses under duly approved plans applying to groups or levels of employees (may be across the board or based on productivity) The CEO receives bonuses solely under the above plans. No bonus <u>*except director's bonus if any mentioned under "Others"*</u> is paid to the CEO outside of these plans.	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. Variable compensation for the 4 highest paid management officers are in the form of: (1) Stock options under the Company's Stock Option Plan (2) Bonuses under duly approved plans applying to groups or levels of employees (may be across the board or based on productivity) 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 The By-Laws provide that directors may receive compensation in an amount not exceeding 1½% of net income before income tax, distributed among all directors as approved by the Board.	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 from net income as provided in the By-Laws	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 maximum of 1½% of net income before income tax to be shared among the directors as determined by the Board.
Non-Executive Directors	Compensation of non-executive directors is in accordance with the Corporation Code, which permits only two kinds of fees for directors: (1) A reasonable per diem for attendance at Board meetings; and (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. The Company's By-Laws set the limit at 1½%, significantly lower than allowed under the law.	There is no "compensation package" for non-executive directors. In accordance with law, there are two components: (1) A reasonable per diem for attendance at Board meetings; and (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.	(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. (2) Directors' fees are calculated on the basis of the audited financial statements, with a limit of 1½% of net income before income tax.

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

Remuneration Scheme	Date of Stockholders' Approval
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 year 2014, total of Php11.17M was paid to all executive and non-executive directors. This represented the per diems of P8,000 per meeting attended and equivalent 1% of net income of year 2013, in accordance with By-Laws which provides that directors are entitled to receive up to 1 ½% of net income before tax..

Details as follows:

Name	Position	Amount
MANUEL V. PANGILINAN	*Chairman*	*1,033,320.00*
BARBARA ANNE C. MIGALLOS	*Executive Director*	*570,064.00*
MARILYN A. VICTORIO-AQUINO	*Non-Executive Director*	*1,129,320.00*
ROBERT C. NICHOLSON	*Non-Executive Director*	*1,129,320.00*
WILFREDO A. PARAS	*Independent Director*	*1,097,320.00*
EDWARD A. TORTORICI	*Non-Executive Director*	*1,025,320.00*
OSCAR J. HILADO	*Independent Director*	*1,089,320.00*
*SOCIAL SECURITY SYSTEM**	*Non-Executive Director*	*3,019,337.00*
AUSTIN JR., EULALIO B.	*Executive Director*	*1,073,320.00*
Total		*11,166,641.00*

**SSS covers the fees paid to the following SSS nominee directors: Mr. Juan B. Santos, Ms. Eliza Bettina R. Antonino, and Mr. Bienvenido E. Laguesma.*

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	N/A	N/A	N/A
(b) Variable Remuneration	*PHP1,483,384.00*	*PHP6,668,617.00*	*PHP1,954,640.00*
(c) Per diem Allowance	*PHP160,000.00*	*PHP648,000.00*	*PHP232,000.00*
(d) Bonuses	N/A	N/A	N/A
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Specify)	N/A	N/A	N/A
Total	*PHP1,643,384.00*	*PHP7,336,617.00*	*PHP2,186,640.00*

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

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
(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	*The Company has a group life insurance and the President and CEO is covered.*	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. *Since 2012, the car plan benefit has been suspended due to losses incurred by the Company in 2012.*	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

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
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

a. 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 2014:

Name of Officer/Position	Total Remuneration
Manny A. Agcaoili	*P69.0M*
Michael T. Toledo	
Benjamin R. Garcia	
Redempta A. Baluda	
Danny Y. Yu	

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.

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
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 (Compensation Committee, Annex F)	As provided in the CG Manual (Compensation Committee, Annex F)	As provided in the CG Manual (Compensation 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.
Corporate Governance	*None*	*1*	*2*	*Yes*	*As provided in the Charter of the Corporate Governance Committee which sets forth its purposes, authority, duties and responsibilities, structure and procedures in accordance with the Revised Code of Corporate Governance.*	*See column to the left.*	*The Committee, in coordination with the Corporate Governance Officer, shall report directly to the Board on its decision or recommendation, unless there are legal and/or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).*

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Risk	*None*	*3*	*2*	*Yes*	*The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the conduct of investigations on any matter within the scope hereof, with the advice of and/or assistance from external legal counsel, auditors, or other advisors, without need for Board approval.*	*See column to the left*	*The Risk Committee is established to assist the Board in such oversight and governance, in light of, and to timely and more adequately address, the evolving and attendant risks peculiar to the Company's business, and to align with the global best corporate governance practices.*

2. Committee Members

Number of Meetings held and attended, as of December 31 2014:

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 on11/28/2008; last appointed on 06/25/2014	N/A	N/A	N/A	*6yrs, 1 month*
Member (ED)	Eulalio B. Austin, Jr.	Appointed 06/25/2014	N/A	N/A	N/A	*1 year, 6 months*
Member (NED)	Robert C. Nicholson	Appointed first on 01/26/2010; last appointed on 06/25/2014	N/A	N/A	N/A	*4 years, 11 months*
Member (NED)	Juan B. Santos	Appointed first on 09/28/2010; last appointed on 06/25/2014	N/A	N/A	N/A	*4 years, 3 months*
Member (NED)	Edward A. Tortorici	Appointed first on 01/26/2010; last appointed on 06/25/2014	N/A	N/A	N/A	*4 years, 11 months*

b. Audit [*Formerly, Audit and Risk Committee until a separate Risk Committee was spun-off on October 29, 2014]*

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 06/25/2014	*5*	*3*	*60*	*4 years, 11 months*
Member (ED)	No ED on Committee					
Member (NED)	Robert C. Nicholson	Appointed first on 11/28/2008; last appointed on 06/25/2014	*5*	*5*	*100*	*6yrs, 1 month*
Member (NED)	Eliza Bettina R. Antonino	Appointed first on 07/27/2011; last appointed on 06/25/2014	*5*	*4*	*80*	*3 years, 5 months*
Member (NED)	Marilyn A. Victorio-Aquino	Appointed first on 01/26/2010; last appointed on 06/25/2014	*5*	*5*	*100*	*4 years, 11 months*
Member (ID)	Wilfredo A. Paras	Appointed first on 07/27/2011; last appointed on 06/25/2014	*5*	*5*	*100*	*3 years, 5 months*

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 formerly the Chairman of Holcim Philippines Inc. from 1984 to 2014.* 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.

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.

(4) 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 or 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	Appointed first 03/30/2011; last appointed on 06/25/2014	_2_	_2_	_100_	_3years 9 months_
Member (NED)	Juan B. Santos	Appointed first on 09/28/2010; last appointed on 06/25/2014	_2_	_2_	_100_	_4 years, 3 months_
Member (ID)	Wilfredo A. Paras	Appointed first on 07/27/2011; last appointed on 06/25/2014	_2_	_2_	_100_	_3 years 5 months_
Member (NED)	Robert C. Nicholson	Appointed first on 11/28/2008; last appointed 06/25/2014	_2_	_2_	_100_	_6 years, 1 month_
Member (NED)	Marilyn A. Victorio-Aquino	Appointed first on 01/26/2010; last appointed on 06/25/2014	_2_	_2_	_100_	_4 years, 11 months_

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 06/25/2014	2	2	100	_4 years, 3 months_
Member (ED)	No ED in Compensation Committee.					

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (NED)	Robert C. Nicholson	Appointed first on 11/28/2008; last appointed on 06/25/2014	2	2	100	6 years, 1 month
Member (NED)	Edward A. Tortorici	Appointed first on 01/26/2010; last appointment on 06/25/2014	2	1	50	4 years, 11 months
Member (ID)	Oscar J. Hilado	Appointed first on 06/23/2010; last appointment on 06/25/2014	2	2	100	4 years 6 months
Member (ID)	Wilfredo A. Paras	Appointed first on 07/27/2011; Last appointed on 06/25/2014	2	2	100	3years, 5 months

e. Others (Finance Committee and Corporate Governance 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 06/25/2014	1	1	100	6 years ,1 month
Member (ED)	Eulalio B. Austin, Jr.	Appointed first on 07/27/2011; last appointed on 06/25/2014	1	1	100	3 years, 5 months
Member (ID)	Oscar J. Hilado	Appointed first on 01/13/2010;last appointed on 06/25/2014	1	1	100	4 years 11 months
Member (NED)	Juan B. Santos	Appointed first on 09/28/2010; last appointed on 06/25/2014	1	1	100	4 years, 3 months
Member (NED)	Bienvenido E. Laguesma	Appointed first on 11/05/2013; last appointed on 06/25/2014	1	1	100	1 year, 1 month

Corporate Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	*Marilyn A. Victorio-Aquino*	*Appointed first on 2/26/2014; last appointed on 06/25/2014*	*3*	*3*	*100%*	*10 months*
Member (ED)	*No ED in Corporate Governance Committee*					

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (ID)	*Oscar J. Hilado*	*Appointed first on 2/26/2014; last appointed on 06/25/2014*	*3*	*2*	*67%*	*10 months*
Member (ID)	*Wilfredo A. Paras*	*Appointed first on 2/26/2014; last appointed on 06/25/2014*	*3*	*3*	*100%*	*10 months*

**The Risk Committee, Corporate Governance Committee and the Audit Committee held their first meetings for the year 2015 last February 23, 2015, while the Compensation Committee had their first meeting on February 25, 2015.*

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	No change in 2014	
Audit	No change in 2014	
Nomination	No change in 2014	
Remuneration	No change in 2014	
Others (specify): Finance Committee	No change in 2014	
Corporate Governance	*New members*	*CG Committee was formed to assist the Board in developing and improving the corporate governance platform of the Company, at par with the ASEAN region's best CG practices.*
Risk	*New members*	*Risk Committee was formed to assist the Board in its risk oversight functions and to align Company practices, policies and procedures with the global best corporate governance practices.*

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	*-Review of the 2013 annual audited financial statements and discussion with External Auditor of various issues relating thereto and recommendation for Board approval of financial reports and financial disclosures;* *-Review and approval of the external audit work and all audit fees;* *-Review and approval of the Internal Audit Plan;*

Name of Committee	Work Done	Issues Addressed
		-Review of Quarterly Financial Statements; *-Review of Internal Audit Quarterly Accomplishment Report;* *-Review of Internal Audit Quarterly Accomplishment Report;* *-Adoption of Revised Audit Committee Charter.* *-Review of various Internal Audit Findings* *-Performed self-assessment of the effectiveness and performance of Internal Audit as per SEC memo Circular No.4 Series 2012*
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.*
Remuneration	*Complied with duties and responsibilities under the Compensation Committee Charter*	*-Review of fees and profit sharing for members of the Board of Directors;* *-Review and approval of compensation packages of senior officers of the Company;* *-Review of the total remuneration program and bonus plan for 2014.*
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.	*-Review of P7.2 Billion convertible notes in terms of financial risk management and financing Silangan project.*
Corporate Governance Committee	*The Corporate Governance Committee assists the Board of Directors of the Company in performing the corporate governance duties in compliance with PMC's Corporate Governance Manual, the Revised Code of Corporate Governance of the Securities and Exchange Commission (SEC), and the Corporate Governance Guidelines and the listing rules of the Philippine Stock Exchange (PSE).*	*-Review and approval of Related Party Transaction Policy.* *-Review and approval of Amended Policy on Dealings in Company Shares of Stock.* *-Review and approval of other corporate governance best practices based on ASEAN Corporate Governance Scorecard, PSE Compliance Surveys and SEC Memorandum Circulars.* *-Review and approval of Directors' and Officers' training policy.* *-Spin-off of Risk Committee and Audit Committee* *--Review and endorsement to the Board for approval of P7.2 Billion convertible notes to fund Silangan project. The notes, convertible to shares of the Company's wholly-owned subsidiary, Silangan Mindanao Exploartion Co. Inc. were offered and issued to First Pacific (through Asia Link B.V.) and SSS, substantial shareholder of the Company.*
Risk Committee *(Previously part of the Audit and Risk Committee before the spin-off of Risk Committee on October 29, 2014)*	*Complied with duties and responsibilities under the Audit Committee Charter*	*-Review of the Hawcroft Risk Survey Report (an insurance risk surveyor engaged by the Company to secure additional property insurance coverage from international reinsurers);* *-Review of the Safety Performance and Padcal Mine;* *-Review and Audit of Environmental, Health, Safety and Operational Risks of Philex group*

Name of Committee	Work Done	Issues Addressed
		and action plans to address said risks; and *-Review of Insurance Coverage and Rates.* *-Review of the Top 10 Enterprise Risks of Philex Group and corresponding mitigating measures for 2014.*

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.

The Corporate Governance Committee was formed on 26 February 2014 to assist the Board of Directors of the Company in performing the corporate governance duties in compliance with PMC's Corporate Governance Manual, the Revised Code of Corporate Governance of the Securities and Exchange Commission (SEC), and the Corporate Governance Guidelines and the listing rules of the Philippine Stock Exchange (PSE).

The Company' CGO (Mr. Danny Y. Yu) and the Corporate Governance Office regularly coordinates with the Corporate Governance Committee of the Board to discuss pertinent changes and/or improvements in the Company's present policies, practices and procedures.

The Risk Committee ("Committee") was established to align with the Company's risk management program. The primary responsibility of the Committee is to oversee the Company's risk management practices and to assist the Board in:

1.1 Ensuring that the executive team has identified and assessed all the risks that the organization faces and has established a risk management infrastructure capable of addressing those risks;
1.2 Overseeing, in conjunction with the Audit Committee and other board-level committees or the full board, when appropriate, risks such as strategic, financial, credit, liquidity, security, property, IT, legal, regulatory, reputational, and other risks;
1.3 Ensuring that risk-related responsibilities is fully and clearly divided among committees of the Board, and performing a gap analysis to determine that the oversight of any risks is not missed;
1.4 In conjunction with the full Board, approving the Company's enterprise wide risk management framework.
1.5 Performing other duties and powers as may be delegated to the Committee by the Board, subject to such limitations as the Board may determine and notify to the Committee.

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
Corporate Governance	*See discussion above*	*See discussion above*
Risk	*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."[15]

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

The Audit and Risk Committee issued statement on 1 August 2014 which reads:
"The Audit and Risk Committee of Philex Mining Corporation has conducted a review of the effectiveness of Philex Group's internal control systems for the period January – June 2014. 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

Period of review by the Audit and Risk Committee covered 01 January to 30 June 2014.

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

The review is conducted at least twice a year based on criteria provided under Audit Committee Charter, Risk Committee Charter, 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
Productivity Improvement	*Constantly review and refine Padcal operations to ensure operating costs are managed properly. Continue to*	*Continue to be a profitable company under adverse business environment*

[15] http://www.philexmining.com.ph/corporate-governance/risk-management

Risk Exposure	Risk Management Policy	Objective
	implement cost saving measures across the organization	
Capital Project Execution	*Employ high-calibre managers and Consultants for engineering, geological and exploration work knowledgeable in Silangan and Padcal orebodies.*	*Resolve technical and exploration challenges on a timely manner.* *Develop existing exploration projects with potentials for business continuity.*
Maintaining a social license to operate	*Full cooperation with the regulators to comply with governmental requirements in ensuring safety and environment protection in all aspects of operations.* *Actively participate in the LGUs community development programs in education, construction of infrastructures and livelihood projects.*	*Acceptance of mining and exploration activities by the LGUs.* *Timely issuance of needed permits from government regulators*
Resource Nationalism - Government seeking a greater take from the mining sector.	*Build strong relationship and partnership with government regulators.* *Transparency of taxes and payments to the government for public awareness.*	*Maintain existing excise tax regime and terms of Mineral Production Sharing Agreement (MPSA)*
Capital Management and access	*Consider different options for raising funds through the capital markets.* *Implement innovative approaches on capital expenditures and operating cost management*	*Develop existing exploration projects with potentials, continuity.*

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
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. 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.

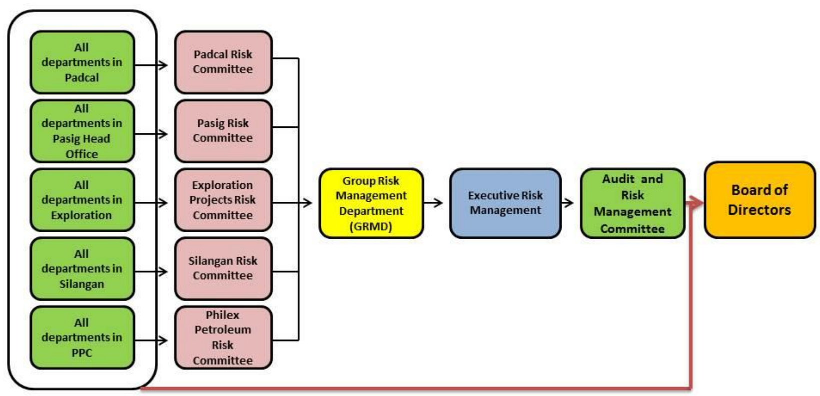
3. Control System Set Up

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) **	
Productivity Improvement	5 x 5 = 25	• Constantly review and refine Padcal operations to ensure operating costs are managed properly. • Continue to devise cost saving measures across the organization. • Increase production at the Padcal mines to 28,000 tons per day to compensate for low metal grades. • Engaged 3rd party mining consultants to audit Padcal operations (mining and milling) as a continuing effort to improve productivity and safety. • Hedge gold and copper prices at different strike prices.
Capital Project Execution	5 x 4 = 20	• Employed high-calibre OFWs for engineering, geological and exploration work knowledgeable in similar Silangan orebody. • Continue to engage international consultants to resolve technical issues and concerns. • Explore other means of mining methods for SMMCI. • Increase production at the Padcal mines to compensate for low metal grades, thereby ensuring continued availability of cash for the Company to fund its exploration projects. • Continue to explore and develop existing exploration projects with potentials, for possible declaration of additional ore reserves, thereby ensuring business

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
		continuity beyond Padcal's minelife declared at 2020.
Maintaining social license to operate	5 x 4 = 20	• Full cooperation with the regulators to comply with governmental requirements in ensuring safety and environment protection in all aspects of operations. • Continue to actively participate in LGUs Community Development Programs on education and alternative learning system, construction of community infrastructures, and livelihood projects. • Continue to effectively communicate the positive impacts of mining through our Community Relations Office and Corporate Affairs. • Engage with the communities and all other stakeholders both on a local level and national level.
Resource Nationalism - Government seeking a greater take from the mining sector.	5 x 4 = 20	• Continue to build strong relationship with government directly and indirectly through the Chamber of Mines of the Philippines. • Increase the transparency of taxes and payments to the Government for public awareness. For this, the Company has formally joined the EITI (Extractive Industries Transparency Initiative) being advocated by the Chamber. • Make representations to government through public forums. • Continue to effectively communicate the positive impacts of mining through public forums, print and TV media.
Capital Management and access	2 x 3 = 6	• Company has engaged 3rd party Financial Advisor to look for strategic partners for SMMCI. Company is also considering raising funds through capital market. • Consider different options for raising funds through capital markets. • Implement innovative approaches on capital expenditures and proper operating cost management.

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	*Monitor compliance and adherence by the Company to applicable laws and regulations.*	*3.4.2. in case of failure by the management to adopt, as necessary, appropriate remedial measures or sanctions with respect to any reported material violation of securities law or breach of fiduciary duty or similar violations by the Company, consider such reported violation and recommend the appropriate sanction therefore; and 3.4.3. discuss with the Company's Chief Finance Officer/Compliance Officer, and endorse for consideration of the Risk Committee, any significant legal matters that may have a material effect on the financial statements, the Company's compliance policies, including material notices to or inquiries from governmental agencies.*
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
Corporate Governance Committee	• *The Committee, in coordination with the Corporate Governance Officer, shall report directly to the Board on its decision or recommendation, unless there are legal and/or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).* • *The Committee shall have the right to require management of the Company to furnish all information requested by the Committee as may be required for the purposes of performing its duties.* • *As necessary, the Committee is authorized to obtain independent external professional advice and to secure assistance from external parties with relevant experience and expertise where it considers necessary. The Committee shall have the sole authority to approve*	*> Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;* *> Review and monitor the training and continuous professional development of directors and senior management;* *> Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;* *> Develop, review, update and monitor the code of conduct and compliance manual (if any) applicable to the directors and employees of the Company* *> Review all PMC's Material and/or Significant RPT as defined under the RPT Policy prior to Board approval; and* *> Review the Company's compliance with the Corporate Governance Manual, SEC Code of Corporate Governance and*

Committee/Unit	Control Mechanism	Details of its Functions
	all reasonable related fees and terms of engagement, which fees shall be borne by the Company. • *The Committee shall be provided with sufficient resources to perform its duties.*	*PSE Corporate Governance Guidelines.*
Risk Committee	• *The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the conduct of investigations on any matter within the scope hereof, with the advice of and/or assistance from external legal counsel, auditors, or other advisors, without need for Board approval;* • *The Committee may meet with, and seek information from, any of the Company's employees, officers, directors, or external parties in the discharge of its duties and responsibilities;* • *The Committee may meet with other board committees to avoid overlap of responsibilities and potential gaps in overseeing the Company's risks.*	*Monitor all enterprise risks; in doing so, the committee recognizes the responsibilities delegated to other committees by the board and understands that other committees may emphasize specific risk monitoring through their respective activities* *Monitor the Company's risk profile;* *Oversee the risk program / interaction with management;* *Review and approve the risk management infrastructure and the critical risk management policies adopted by the Company.* *Periodically review and evaluate the Company's policies and practices with respect to risk assessment and risk management and annually present to the full Board a report summarizing the Committee's review of the Company's methods for identifying, managing and reporting risks and risk management deficiencies;* *Continually obtain reasonable assurance from management that all known and emerging risks have been identified and mitigated and managed;* *Review a report to be submitted semi-annually by the Chief Risk Officer ("CRO") on:* *(a) The Company's risk management control environment;* *(b) Any material issues regarding risk management raised by internal audit reports; and* *(c) Other matters as required by law, regulation or agreement.* *In coordination with the Audit Committee, understand how the Company's internal audit plan is aligned with the risks that have been identified.*

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, 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 and 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 and Risk Committee of Company issued confirmation statement dated 01 August 2014 that the internal controls of the Company are effective and adequate based on the review of the internal audit reports and discussion with the internal auditors.

c. Period covered by the review;

   Review conducted covered the period from January 2014 to June 2014.

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

   Review of internal control is done on regular basis, and at least on semi-annual basis for purposes of issuance of confirmation statement signed by Chairman of the Audit Committee and head of Internal Audit. Criteria for assessing the effectiveness of the internal control system includes checking the efficiency and effectiveness of operations, reliability of financial reporting and compliance with laws, regulations, policies and procedures.

   The Audit Committee Charter 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).*

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

   Review was conducted during the year 2014.

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 Scope of Work)*	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 applicable laws and regulations. (2) Resources are acquired economically, used efficiently, and adequately protected. (3) Programs, plans, and objectives of the Company are achieved. (4) Quality and continuous improvement are fostered in the Company's control processes. (5) Significant financial, managerial, and operating information are accurate, reliable, and timely. (6) Significant legislative or regulatory issues affecting the Company are recognized and addressed appropriately. (7) Risks management of the Company is in place. (8) Interaction with the various governance groups occurs as needed. 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	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

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 and Risk Committee and to all records, properties and personnel?

   The internal audit organization, headed by the Internal Auditor, reports functionally to the Audit Committee. It is a support unit reporting functionally to the Audit Committee. (*Manual on Corporate Governance, 2.6.2[a]; Audit Committee Charter, Item 3.2.1; PMC Internal Audit Manual)*

   Yes, the Internal Auditor has direct and unfettered access to the Board of Directors and the Audit Committee 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.

Name of Audit Staff	Reason
Julie Grace B. Dumelod, probationary employee	*Resigned on April 2, 2014 to pursue further study/ies.*
Charlie Vic A. Andrada- Supervising auditor *Albert L. Degyem- Senior Auditor* *Alfredo N. Abellera- Senior Auditor* *Marphil P. Machis- Senior Auditor*	*Inclusion in Manpower Reduction Program (MRP)*

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[16]	There were no significant issues
Findings[17]	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."

[16] *"Issues" are compliance matters that arise from adopting different interpretations.*
[17] *"Findings" are those with concrete basis under the company's policies and rules.*

Policies & Procedures	Implementation
A. Corporate Office	
Time and Attendance Guidelines - Supervisors & Managers	*Implemented*
Time and Attendance Guidelines - Rank &File	*Implemented*
Deference of Vehicle Reservation Memo	*Implemented*
Vehicle Reservation Memo	*Implemented*
Foreign Travel Policy	*Implemented*
Authorized Signatories Gas Slips (Shell Kapitolyo Station)	*Implemented*
"Rush" and "Urgent" Purchase Requisitions	*Implemented*
Repeat Order Purchase Policy	*Implemented*
Limit of Approval Authority	*Implemented*
Procurement Authority	*Implemented*
Representation and Entertainment Expenses	*Implemented*
Changes in the Corporate Supply Chain Organization Structure	*Implemented*
Proposed Changes in the Revolving Fund and Petty Cash Fund Payments	*Implemented*
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 Coverages	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
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	
Energy Saving Guideline for Electrical Appliances	*Implemented*
Safety, Health and Env't Policy	*Implemented*
No Riders Policy on Company Vehicles	*Implemented*
Fire Risk Assessment for Hot Work Permits	*Implemented*
Working at Height and Confined Spaces	*Implemented*
Lockout / Tag Out Program	*Implemented*
Request for Replenishment of Departmental First Aid Kit	*Implemented*
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	
Canteen Charges to Company Account	*Implemented*
Cash Advance Policy	*Implemented*
Payroll Processing of Monthly Paid Employees	Implemented
Payroll Processing of SSU Paid Employees	Implemented

Policies & Procedures	Implementation
Various Payroll Processing of Monthly Paid Employees	Implemented
Various Payroll Processing of SSU Paid Employees	Implemented
Medical Emergency Fund	Implemented
3. Admin/HR	
Transactions excluded from Pre-auditing	*Implemented*
Hiring of Service Contract Workers	*Implemented*
Policy in Handling Community Grievances – Padcal	*Implemented*
Final Approval of Documents	*Implemented*
Vacation and Compensatory Leaves	*Implemented*
SMART Bills Payment Procedure	*Implemented*
Increase in SSS Premiums effective January 2014	*Implemented*
Meting Out of Disciplinary Action	*Implemented*
Disciplinary Action	*Implemented*
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 Company Sickleave 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 Sickleave	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
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

Policies & Procedures	Implementation
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
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

Policies & Procedures	Implementation
Strict Implementation of the Guidelines for Cigarette Smoking	Implemented
4. Materials Management	
Guidelines on the Purchase of Scrap Materials	*Implemented*
Approving Limit for Scrap Sales	*Implemented*
Cut-off Time for Materials Receipts & Issuances	*Implemented*
Enforcement of Warehousing Regulations	*Implemented*
Policy on Approving Authority Procurement	*Implemented*
Changes in Purchase Approval Limits	*Implemented*
Proposed Changes in PO Signing Authority	*Implemented*
Rush and Urgent Purchase Requisitions	*Implemented*
Repeat Order Purchase Policy	*Implemented*
Procurement Authority	*Implemented*
Limit of Approval Authority	*Implemented*
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
(1) **Internal Auditor** is a corporate insider subject to corporate policy and rule on insider trading. (2) **Internal Auditor** reports directly to the Audit Committee. (3) **External Auditor's** non-audit services and fees for both audit and non-audit work are subject to prior approval of the Audit Committee. Criteria – (i) the significance of the fee in relation to total annual income of external audit firm; (ii)	Financial analysts – the Company does not retain financial analysts; question is not relevant to the Company. Financial advisors – are asked to sign agreements that contain a prohibition on dealing or trading in shares of Company.	Asked to sign agreements that contain a prohibition on dealing or trading in shares of Company.	The Company does not contract with rating agencies.

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
conflict of interest (Audit Committee Charter, 3.1.4) (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)			

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 compliance.

The Chairman and the President and CEO, after review and consultations with the Audit Committee Chairman and 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	Basic policy: *The Company shall promote and implement standards of relationships with suppliers that embody the Code's principles and core values as defined in the Code. Directors, Employees and Consultants shall maintain the Company's reputation for equal opportunity and honest treatment of Suppliers in all business transactions.* (1) The Purchasing Manual contains the policies for ensuring integrity of the procurement process. (2) Vendor accreditation policy – objective is to ensure that all suppliers or contractors are responsible entities that are competent and financially able to comply with their contractual commitments. (3) Criteria for accreditation – please see 1(a) and (b) in third column of this response. Additional criteria are: (i) Vendor must have a Dun and Bradstreet number; and (ii) Vendor must have an Environmental Policy or must be a member of an organization for	(1) For vendor accreditation: (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. (b) Financial Ratios for vendor accreditation – a review of each vendor's financial ratios is undertaken as part of the accreditation process (c) Vendor must submit a statement that: (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; (ii) Vendor will comply with its

	Policy	Activities
	environment protection awareness. (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. (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	commitments in terms of product and service quality, competitive cost, timely delivery of service (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 (iv) Vendor will cooperate with and welcome evaluation of their performance as a tool for compliance and continuing improvement
Environmentally friendly value-chain	Environmental policy: *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.*	(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. (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. Environmental activities for the Company's mine sites and their environs 1. Land Resources Management a) Reforestation and Forest Protection (i) Forest Nursery Management (ii) Plantation Operation and Protection a(ii)1: New Plantation Establishment a(ii)2: Plantation Care and Maintenance a(ii)3:Fireline/Firebreak Construction b) Slope Stabilization and Erosion Control Measures (i) Benching (ii) Wattling (iii) Shotcreting (iv) Toe wall construction c) Surface Subsidence Control/Backfilling Operation* d) Solid Waste Management e) Rehabilitation of mine disturbed areas (PGPI and SMMCI) 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 3. Air Quality Management a) Underground Ventilation System Repair and Maintenance b) Maintenance of Dust Suppressor*

	Policy	Activities
		c) Air Ambient Monitoring
Community interaction	*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.* *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.* 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. Social Development Policy 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. Its sustainable environment and community development program was conceptualized to act as a medium and help facilitate an 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. Statement of Policies: In its effort to fulfill its mandate, and knowing that the success of the Company's social development and management program	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: (1) Social Development and Management Program (SMDP) for the Company's Padcal Mine in Benguet province; and (2) Community Development Program (CDP) for Philex Gold and Silangan Mindanao projects. 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. 1. Information Education Communication (a) Community immersion (b) Dialogues with local group leaders and focused group discussions with various sectors such as the academe, religious groups, and Non-Government Organizations (NGOs) (c) Courtesy calls to Local Government Units (LGUs) (d) Mine visits at operating, exploration and care and maintenance project sites of the stakeholders from host and neighboring communities 2.Health (a) Medical and Dental Projects (b) Free consultation and treatment at Philex Sto. Nino Hospital (PMC-Padcal) (c) Health Trainings and Seminars (d) Provision of Accident Insurance and Health Cards 3. Education (a) Scholarship Program: Elementary, High School, College, Technical-Vocational (includes scholarship programs for Indigenous People (IP) (b) Provision of Educational Equipment and Materials (c) Construction and Improvements of

	Policy	Activities
	(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: (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; (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; (3) Believes that partnerships among stakeholders and the sharing of resources, capabilities and responsibilities are keys to community development; (4) Believes that community development projects should be geared towards self-reliance.	School Buildings and Facilities (d) Financial Assistance to volunteer teachers (e) Nutrition Program 4.Livelihood (a) Employment Enhancement Projects (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 5. Public Infrastructure (a) Construction and improvement of roads (b) Waterworks and irrigation systems (c) Electrification (d) Other public infrastructure support such as construction of health care centers, hanging bridges, waiting sheds, and other community buildings.
Anti-corruption programmes and procedures?	*The Company has Code of Business Conduct and Ethics which upholds professionalism and ethics in business dealings and transactions.* *The Company has Vendor Relations Policy and Policy on Gifts, Entertainment and Sponsored Travel which were approved by the BOD last February 26, 2014.* (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. (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 (3) Gifts & Gratuities: No company employee shall accept gifts, personal loans, entertainment or other special considerations from an individual. Supplier or organization doing business with the Company.	(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. (2) Supplier Relations policy puts emphasis on the decorum required when dealing with suppliers. (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.

	Policy	Activities
Safeguarding creditors' rights	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. *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. Company conducts investors', Analysts' and Press' briefings for updates on the Company's operations and the Company's current financial position.*	

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.[18]

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.

The Company's Site Safety Policy reads:
"The Company adheres to a Site Safety Policy and is committed to the highest levels of health and safety programs to ensure every stakeholder's safety and espouses loss prevention as a way of life. Philex Mining Corp. strives to maintain a sound and safe working place for the prevention of injury, illness, property damage, and loss to process, in compliance with all relevant legislations, and in the preservation of the environment as well."

Ethics
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.

[18] *http://www.philexmining.com.ph/sustainability/environmental-stewardship*
http://www.philexmining.com.ph/sustainability/community-empowerment/health
http://www.philexmining.com.ph/sustainability/community-empowerment/education
http://www.philexmining.com.ph/sustainability/community-empowerment/public-infrastructure
http://www.philexmining.com.ph/sustainability/community-empowerment/livelihood
http://www.philexmining.com.ph/sustainability/community-business-technology-center

Preamble of the Code of Business Conduct and Ethics reads:
"Philex Mining Corp. is dedicated to doing business in accordance with the highest standards of ethics. The company, its directors, officers, and employees endeavor to promote a culture of good corporate governance by observing and maintaining its core business principles of integrity, teamwork, work excellence, respect for individuals, corporate responsibility, and social and environmental responsibility in their relationships among themselves and with the company's customers, suppliers, competitors, business partners, other stakeholders, regulators, and the public."

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.[19]

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.

2014 Training and Development Programs

Level	*Program Title*	*Runs*	*Date/s of Session*	*Total Attendance*
All Levels	*New Employee Orientation*	*3*	*28-29 January 2014* *25-26 February 2014* *22-23 April 2014*	*12*
Managers/ Officers	*Project Planning Workshop*	*1*	*06 March 2014*	*19*
Managers/ Supervisors	*DOLE Rules: From Pre-Employment to Post-Employment*	*1*	*24 April 2014*	*2*
Managers/ Supervisors	*Performance Management System (PMS) Midyear Review Skill Build Session*	*9*	*07 May 2014* *21 May 2014* *22 May 2014* *27 May 2014* *28 May 2014* *29 May 2014* *30 May 2014* *04 June 2014*	*90*
Managers/ Supervisors	*Leadership Excellence*	*2*	*03-04 June 2014* *24-25 June 2014*	*46*

[19] *http://www.philexmining.com.ph/about-us/vision-and-mission*

Managers/Officers	Corporate Governance Enhancement Session: 21st Century Leadership & Governance: Thriving Amid Change, Complexity and Lots of Choices	1	01 December 2014	17
Directors/Officers	Corporate Governance: What to expect from the SEC and Corporate Governance Trends and Practices in Advanced Economies	1	04 December 2014	7

2014 Safety Trainings

Level	Program Title	Runs	Date/s of Session	Total Attendance
Drivers of Company Owned Vehicles, PJODA	Defensive Driving Orientation	3	14 January 2014 15 January 2014 16 January 2014	102
All Employees, Housewives, Dependents, Constituents and Local Residents	Fire Safety Seminar for Puroks	9	11 February 2014 12 February 2014 13 February 2014 14 February 2014 15 February 2014 17 February 2014 18 February 2014 19 February 2014 21 February 2014	607
R/F, Supervisors, Contractors	Accident/Incident Investigation and Analysis Seminar	6	24-26 February 2014 27Feb – 01Mar 2014 03-05 March 2014 06-08 March 2014 03-05 April 2014 08-10 May 2014	341
R/F, Supervisors, Managers	Loss Control Management	3	25-28 February 2014 25-28 April 2014 14-17 May 2014	113
R/F, Supervisors	Fire Emergency Preparedness for Poro Personnel	1	15-16 March 2014	29
R/F, Supervisors	Overhead Crane Maintenance and Operation Seminar	10	05 May 2014 06 May 2014 07 May 2014 08 May 2014 09 May 2014 12 May 2014 13 May 2014 14 May 2014 15 May 2014 16 May 2014	411
R/F, Supervisors, Managers	STOP,SLAM,LOTOTO Supervisor Training Observation Program; Stop,	3	05 June 2014 06 June 2014 07 June 2014	129

Level	Program Title	Runs	Date/s of Session	Total Attendance
	Look, Assess and Manage; Lockout Tagout Test Out/Turn Over			
R/F, Supervisory, Contractors	Underground Emergency Management	4	7-9 July 2014 10-12 July 2014 17-19 July 2014 21-23 July 2014	140
R/F, Supervisory, Contractors	First Aid Training	4	July 23-27, 2014 30 July- 3 August 2014 16-20 August 2014 22-27 August 2014	329
R/F and Supervisory Underground Employees	Mine Rescue Seminar	1	December 8-12, 2014	23

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.

The Company has in place the Whistle-Blowing Policy approved on 26 February 2014.

Under the policy, procedures for handling of complaints concerning illegal and/or unethical behavior and resolution and docketing of the case, are summarized as follows:

1. *Submission/Receipt of Complaints*

   1 .1 Any (Whistleblower) Complaint must be made to or filed with the Corporate Governance Office (CGO) through the appropriate reporting channels. It may also be filed through any responsible officer of the Company who, in turn, shall refer it to the CGO for appropriate handling. The Whistleblower may elect to identify himself or remain anonymous.

   1.2 A (Whistleblower) Complaint shall preferably be in writing and may be submitted either through e-mail address, fax number or P,O. Box Number which shall be set up by the CGO exclusively for this purpose.
   1.2.1 A Whistleblower shall file his {Whistleblower) Complaint using the Complaint/Disclosure Form (CDF) , a template of which shall be made available in the PMC website to be set up for this purpose.
   1.2.2 Any written (Whistleblower) Complaint shall be initially handled by the CGO which shall assign a case number and ensure that official records are established and maintained.

   1 .3 A (Whistleblower) Complaint may also be made verbally to the Corporate Governance Compliance Officer (CGCO) either in person or by calling the special phone number that shall be established for this purpose.
   1.3.1For verbal (Whistleblower) Complaints, the CGCO shall:
   - *solicit and document as much information and details from the Whistleblower.*
   - *ask for documents or other evidence in support of the (Whistleblower) Complaint (e.g., e-mails sent, etc.); and*
   - *ask the Whistleblower, who chooses to identify himself, if he is willing to sign the transcript of the relevant discussions between the Whistleblower and the CGCO, as prepared by the latter and/or to be identified in the course of the investigation.*

   1.3.2 The CGCO shall prepare the corresponding CDF based on the transcript referred to above.

2 Preliminary Evaluation

2.1 Evaluation of the (Whistleblower) Complaint

The CGCO shall conduct a review of the (Whistleblower) Complaint to determine (1) its sufficiency; (2) whether it pertains to a matter within the scope of this Policy; and (3) the AIU to which it will be referred for more detailed handling. In the event that the CGCO finds that the (Whistleblower) Complaint pertains to a matter outside the scope of this Policy, it should endorse the matter to the appropriate unit and advise the Whistleblower accordingly.

2.2. Sufficiency of the (Whistleblower) Complaint

a. The (Whistleblower) Complaint must contain at least the following information:

i. the full name and position of the person complained of (“respondent”) ;
II. a specification of the charge or charges;
iii. a brief statement of the relevant and material facts, including the approximate time and place of the commission of the act or omission complained of, the persons involved and such other matters that will assist the CGCO to identify the nature of the violation or offense; and
iv. any evidence that the Whistleblower may have. including affidavits of Witnesses and/or third parties, including, but not limited to PMC's suppliers and contractors.

Notwithstanding the provisions of this policy, no anonymous {Whistleblower) Complaint shall be entertained unless there are sufficient facts and evidence cited in the CDF that would lead a reasonable man to conclude that the charge is not frivolous and intended to harass the respondent.

b. Should the CGCO find the (Whistleblower) Complaint insufficient because of the Whistleblower’s failure to provide sufficient information under items (i) to (iv) above, the CGCO shall advise the Whistleblower, if he is identified or can be contacted, that such insufficiency may constrain the CGCO to close the case and not take further action on the (Whistleblower) Complaint as the lack of information prevents the proper conduct of investigation.

2.3 Referral to the AIU (Appropriate Investigating Unit)

a. Should the CGO find the (Whistleblower) Complaint sufficient in form and substance, it shall refer the (Whistleblower) Complaint to any of the AIU for handling and further investigation:

i. Internal Audit – for violations of Questionable Accounting or Auditing Matters; or *ii. Human Resources Department – for offenses covered under the Company's Code of Discipline or equivalent policy, which do not constitute a Questionable Accounting or Auditing Matter or a violation of the CG Rules.*

The CGO shall be the AIU if such (Whistleblower) Complaint pertains to any violation of the CG Rules.

An ad hoc AIU or committee may also be constituted if the subject or respondent is a member of the AIU herein identified [e.g., the (Whistleblower) Complaint pertains to a Questionable Accounting or Auditing Matter and the subject or respondent is a member of the Internal Audit, or the (Whistleblower) Complaint involves an offense covered by the Company's Code of Discipline or equivalent policy and the subject or respondent is a member of HR]. If the (Whistleblower) Complaint involves a violation of the CG Rules and the subject or respondent is a member of the CGO, the (Whistleblower) Complaint must be processed in accordance with this Policy.

The AIU or ad hoc AIU/committee may likewise consult, as it deems necessary, with Legal or other business and support service units in the course of its investigation.

b. *If the Whistleblower is identified or can be contacted in accordance with Section 4.2, the AIU will acknowledge receipt of the (Whistleblower) Complaint and advise the Whistleblower in writing about the referral of the (Whistleblower) Complaint to the AIU.*

c. *A withdrawal of the (Whistleblower) Complaint shall not preclude the AIU from proceeding with the investigation of the case if there are sufficient evidence to warrant further investigation. The withdrawal of the Complaint must also be looked into and dealt with separately as warranted.*

d. *In the event that the CGO receives a (Whistleblower) Complaint involving a Subsidiary's employee, the CGO shall refer the (Whistleblower) Complaint to the counterpart AIU of that Subsidiary or, in the absence of such, to the relevant Officer authorized or designated to handle (Whistleblower) Complaints (e.g., President/CEO, Internal Audit, HR, etc.). In this case, compliance with the requirements of due process (affording the respondent an opportunity to be informed of the particular act constituting the offense or infraction imputed to him, to answer the charges against him, and to be heard and to defend himself) and implementation of the disciplinary action shall still be the primary responsibility of the Subsidiary.*

3. Fact-finding Investigation, Conclusion and Reporting

The following policy and procedures shall likewise apply to the AIU or to ad hoc AIU/committee that may be constituted:

3.1 Where applicable, the AIU or the ad hoc AIU/committee may adopt the procedure in implementing disciplinary action in the Code of Discipline or equivalent policy. Otherwise, it shall adopt comprehensive policies and procedures for the proper handling, investigation, resolution and reporting of all (Whistleblower) Complaints referred to it. The AIU shall ensure that the investigation is conducted in accordance with existing laws, regulations, applicable Company policies and procedures, and due process.

3.2 The following factors shall be considered by the AIU in the handling of a (Whistleblower) Complaint covering matters within the scope of this Policy.

a. the gravity and relevance of the allegation(s) and issue(s) raised;
b. the probability that the allegation(s) or issue(s) raised are true;
c. the significance of details and evidence submitted; and
d. the possible sources of additional evidence, including testimonies or affidavits of third parties, including, but not limited to, PMC's suppliers and contractors.

3.3 The AIU shall determine whether the (Whistleblower) Complaint:

a. Will not be pursued – If despite efforts to obtain additional information, the AIU should still find the (Whistleblower) Complaint insufficient for further action, the AIU shall so recommend to the CGCO who, in turn, shall advise the Whistleblower, if he is identified or can be contacted in writing or such finding and the basis thereof.

b. Needs further investigation – The Whistleblower, if he is identified or can be contacted, shall be notified that an investigation will be conducted and the report of the findings will be provided to the CGO.

3.4 Upon completion of the investigation, the AIU shall submit to the CGO a written report on the findings, including a summary of the evidence gathered and a conclusion as to whether or not the (Whistleblower) Complaint is substantiated.

3.5 If the (Whistleblower) Complaint is determined to be substantiated, the CGO shall issue a report to the immediate superior of the respondent, for the immediate superior's appropriate action. The name of the respondent shall not be disclosed or reported to anyone who does not have the need to know it while the investigation is pending. The immediate superior of the respondent shall follow the procedures laid down in the Code of Discipline or equivalent policy specifically in terms of informing the respondent in writing of the particular act constituting the offense or infraction imputed to him, requiring the respondent to answer the charges against him, and affording the respondent the opportunity to be heard and to defend himself.

3.6 Investigation and determination of the appropriate disciplinary action shall be made by the immediate superior in accordance with the Company's Code of Discipline or equivalent policy.

3.7 In case the (Whistleblower) Complaint is determined to be baseless, untruthful, fabricated, malicious, or insignificant:

a. the Whistleblower, if identified or can be contacted, shall be informed by the CGO that the case is deemed close including the reason for such;

b. the respondent shall be informed in writing by the immediate superior of the final disposition of the (Whistleblower) Complaint

c. AIU should endeavor to determine as far as practicable based on the evidence available whether the Complaint is ill-natured or in bad faith.

3.8 The immediate superior shall provide CGO a report of the final action/disposition made in accordance with the two (2) preceding Sections. It shall likewise advise CGO to close the case records.

3.9 In the event that an employee who is under investigation resigns from the Company pending the completion of the investigation or final resolution of the case against him, his resignation shall be without prejudice to the outcome of the investigation or final resolution of the case. Any benefit due the resigning employee shall be withheld pending the outcome of the investigation or final resolution of the case.

4 Case Monitoring

4.1 All (Whistleblower) Complaints received by the CGO shall have a CDF and assigned a corresponding case number for monitoring purposes.

4.2 The CGO shall maintain a log of all (Whistleblower) Complaints received and shall submit a monthly report to the Board and Audit Committee on:

- *all (Whistleblower) Complaints received;*
- *the AIU to whom the case was referred;*
- *the status of outstanding (Whistleblower) Complaints;*
- *the final disposition or resolution of (Whistleblower) Complaints.*

4.3 The CGO shall maintain and control a complete case file for all (Whistleblower) Complaints.

Every case file shall include:

4.3.1 the covering CDF;

4.3.2 all investigation reports;

4.3.3 all related correspondence or memoranda;

4.3.4 all documentary evidence gathered;

4.3.5 list of other physical evidence gathered and their location;

4.3.6 other relevant documents and records relating to the case.

4.4 Case files and records shall be kept by the CGO and shall be retained for a period of five (5) years from the date of resolution or closing of each case.

Protection from Retaliation

Subject to the provisions of Whistle Blowing Policy and without prejudice to legally-mandated courses of action to protect one's right, baseless and illegal Retaliation against any Whistleblower or Witness is prohibited and will be dealt with in accordance with this Policy, other relevant Company policies and rules, and applicable laws. A Whistleblower or Witness who will identify himself shall be 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 31, 2014*:

Shareholder	Number of Shares	Percent	Beneficial Owner
Asia Link BV	*1,023,275,990*	*20.71%*	First Pacific Company Limited
Social Security System	*1,014,366,028*	*20.53%*	Social Security System
PCD Nominee	*1,010,870,260*	*20.46%*	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*	*14.96%*	Two Rivers Pacific Holdings Corp.

Beneficial ownership of the Company's senior management *as of December 31 2014:*

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%

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
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%

**Resigned as of December 29, 2014.*

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	✔

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. (SGV)	*Php 6.6 Million*	*Php 0.*

Note: This is estimate only as the 2014 numbers have yet to be finalized. The amount includes audit fees for Philex Mining Corporation, Philex Petroleum Corporation, Silangan Mindanao Mining Co. Inc,, and other subsidiaries except: Forum Energy Plc. and Pitkin Petroleum PLC Groups.

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 national 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 audited financial results were released on 27 February 2014.

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.

6. 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 (Paid as of December 31, 2014)*
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 (Paid as of December 31, 2014)*
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 (Paid as of December 31, 2014)*
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	*Paid as of December 31, 2013*
Convertible Notes Agreement from Asia Link B.V. and Social Security System	*Shareholder*	*P7.2 Billion Convertible Notes signed December 9, 2014. The CN bears a coupon rate of 1.5%, payable semi-annually every 18th June and 18th December and has a maturity of eight (8) years, with a one-time redemption option exercisable by the Issuer on the first anniversary of the issuance of the Note (i.e. December 18, 2015). A premium, payable at a rate of 3% per annum, retroactive from issue date and compounded semi-annually, will apply if the Issuer exercises the redemption option. Every P18,000 worth of CN is convertible into one common share of SMECI starting December 19, 2015. A total of 400,000 new shares, representing 40% of the expanded share capital of SMECI, will be issued upon full conversion. Upon maturity, all CN outstanding will be redeemed at par, plus all accrued interest, including the 3% per annum premium on face value, compounded semi-annually from the date of issue (December 18, 2014).*	*P7.2.Billion*
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.	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?

Please see discussion on related party policies and procedures in *pages 27-28* of this Report. These policies and procedures are intended to safeguard the interests of the Company and its shareholders and stakeholders.

All significant and/or material related party transactions are subject to review by the Corporate Governance Committee in accordance with the Company's RPT Policy approved on 25 June 2014, and Corporate Governance Charter dated 25 June 2014.

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	The Company's By-laws comply with the requirements under the Corporation Code: 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. 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.

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	(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. (2) Proxies are tabulated. (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. (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. *(5) Tabulation of the votes are posted in the Company's website.*

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 28 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 is 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 28 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.	*To receive dividends within 30 calendar days from date of declaration.*
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
26 February 2014	*12 March 2014*	*26 March 2014*
29 October 2014	*12 November 2014*	*28 November 2014*

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 national 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 28 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.	

e. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the Company's constitution
   b. Authorization of additional shares
   c. 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.

f. 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, Company observes the minimum of 28 business days for giving out of notices to the AGM. The Company announces details of the annual stockholders meeting as early as February 27, 2014. Date of meeting was June 25, 2014.
   a. Date of sending out notices: *20 May 2014*
   b. Date of the Annual/Special Stockholders' Meeting: *25 June 2014*

g. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Open Forum (June 25, 2014 Annual Stockholders' Meeting):

Mr. Jose Ferrer, shareholder, inquired about the three-fold increase in capital spending on Silangan in 2013. He asked whether this means that the start of operations for the Silangan mine is ahead of schedule. The Chairman said that the increase in Silangan expenditures in 2013 is due to the increased pace of work on site development and the decline tunnel. He said that it is too early to say, however, if Silangan will start operating ahead of schedule. He mentioned that there are still technical difficulties that must be hurdled.

Mr. Ferrer asked the Chairman whether the Kalayaan Project with Manila Mining was a mistake. The Chairman said that there is no reason to be pessimistic about the Kalayaan Project with Manila Mining, which is viewed as an integral part of the adjacent Silangan property of the Company.

Mr. Ferrer also asked about the possibility of re-opening the Company's Bulawan mine. Engr. Austin recalled to the body that the Bulawan mine was closed due to the low gold prices at that time and because of technical problems underground. Gold prices have improved but the current reserves in Bulawan still do not justify the capital expenditures required to re-open the mine. The Company is currently looking for additional reserves to make re-opening of Bulawan a viable activity.

Another stockholder, Ms.Gerda Japgos, asked whether the Company is aware of use of child labor in the mining industry. She suggested that the Company take action to be consistent with its goal to be the face of responsible mining. The Chairman said that the Company does not and will never use child labor in Padcal, Silangan or in any of its mining properties. He said that the Company is staunchly opposed against child labor. The Company strongly believes that children should be in school and sponsors the primary and secondary education of children in its host communities, and in some cases, the tertiary education of outstanding students.

Mr. Anthony Fernando, shareholder, asked for clarification about the deadline of the Company's option to acquire 60% of Kalayaan Copper Gold Resources, Inc. from Manila Mining. He asked if the deadline for the option was last May 2014 or three years after the signing of the joint venture agreement in May 2011. Engr. Austin said that the

Company is finalizing an extension of this period with Manila Mining. He said that permitting and technical issues, including the completion of the pre-feasibility study, must be hurdled before the Company can exercise its option to acquire 60% stake in Kalayaan. The Chairman further clarified that the Company's option is not the usual investment arrangement but a farm-in agreement where the Company has the right to convert its expenditures for the development of the Manila Mining property into 60% equity in Kalayaan. He emphasized that the Company is optimistic about the Kalayaan project.

Shareholder Mr. Romeo David said that the Board and management should be commended for getting the Company out of the stressful situation caused by the tailings accident in 2012. He asked the Chairman for a view on the risk assessment going forward relative to the strong opposition against mining in the country. The Chairman acknowledged that there are still challenges ahead even if the Company has recently settled various obligations and issues with the local and national governments, particularly the various environment fees due to the tailings accident, and the business tax issue with the Itogon and Tuba municipal governments. He said that the Company is still waiting for the final document from the MGB that will allow regular operations until the end of the Padcal mine life. A new mining revenue tax bill also presents challenges to the viability of the mining industry in the years to come. Operating challenges are seen in declining gold grades as Padcal operations move away from the center of the ore body. Despite all this, the Chairman said that the Company continues to be, as a fundamental matter, optimistic about the mining industry and how it can benefit stakeholders and the country in general.

Mr. David said that the public is misinformed about the contributions of the mining industry in society. He suggested that the Company invest more in CSR and public relations to combat the opposition of the mining industry. The Chairman said he does not disagree, but said that it is essential for a mining company, in fact any company, to be run responsibly. A better public image may be a consequence of CSR initiatives and programs, but must not be pursued for this reason. Rather, CSR should be part of the business model of any company because it is the responsibility of each company to contribute to society.

h. Result of Annual/Special Stockholders' Meeting's Resolutions

The Company's 2014 Annual Stockholders' Meeting was held on 25 June 2014 with the following results:

Resolution	Approving	Dissenting	Abstaining
Approval of minutes of previous stockholders' meeting	*3,287,310,881*	*0*	*110,381,272*
Approval of annual reports and Audited Financial Statements for the year 2013	*3,287,310,881*	*0*	*110,381,272*
Ratification and approval of acts of the Board of Directors and executive officers	*3,287,310,881*	*0*	*110,381,272*
Appointment of Sycip, Gorres Velayo& Co. as independent auditors	*3,352,345,742*	*0*	*45,346,411*
Appointment of election inspectors	*3,352,345,742*	*0*	*45,346,411*
Approval of amendment of the Articles of Incorporation to change principal place of business to Philex Building, 27 Brixton St., Pasig City, Metro Manila	*3,355,441,942*	*0*	*42,250,211*
Election of Directors:			
Casting of votes in accordance with proxies submitted to the Corporation	*3,397,919,342*	*0*	*45,346,411*

i. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

Results of votes taken during June 25, 2014 AGM were disclosed to the Philippine Stock Exchange (PSE) and the disclosure posted at Company website on same day (June 25, 2014).

j. 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:

Modifications	Reason for Modification
Announced the voting and vote tabulation procedures before the meeting proceeded.	*Improved transparency in procedures, and to align with best practices*

Modifications	Reason for Modification
Disclosed name of independent election inspectors (SGV & Co.)	*Improved transparency in procedures, and to align with best practices*

k. 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 2. Eulalio B. Austin, Jr., Director, President & CEO 3. Eliza Bettina R. Antonino, Director 4. Robert C. Nicholson, Director 5. Wilfredo A. Paras, Independent Director 6. Bienvenido E. Laguesma Director 7. Barbara Anne C. Migallos, Corporate Secretary &Director 8. Oscar J. Hilado, Independent Director 9. Danny Y. Yu- Treasurer, CFO, SVP – Finance & Compliance Officer 10. Benjamin Deodato R. Garcia, SVP – Human Resources 11. Michael T. Toledo, SVP – Corporate Affairs 12. Redempta P. Baluda VP- Exploration 13. Victor A. Francisco- VP- Environment & Com.Rel. 14.Enrique C. Rodriguez, Jr. VP- Legal 15. Brett C. Medel, Chief Information Officer	*June 25, 2014*	The voting is by balloting. Shareholders who are present and did not submit proxies before the meeting were given ballots upon registration. In the case of proxies submitted prior to the meeting, the proxy designated by the stockholder to represent them at today's meeting was provided with ballots for casting in accordance with the stockholders' instructions, as indicated in the proxy. *An independent party, SGV & Co. together with STSI tabulated the proxies and the ballots.*	*0.10%*	*68.72%*	*68.82%*

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.

(ii) 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.

l. 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.

m. 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.	(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. (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.

Policies	Procedure
	(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. (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. (4) For shareholders with addresses outside of Metro Manila, the notice and materials are sent by mail, postage prepaid. (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.

n. Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	*44,472*
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	*May 20, 2014* *(for 25 June 2014 annual meeting)*
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	*May 20, 2014* *(for 25 June 2014 annual meeting)*
State whether CD format or hard copies were distributed	*CD Format*
If yes, indicate whether requesting stockholders were provided hard copies	*Yes*

o. 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 pages 78 to 85 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. Minority stockholder's right to nominate is respected and recognized by the Company. The right to nominate is corollary to the right to vote, which is guaranteed by the Corporation Code and recognized in the Company's By Laws and CG Manual.

Under the Company's By-Laws (Article II-A, Section 8 and 9), stockholders may submit nominations to the Board to the Nominations Committee (which is composed of at least 3 Directors, 1 of which is an Independent Director). The deadline for submission of nomination is the 30th day of April of each year or such other date as may be determined by the Board of Directors. The deadline for nominations is announced by the Company via PSE disclosure early in the year together with the announcement for the date of the annual shareholders' meeting and the record date for said meeting.

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, *together with the Company's Deputy Compliance Officer,* 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
(1) Objectives To foster and maintain a good relationship with shareholders. To ensure that shareholders receive relevant, material information on a timely basis To ensure investors have a point of contact to provide business information and listen to their feedback about the Company.	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.
(2) Principles Transparency and fairness in all dealings with investors	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	 *MR. ROLANDO S. BONDOY* *Division Manager - Investor Relations* *Philex Mining Corporation* *27 Brixton St., Kapitolyo, Pasig City* *Tel. No:(632) 631-1381 to 88 local 533* *Email: philex@philexmining.com.ph*
Trade Creditors and Suppliers	*MS. PARALUMAN M. NAVARRO* *Division Manager – Corporate Finance* *Tel. No:(632) 631-1381 to 88 local 288* *Email: pmnavarro@philexmining.com.ph*
Corporate Affairs (Media and Press Relations)	MICHAEL T. TOLEDO *SVP - Corporate Affairs* Tel. No:(632) 631-1381 to 88 Email :mttoledo@philexmining.com.ph

[20] *http://www.philexmining.com.ph/investor-relations/contact-details-stock-transfers-agent---investor-relations*

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.

<table>
<tr><th>Initiative</th><th>Beneficiary</th></tr>
<tr><td>

A. Environmental Management

PMC believes that its impact on the environment today is making a big difference on the world tomorrow. Thus, it takes responsibility right now to contribute to a better world for the future generations. Responsible mining continued to be a key priority for the Philex Group in 2013.
Even as it weathered challenges, the Company remained focused on environmental stewardship, particularly on maintaining ecological balance by conserving environment and rehabilitating disturbed areas to make them productive

1. PADCAL

Greening the Environment
PMC's reforestation campaign at Padcal further gained ground last year, with 305,590 seedlings of various tree species planted across an area of 390 hectares (see table below). This brought to 2,465 hectares the Company has planted with more than eight million seedlings of various tree species and continued to maintain over the years. The Company also participated and provided 6,610 planting stocks/seedlings to its stakeholders, including the Tuba Local Government Unit (LGU), Department of Environment and Natural Resources (DENR) Region I, Ligay Elementary School, Ampucao National High school, Philex Bikers' Club, Philex Scholars, various civic organizations, and private individuals for their tree planting programs in support of the National Greening Program (NGP) of the DENR.

Padcal Reforestation

<table>
<tr><th>Program</th><th>Scope of Activities
(Seedlings planted)</th><th>Area Covered
(in hectares</th></tr>
<tr><td>Re-plantation</td><td>64,074</td><td>140</td></tr>
<tr><td>New plantation</td><td>178,924</td><td>175</td></tr>
<tr><td>Agro Forestry</td><td>62,592</td><td>75</td></tr>
<tr><td>TOTAL</td><td>305,590</td><td>390</td></tr>
<tr><td>Seedlings Donated</td><td>6,610</td><td></td></tr>
</table>

Improving Water Quality
During the year, the PMC's Mine Rehabilitation Fund Committee (MRFC) organized the Joint Multipartite Monitoring Team (MMT) – composed of Philex's MMT, NPC, SRPC, BFAR-CAR/ R1, NIA-R1, DA-R1, DENR-R1 and LGUs of Tuba/Itogon and San Manuel/San Nicolas, Pangasinan – to monitor the impacts of the TSF3 incident. In relation to this, regular water, sediment and fish tissue samplings were conducted at strategic sampling stations along Balog Creek and parts of Agno River. The laboratory analysis for water/effluent samples yielded favorable results and were

</td><td>Host and Neighboring Communities;</td></tr>
</table>

Initiative	Beneficiary
within the standards set by the DENR pursuant to DAO No. 34 (Revised Water Usage and Classification/Water Quality Criteria), series of 1990 and DAO No. 35 (Revised effluent regulations of 1990). In addition, heavy metals in the fish samples were likewise very well within the parameters set by the government - in particular, the Bureau of Fisheries and Aquatic Resources.	

Philex Mining has spent a total of P722 million for the various environmental management and enhancement programs for Padcal in 2013.

2. SMMCI

Cultivating the Surroundings

Down south, the Company is equally aggressive with a corporate social responsibility (CSR) program in its Silangan project. Wholly-owned subsidiary Silangan Mindanao Mining Company Inc. (SMMCI) developed 23 hectares of new plantation areas, with 30,231 seedlings of various tree species planted last year.

In addition, the recently cultivated 35-hectare plantation area, which includes the Diversified and Integrated Agro-Forestry, Palayan sa Minahan, Orchard, Vetiver-Bignay-Dragon fruit, and the Abaca-Bamboo-Ornamental Herbs and Medicinal Garden, is also being managed and maintained throughout the year. Similar to the initiatives in Padcal, a total of 53,065 assorted seedlings were donated to different stakeholders – including ENRO-Butuan City, DENR/ PENRO - Agusan del Norte, and 30th Infantry Battalion-Philippine Army, Tubod, Surigao del Norte – to support the government's National Greening Program.

SMMCI Reforestation

Program	*Scope of Activities (Seedlings planted)*	*Area Covered (in hectares*
New plantation	*30,231 seedlings planted (Industrial Tree Plantation, Forest Plantation, Mangrove Reforestation)*	*23*
Care and maintenance	*Old plantations*	*35*
Management of Diversified and Integrated Agroforestry	*"Palayan sa Minahan"; Orchard, Fish production, Vetiver-BignayDragon Fruit production area, Abacca, Bamboo, Ornamental and Herbal Garden*	*75*
TOTAL	***30,231 seedlings planted***	*133*
Seedlings Donated	*53,065*	

Ensuring Effective Waste Water Treatment

Treatment of waste water is critical in minimizing the mine's harmful impact to the environment, not to mention the savings on operating costs it generates for the Company. PMC's waste water treatment in Silangan is a complex process that allows waste water from the mine to pass through a series of sedimentation basins before being discharged from the Exploration Decline into Cagaasan Creek. Since June 2013, coagulation and flocculation were introduced to ensure that the quality of discharge waste water conformed to DENR 's standards.

Treatment Process: Coagulation, Flocculation and Sedimentation:
Waste water contains both dissolved and suspended particles, which through the application of coagulation and flocculation processes get separated from each component. Coagulation, flocculation and sedimentation follow in successive steps to destabilize the suspended particles, allowing particle collision and the growth of floc. Each process has to be successful (i.e. if step one is incomplete, the following steps will be useless) for the entire procedure to work. Desilting of sedimentation basins is done alternately and scheduled every day to ensure an effective chemical treatment of the waste water and maintain the high performance of the sedimentation process.

For an effective waste water treatment, SMMCI developed a dewatering treatment facility consisting of two ponds, designed to have both a standby configuration and the flexibility to be

Initiative	Beneficiary
operational should the situation require. ***3. LASCOGON*** ***Monitoring Clean Surface Water*** *In preparation for future drilling activities, LMC is monitoring nine sampling points to establish baseline information. These stations are strategically and extensively located in various tributaries of different barangays – Barangay Bugas-bugas, Suyoc and Amoslog in Placer and Barangay Laurel in Taganaan. Testing is conducted on a quarterly basis, using a HORIBA Water Checker, to ensure that water quality remains safe.* *Water tests for heavy metals are also being conducted. The samples are sent to the University of Immaculate Conception-Science Resource Center (UIC-SRC) in Davao City – the only accredited laboratory of EMB-CARAGA – for verification and the laboratory results showed that all parameters passed DENR standards* ***Adopting the Reduce, Reuse, Recycle Program*** *As part of the Information Education and Communication (IEC) program on waste management among employees,LMC developed the Waste Management Program manual, which includes the following:* *▪ Procedures, systems, and training guides to ensure the correct segregation and disposal of wastes;* *▪ Documentation process to facilitate reporting and monitor performance;* *▪ Self-assessment audits to check the effectiveness of internal waste management systems;* *▪ Segregation procedures to identify and manage hazardous wastes; and* *▪ Audit of waste-disposal contractors to ensure adherence to appropriate environmental, health and safety practices and compliance with legal and regulatory requirements* *Inspired by the slogan "Reduce, Reuse and Recycle," the program encourages employees to manage their wastes. Under this system, all food scraps and organic materials are sent to a Vermi-Composting Facility for proper handling. On the other hand, recyclables, hazardous materials, and residual wastes, are temporarily stored at the PMC-Kalayaan Materials Recovery Facility (MRF) while the remaining nonrecyclable discharges are disposed to the landfill.* *Managing the Impact of Drilling* *Drilling and exploration activities at LMC are assessed and evaluated for their potential impact to the immediate environment and the host communities. The process of exploration drilling primarily generates waste water, solid wastes from soil and rock cuttings, and coconut-based oil used as lubricant.These materials are directed into a mud pit for control and management.* *Mud pits are constructed and reinforced with an impermeable lining material to prevent the seepage of recycled water into nearby creeks, rivers, and waterways. As soon as drilling in an area is completed, mud pits are backfilled before undergoing rehabilitation and revegetation.* *LMC also ensures that constructed mud pits are free from any underground seepage, in order to prevent the escape of waste water into the creeks. Silt traps and catchment basins are also built along access roads and river systems to arrest the sediments that may contribute to the increase of Total Dissolved Solids and Total Suspended Solids, which affect the turbidity of the river.* *a. Effluent Management* *To manage the discharge of effluent materials, three mud pits are constructed per drill site to contain the organic lubricants and prevent these from going prematurely flowing downstream to the river. Sand bags are also installed to serve as additional erosion and siltation control measures.* *As an additional preventive measure, catchment basins were constructed to contain accidental leaks or oil spills. Contaminated soil and water are treated immediately with skimmed or degreasing agents before these are allowed to converge with any body of water. All the mud pits are subject to regular monitoring and maintenance to ensure their efficient and economical running condition at all times.*	

Initiative	Beneficiary
b. Regreening and revegetation/Progressive Rehabilitation As part of LMC's rehabilitation and regreening initiatives, 16 mud pits and drill pads were backfilled and planted with various tree seedlings and cover crops 4. KALAYAAN **Ensuring Clean Water** Water sampling of the river system within the Kalayaan Project and its tributaries is undertaken regularly to determine the river's biological and chemical constituents. Physico-chemical sampling in 19 stations and the corresponding analysis are also conducted on monthly basis using a HORIBA water checker. Meanwhile, sampling for heavy metal content in water was conducted on May 22, 2013 and were forwarded to UIC-SRC in Davao City for analysis. The results indicated that the physical and heavy metal qualities of the water in the Kalayaan area were within the acceptable levels set by the DENR. Despite these efforts, a complaint on water quality was filed by the local people's organizations Lower Anislagan Farmers Irrigators Association, Inc. (LAFIA) and Anislagan Bantay Kalikasan Task Force (ABAKATAF). To address this concern, the MGB Regional Office recommended a joint water sampling at the identified water stations along the Anislagan Creek.The Company, for its part, invited all the parties concerned to the water sampling activity conducted last May 21, 2013,which the complainants unfortunately failed to attend. The samples were nonetheless delivered to the UIC-SRC and based on the laboratory results, all parameters passed DENR standards under Administrative Order 34, Series of 1990 Section 69 (Water Quality Criteria). **Disposing Waste Properly** a. Domestic Waste As part of the Company's IEC campaign on proper waste management across the organization, the Kalayaan Project adopted the same Waste Management Program implemented in the Lascogon Project. In line with this program, the Environment Department also launched a Christmas Decor Making Contest, using recyclable materials, last December 2013 to furtherpromote employee awareness on environmental sustainability. The activity was participated in by the different departments in the Kalayaan Project and proved to be a success. b. Hazardous Waste The PMC-Kalayaan Project Team developed a Hazardous Waste Management Policy to ensure that all hazardous wastes are properly and safely managed – from handling to storage, preparation all the way to transport. The Team's management of hazardous waste is conducted in accordance with RA 6969 (Toxic Substances and Hazardous and Nuclear Wastes Act of 1990), RA 9003 (Ecological Solid Waste Management Act of 2000) and the Company's internal requirements. **Preventing Soil Erosion** The drilling activities in Kalayaanentailed the construction of access roads and drill pads. To arrest soil erosion at the source, affected areas, such as road cuts of the project access road, were re-vegetated immediately using cover crops like Brazilian peanuts (mani-mani), burikat, Mote-mote, and carabao grass found in the area. LubiLubi, Dalili, Cassava, Gamay-gamay, Bagonbon, Squash, Green Monggo beans and Paguha were also planted to facilitate the greening and rehabilitation of the said locations. In addition, slope stabilization, sprigging and wattling techniques were undertaken to prevent further soil erosion along the perimeter. **Other Initiatives** a. Conducting Soil Classification and Assessment Study Various soil sampling surveys and studies were performed at the Kalayaan Project by experts on soil conservation, microbiology and mineralogy from the University of the Philippines-Los Banos (UP-LB) for soil classification, as part of the sustainability assessment exercise. The samples from 25 stations within the project area were brought to the Analytical Services Laboratory of the Soils and Agro-Ecosystems Division of the UP-LB for analysis. Based on the soil's physico-chemical properties, it was found to be more suitable for the construction and development of a mine project, compared with a prime agricultural land, which will require more inputs to make it	

Initiative	Beneficiary
productive. This study was conducted, per MGB Central Office instruction, as one of the requirements for the renewal of Kalayaan Exploration Project, which will have to be submitted on the second year of the third renewal of the Exploration Permit. *b. Supporting Earth Day* *In terms of community engagement, the Kalayaan Project Team participated in the celebration of the Annual Earth Day by planting 494 fruit bearing and hardwood trees at the Anislagan and Linao Reservoirs.* ***5. PGPI – BULAWAN*** ***Assisted Natural Regeneration*** *In 2013, 58,165 seedlings of various forest and fruit tree species were planted in the newly established 145.54 plantation areas, for both conventional reforestation and Assisted Natural Regeneration (ANR), at the Bulawan Mine.The conventional reforestation siteat the eastern portion of the headwater of Sipalay River and vicinities of Sitio Binukawan were planted with 25,316 seedlings covers an area of 63.3 hectares. The ANR or enrichment planting adopted since CY 2009 and expanding the area at Sitio Binukawan and airstrip vicinities with another 82.3 hectares and planted 32,881 seedlings.* *The NGP activities on conventional and ANR were recommended by the MGB Regional office in compliance to EO26 as mandated by President Benigno Aquino III issued February 24, 2012.* *As of December 31, 2013 PGPI maintains and protects a total of 821.32 hectares of established tree plantations through reforestation in the disturbed and cogonal areas. Seedlings planted is 1,055,837 of various tree species, that include; acacia manguim, acacia auriculiformis, large leaf mahogany (swietenia macrophylla), rain tree (samanea saman), lumbang (aleurites moluccana) and ipil-ipil (leucaena leucocephala). Naturally grown endemic trees and shrubs can be observed growing along with these planted trees. Fruit bearing trees such as jackfruit (artocarpus heterophyllus) and mango (mangifera indica) can also be seen. The presence of the aforementioned fruits together with the fruits of other naturally grown trees attracted various wildlife in the area, specifically several birds species.*	

Program	*Scope of Activities (Seedlings planted)*	*Area Covered (in hectares*
New plantation	*25,316 seedlings planted*	*63.3*
Assited Natural Regeneration and National Greening Program	*32,881 seedlings planted*	*82.3*
TOTAL	***58,165 seedlings planted***	*145.6*
Seedlings Donated	*Coffee Planted*	*1.5*

Initiative	Beneficiary
6. PGPI – SIBUTAD ***Expanding Mangrove Plantation*** *For 2013, total Bakauan (rhizopora mucronata and apiculata, respectively) propagules planted is 40,300 covering an area of 6.73 hectares. From 2011 to 2013 propagules planted a total 111,135 on a 14.58-hectare mangrove plantation in the coastal area of Barangays Libay and Kanim, in Sibutad, Zamboanga del Norte, fronting the Murcielagos Bay. The project to expand the mangrove started in July 2011 where mangrove propagules were sourced from P GPI's old mangrove plantation and its host barangays ofSebaca and Balubuhan inthe Municipality of Rizal.* *This is an extension of the 17.05-hectare plantation originally established from 1998-2001, through the cooperation of the DENR under the Coastal Enhancement Project of PENRO,Zamboanga del Norte.*	
B. *Partnering with Communities* *As steadfast as its commitment to sound environmental stewardship, the Company puts priority in building strategic partnerships with its host and neighboring communities (HNCs). Pillars of*	Host and Neighboring Communities

Initiative	Beneficiary
partnership building are: respect to rights and dignity, preservation of cultural heritage and appropriate local practices, and social development. Through the Social Development and Management Program (SDMP) for the operating mine and the Community Development Program (CDP) for exploration projects, the Company engages the community towards partnership building and local development through community based environmental management and development projects that recognizes the communities concerns, needs and aspirations in consonance with the country's National Anti-Poverty Framework (NAPF) to bring about more equitable access to basic services, achieve inclusive growth, and improve human development outcomes among iHNCs. *The SDMP is a five year program that aims to help develop responsible and self-reliant communities. The Company is required to allot one and a half percent (1.5%) of its operating cost per year to fund SDMP projects and the development of mining technology and geosciences.* *For exploration areas, namely, Philex subsidiaries Philex Gold Philippines Inc. (PGPI) in Negros Occidental (Bulawan aand Zamboanga del Norte (Sibutad) and Silangan Mindanao Mining Co. Inc. (SMMCI) in Surigao del Norte, the Company implements a Community Development Program (CDP) which is funded by an allocation of 10 percent of the approved Exploration Work Program budget.* ***BENGUET PRO VINCE*** *Padcal Mine in Benguet Province had implemented the Pusong Philex program which covers projects in health, education, livelihood and public infrastructure amounting to PhP58.2 million benefiting over 15,000 residents in two host barangays and five neighboring barangays in Benguet.* ***Health*** *With over 6,000 beneficiaries for basic medical services under the SDMP, Padcal Mine spent PhP3.0 million for health in 2013, above the required amount of PhP2.5 million. These services included medical consultation, dental services, hospital confinement, and medicines.* *Under the Health Care Program, the Company accommodates patients from the host and neighboring communities, free of charge, at its Sto. Niño Hospital. The Company also conducted healthcare awareness and disease-prevention seminars, as well as regular training on disaster awareness and first-aid to 6,299 residents in the barangays of Camp 3, Ampucao, Camp 1, Ansagan and Dalupirip.* *During the year, an additional 229 residents gained access to potable water after Philex built new water distribution facilities in Sitios Sta. Fe and Eureka in Barangay Ampucao. Some communities in the province have minimal access to healthcare due to the lack of facilities and health professionals.* *The Company has constructed a health center where over 4,000 residents of Ampucao and Camp 3 can avail of free medical services.* ***Education*** *In addition to the maintenance of two elementary and one high school inside the mine camp, an additional 784 students benefited from the Company' education programs in 2013. At the Saint Louis High School-Philex and Philex Mines Elementary School inside the Padcal Mine camp, 94 students have availed of scholarships and subsidies while another 100 students from Camp 3, Ampucao, Camp 1, Ansagan and Dalupirip benefited from full scholarships in college. Padcal Mine also continuously participates in the Alternative Learning System, a ladderized, modular nonformal education program devised by the Department of Education (DepEd) for dropouts of elementary and secondary schools, in order to help more residents in the host and neighboring communities gain literacy and competency.* *To ensure the sustainability of these programs, maximum participation by the stakeholders is required starting from the conceptualization phase up to the implementation, monitoring, and evaluation stages. The expectation is for the stakeholders to take over and sustain the projects for the long-term.* ***Livelihood*** *Padcal Mine also supports the HNCs with livelihood and infrastructure projects to help increase production in agriculture, aquaculture, agro-forestry, and microenterprises. For the year, Padcal spentPhP27.2 million on the following projects:*	

Initiative	Beneficiary
▪ Aquaculture in Sitio Balding, in Barangay Camp 3, Tuba and Sitio Salangan, Brgy. Ampucao, Itogon ▪ Hog-raising, cooperative store, and agro-forestry for the Batacat Multi Purpose Cooperative, which covers Sitios Bagbag, Talnag, and Catcatbal in Brgy. Ampucao ▪ Agro-forestry and cooperative store for the Salba Multi-Purpose Cooperative, covering the sitios of Sal-angan and Banget in Brgy. Ampucao ▪ Cooperative store and vegetable farm for the TA BACK Farmers' Association, which encompasses the sitios of Torre, Alang, Balayan, Alapang, Camait, and Kimmabab in Brgy. Camp 3, Tuba ▪ Sustained capability-building trainings, such as bookkeeping (where 369 people had been trained), for the personnel of cooperatives and associations in the host and neighboring communities ▪ Implemented the Work Appreciation Program, a three-month on-the-job training for 63 college graduates **Infrastructure** ▪ Paved 3.2kms of farm-to-market roads and pathways to facilitate the delivery of farm products, such as vegetables and fruits. This brought to 33kms the total length of roads and pathways that had been cemented in the HNC since 2003 ▪ Provision of seven units of water tanks and irrigation systems **SURIGAO DEL NORTE** Silangan, Kalayaan, and Lascogon In 2013, Silangan Mindanao Mining Co., Inc. (SMMCI) spent for the hosting of 11 neighboring barangays of Surigao del Norte, site of the Silangan and Kalayaan Projects. **Education and Alternative Learning System** Through its Silangan ng Karunungan education program, SMMCI aims for improved quality of education, increased number of classrooms and decreased number of dropouts for the Surigaonons. For 2013, SMMCI provided scholarships to 600 students, which include tuition and miscellaneous fees, school uniforms and school supplies. The Company also provided free uniforms for 2,916 students from 27 elementary and six high schools. Silangan ng Karunungan also included the Alternative Learning System (ALS) accreditation and equivalency program for 25 out-of-school youths and adults who qualified after they successfully completed the required 300 hours of class. SMMCI also tapped 10 volunteer teachers for eight elementary schools and one high school to augment the shortage of teachers in the HNCs. As part of promoting the sciences, SMMCI brought to Surigao del Norte the 42 interactive science exhibits from the Science Centrum in Marikina. Through Science on the Move, 3,500 visiting students from more than 40 schools in Surigao del Norte gained an interactive exposure to the exhibits that gave life to different scientific theories found in books. Some of the familiar concepts – like the Pythagorean Theorem, aerodynamics, wind power, electricity and magnetism, Van de Graaff, pedal power, hyperbolic slot, and the anti-gravity mirror, among others – were appreciated by the participants through the different senses of sight, touch, and hearing. Specifically, the Archimedes Screw was one of the more popular exhibits during the event, given its association with exploration and drilling activities related to mining. Aside from these, participants from Sison, Tubod, Placer, Taganaan, Bacuag, Mainit and Alegria as well as from Surigao City, Claver, Malimuno and San Francisco also enjoyed the rock and volcanic simulation exhibit prepared by the SMMCI Exploration Department, the miniature silt pond developed by the Environment Department, and the briefing for the proper use of protective tools and equipment conducted by the Safety Department – which are all found in the SMMCI Exploration Site in Tubod. Science on the Move, which ran from November 5 to November 12, 2013 at Sison Gym, Surigao del Norte,was a partnership among SMMCI, the local chapter of DepEd, and Philippine Foundation for Science and Technology. In addition, turnover ceremonies were held in Algeria for the repair and improvement of a two-unit Classroom in Alipao Elementary School. A set of instructional learning materials were also handed out to the 436 students, nine teachers and one school principal, who became beneficiaries of the Silangan ng Karunungan Program. Other projects that were successfully implemented and turned over to the host communities were the following: ▪ Instructional materials for Upper Libas Elementary School, Upper Patag Elementary School, and San PedroElementary School	

Initiative	Beneficiary
▪*Repair and Improvement of Barangay Halls for Barangays Upper and Lower Patag and San Pedro in Sison* ▪ *Computer units for Barangay Upper Libas (Tagana-an), Upper Patag, Lower Patag and San Pedro (Sison)* ▪*Various instructional materials for different schools under DepEd Sison District, which included computer sets, digital cameras, an LCD projector and screen, lapels, and comprehensive dictionaries* ***Community Infrastructure*** *SMMCI also turned over the completed projects under the Community Development Program (CDP) in the areas of Barangays San Isidro and Timamana in Tubod. The projects included the water system in the two barangays, the construction of the Barangay San Isidro Health Center, the BDRRMC office and the road concreting of Barangay Timanana.* *The Kalayaan Project generated employment for 86 local residents last year through the implementation of ten community projects, which included the construction of a 340-meter concrete canal, concreting of various barangay roads and pathways, and the installation of a culvert. These community projects not only improved transportation and commerce but also enhanced access to other basic services for 2,853 residents from Barangays Anislagan and Macalaya and improved drainage to mitigate flooding and erosion in the area during the rainy season. To address the other needs of the community, projects launched under the CDP last year also included the improvement of the existing water system, specifically through the installation of additional pipelines to provide potable water to areas that previously did not have access to potable water. The Kalayaan Project also recognizes the needs of the community to convene for meetings and hold assemblies.Through the CDP, the repair and rehabilitation of several barangay multipurpose halls were rolled-out in 2013.* ***Livelihood*** *On top of the CDP projects, SMMCI also donated PhP10.8 miilion to the Provincial Government of Surigao del Norte for the construction of a two-storey, 18-room dormitory in the Provincial Community Training and Livelihood Center (PCTLC) located in Placer. The PCTLC is a flagship project of the province of Surigao del Norte, in partnership with TESDA and the mining companies operating in the CARAGA region, to develop, train and provide employment opportunities to constituents of the province. The courses offered in the training center include Shielded Metal Arc Welding NCII, Automotive Servicing NC II, Electrical Installation and Maintenance NC II, and Consumer Electronics Servicing NC II.* *Lascogon Mining Corp., a subsidiary of Philex Gold Philippines Inc. (PGPI) sponsored a five-day Natural Farming Training and Seminar conducted at Tribal Mission Foundation Training Center, Barangay Tugbok, Mintal, Davao City for 33 council members and residents from Barangays Bugas-Bugas, Suyoc in Placer and Barangay Laurel in Tagana-an, as beneficiaries. The training workshop addressed the current challenges faced by farm producers on how to lower their input costs. The program increased awareness among farmers and provided effective techniques and strategies on how to achieve high productivity, increased profitability and long-term sustainability in their areas.* ***NEGROS OCCIDENTAL*** ***Community Engagement*** *PGPI–Bulawan participated in the coastal clean-up drive held last September 20, 2013 at Sitio Campomanis, Barangay Maricalum. Other participants in the event included the local government of Sipalay, the local chapter of the Department of Natural Resources, the Barangay Council and barangay health workers (BHWs) of Maricalum, Nabulao National High SchoolMaricalum Extension students, CAFGUs, beneficiaries of the Pantawid Pamilyang Pilipino Program (4P's), and the local residents.* ***Education*** *Education remains a priority for the Bulawan Project. In 2013, two new school buildings were built, an e-classroom, and scholarships for 14 high school students were provided. PGPI provided the construction materials for the development of one school building with two classrooms that can serve the needs of 52 students in Tugas Primary School at Sitio Tugas, Cabadiangan, Sipalay City, Negros Occidental. The School Building Project was completed, turned over and inaugurated last*	

Initiative	Beneficiary
year through the partnership with and cooperation of the City Government. The Company also built one school building and e-classroom was also established in Cayhagan Elementary School in Sipalay City to improve the quality of education among students through modern technology. *In addition, a total of 14 qualified high school graduates from different host communities of Sipalay City (Barangays Camindangan, San Jose, Manlucahoc, Cabadiangan, and Maricalum) and Hinobaan (Barangays Talacagay and Bacuyangan) became beneficiaries of the one-year scholarship grant under the Technical-Vocational Scholarship and Assistance Programs. The grant covers the payment of tuition and miscellaneous fees, such as ID, uniforms, and intramurals; expenses for board and lodging; and a monthly transportation allowance. The scholars are enrolled in Computer Hardware Servicing and Electrical Installation and Maintenance at the Kabankalan Catholic College Technical Center (KCCTC). The Company also provided financialand technical assistance to 25 out-of school youths from Barangay Nabulao to take Shielded Metal Arc Welding classes. Developed and implemented in partnership with DepEd and the Technical Education and Skills Development Authority (TESDA), with the cooperation of the local government of Sipalay, the Alternative Learning System (ALS) trainings are expected to enhance the livelihood prospects of members and contribute to the overall socio-economic progress of their respective communities for the long-term. In addition, PMC provided for the constructional materials for the repair of school buildings of Pinamayan and Binulig Elementary Schools in partnership with the Municipal Government of Cauayan and the Binulig School Board which provided labor.* ***Health*** *PGPI implemented and promoted a health program in the communities through training in vegetable and vermicast production in support of DepEd's Gulayan sa Paaralan Project. Under this program, various vegetable seeds, garden equipment, a vermi-composting facility as well as the African night crawlers to pump-prime reproduction and composting process were provided.* ***Livelihood*** *In support of the communities' longterm livelihood projects, the Company established an Integrated Farming demonstration farm as a pilot project with the objective of providing additional sources of income to community members and spearheading socioeconomic growth and development of the host communities. The Project is in line with and in support of the National Government's Program on OrganicAgriculture. The LGU of Sipalay City, through the City Agriculture and Veterinary Offices, has signified their support for the establishment, operation, and maintenance of the demo farms. Under the setup, the LGU of Sipalay City provides monitoring and evaluation services and facilitates the trainings on the components of the demo farm. During the initial stages, the Company will provide livestock, vegetable seeds and vermiculture facilities to identified beneficiaries. A regular monitoring schedule was also established in coordination with the Sipalay City Agriculture and Veterinary Office, to ensure the success of the project. The second stage of the Project will involve the expansion phase, where the households around the demo farms will be organized into production clusters and later into farmers' cooperatives. These clusters will provide the base for increased productivity and eventually contribute to the overall revenue growth of the local market. Aside from establishing a framework for an income-generating venture for the community, the project also allowed the Company to strengthen linkages with the LGU of Sipalay City and other stakeholders.* ***Public Infrastructure*** *To lessen Company dependence and to promote self-reliance, the Company requests its partners to counterpart in terms of resources, capabilities and responsibilities. A common practice is for the company to provide for the major materials while the community provides for labor, and other materials that can be sourced locally. This set up gives the community ownership of the projects and helps strengthen the partnership.* *The following are the accomplishments of PMC's Public Infrastructure Program:* *▪ Construction of concrete overflow in Sitio Pinamay-an, Camalandaan, Cauayan which benefitted 146 households* *▪ Repair and improvement of the sixkilometer farm-to-market road (FMR) segment in Sitio Maabon, Barangay Cabadiangan, benefiting 41 households* *▪ Repair and improvement of approximately three kilometers of FMR in Barangay Camalandaan* *ZAMBOANGA DEL NORTE* *The Sibutad Project also advocates stakeholder partnership in its social development program. In*	

Initiative	Beneficiary
2013,PGPI-Sibutad constructed a 30-meter hanging bridge in Barangay Magsaysay, Sibutad, Zamboanga del Norte. This initiative was a joint-venture with the LGU of Barangay Magsaysay, where PGPI supplied the construction materials worth PhP100,000 with the LGU providing for the needed cement and labor. The completed project was turned over to Barangay Magsaysay on March 26, 2013. This infrastructure project is very significant for the communities because it provided a safe and convenient access from the mainland to the coastal communities of Siawang, Panganuran, Kanim, Libay, Calube, and Sinipay in the Municipality of Sibutad.	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

Board Performance Appraisal/ Assessment Policy enables the Board to periodically identify overall strengths and specific areas for improvements based on results of assessment, and to obtain important feedback and views from the members of the Board which will collectively form part of Company's overall strategy, performance and/or future directions or endeavors.

Performance Evaluation	Self - Assessment	Evaluated By
Board of Directors	/	Individual Director/s
Director	/	Individual Director/s
Board Committees	/	Member of Committee
President and CEO	N/A	Individual Director/s

Forms and criteria are disclosed in the company website:
http://www.philexmining.com.ph/userfiles/PX%20BOD%20Appraisal%20Policy%20(2).pdf

	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	Assessment by the 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

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S. S.

SECRETARY'S CERTIFICATE

I, **BARBARA ANNE C. MIGALLOS**, of legal age, Filipino, and with office address at 7th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City, after having sworn to in accordance with law, hereby depose and state that:

1. I am the duly elected and incumbent Corporate Secretary of **PHILEX MINING CORPORATION** (the "Corporation"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines, and with principal office address at Philex Building, No. 27 Brixton Street, Pasig City, Metro Manila, Philippines.

2. I hereby certify that at the meeting of the Board of Directors of the Corporation held on **25 February 2015**, at which a quorum was present and voting throughout, the Board approved amendments to the "Consolidated Changes in the Company's Annual Corporate Governance Report for 2014" (ACGR), and the filing of said ACGR as amended with the Securities and Exchange Commission.

The foregoing is in accordance with the records of the Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of March 2015 at Makati City, Philippines.

BARBARA ANNE C. MIGALLOS
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 23rd day of March 2015, affiant exhibiting to me her Community Tax Certificate No. 0241686 issued on 7 January 2015 at Makati City, and her Passport No. EC0356963 issued on 20 February 2014 at DFA Manila, expiring on 19 February 2019 bearing her photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section (b) the 2004 Rules on Notarial Practice.

Doc. No. : 222
Page No.: 45
Book No.: 7
Series of 2015.

KATHERINE C. KEH
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-511 (2014-2015)
COMMISSION EXPIRES ON DECEMBER 31, 2015
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Rockwell Center, Makati City 1210
PTR No. 4754331; 1-7-15; MAKATI CITY
IBP O.R. No. 0984869; 1-7-15; Manila IV
TIN 251-644-865
ROLL NO. 63507, MAY 2014

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