

**PH-EITI 13<sup>th</sup> MSG MEETING**  
**9:00 AM- 12:00 PM | May 2, 2014**  
**Visayas Room, Department of Finance,**  
**Roxas Blvd., Manila**

**Attendees:**

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7	<b>Attendees:</b>	
8		
9	Asst. Sec. Ma. Teresa S. Habitan	Department of Finance (DOF)
10	Elsa P. Agustin	DOF
11	Asst. Sec. Daniel A. Ariaso, Sr.	Department of Energy (DOE)
12	Engr. Romualdo Aguilos	Mines and Geosciences Bureau—Department of
13		Environment and Natural Resources (MGB-DENR)
14	Michael Joseph Juan	Union of Local Authorities of the Philippines (ULAP)
15	Dr. Cielo Magno	Bantay Kita
16	Prof. Jay L. Batongbacal	University of the Philippines, College of Law
17	Prof. Maria Aurora Teresita W. Tabada	Visayas State University
18	Ronald Allan A. Barnacha	Philippine Rural Reconstruction Movement (PRRM)/ North
19		Luzon
20	Roldan R. Gonzales	GITIB, Inc.
21	Vince Lazatin	Bantay Kita/Transparency & Accountability Network (TAN)
22	Agustin Docena	Samar Island Bio-diversity Foundation (SIBF)/Eastern
23		Visayas Network of NGOs and POs, Inc. (EVNET)
24	Dr. Merian C. Mani	Romblon Ecumenical Forum Against Mining (REFAM)/
25		Romblon State University
26	Starjoan Villanueva	Alternate Forum for Research in Mindanao, (AFRIM) Inc.
27	Engr. Artemio F. Disini	Chamber of Mines of the Philippines (COMP)
28	Gerard Brimo	COMP
29	Ronald S. Recidoro	COMP
30	Francisco J. Arañes Jr.	Cambayas Mining Corporation
31	Elenette C. Pingul	Shell Philippines Exploration BV (SPEX)/ Petroleum
32		Association of the Philippines (PAP)
33	Secretary Elisea Gozun	Mining Industry Coordinating Council (MICC) representative
34	Babes Ancheta	Guest
35	Atty. Gay Alessandra V. Ordenes	Secretariat
36	Maria Meliza T. Tuba	Secretariat
37	Abigail D. Ocate	Secretariat
38	Mary Ann D. Rodolfo	Secretariat
39	Liesel B. Empio	Secretariat
40	Grace A. Estacio	Secretariat

1 RESOURCE PERSONS:  
2

3	Lito A. Mondragon	Philippine Mining Development Corporation (PMDC)
4	Salvador Herrero	PMDC
5	Jaime De Veyra	PMDC
6	Roberto Punzalan	PMDC
7	Zenaida Alfonso	PMDC
8	Virgil Adan	PMDC
9	Vincent Laguz	PMDC
10	Cherrylin Javier	Isla Lipana & Co.
11	Pocholo Domondon	Isla Lipana & Co.
12	Ma. Lois Abad	Isla Lipana & Co.
13	Corina Molina	Isla Lipana & Co.
14	Feve Hisug	Isla Lipana & Co.

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16

17 **AGENDA:**

- 18 • Minutes of the 12<sup>th</sup> MSG meeting  
19 • Matters arising from previous MSG meetings  
20 • PMDC presentation  
21 • Presentation of Inception Report (including contents of the reporting template and accrual versus cash  
22 basis)

23  
24

25 **1. Call to Order:**

26

27 1.1. The Philippine Extractive Industries Transparency Initiative (PH-EITI) Multi-Stakeholder Group (MSG)  
28 meeting was called to order at 9:05 AM.

29

30 The proposed agenda was presented and subsequently approved by the body.

31

32 **2. Minutes of the 12<sup>th</sup> MSG Meeting**

33

34 2.1. The Secretariat shared that one Civil Society Organization (CSO) representative submitted some  
35 comments on the minutes but mainly on sentence constructions. It was mentioned that the copy of the  
36 minutes included in the meeting kits already reflects the comments received by the Secretariat.

37

38 2.2. The body approved the minutes of the 12<sup>th</sup> MSG meeting.

1 **3. Matters Arising from Previous MSG Meetings**

2  
3 3.1. *Establishment and management of a revenue-linked database:* It was recalled that this activity is  
4 dependent on the availability of the Multi-Donor Trust Fund (MDTF) from the World Bank.

5  
6 3.2. *Auditing of government reports:* It was reiterated that the Secretariat was tasked to invite the  
7 Commission on Audit (COA) to discuss current auditing practices on government data. The Secretariat  
8 shared that COA already engaged their resident auditors from relevant government reporting entities. The  
9 body was informed that COA already sent the consolidated report of the resident auditors to the Secretariat  
10 and this report will be shared to the Independent Administrator (IA) for inclusion in the PH-EITI report. It  
11 was mentioned that a copy of the COA report will also be sent to the members of the MSG.

12  
13 3.3. *Offer of Timor Leste to conduct a training for the PH-EITI MSG on the Petroleum Fund process:* This item  
14 was reported to be also dependent on the availability of the MDTF.

15  
16 3.4. *Bureau of Internal Revenue (BIR) waiver:* The Secretariat shared that 27 companies already signed the  
17 waiver and the updated list is included in the meeting kits. It was mentioned that the EITI International  
18 Secretariat offered to send a letter to the non-signing companies in order assist the MSG in securing the  
19 waivers. In addition, it was mentioned that the International Secretariat did this in other countries and it has  
20 been effective.

21  
22 On member of the MSG suggested that the letter to the non-signing companies should come from the BIR.

23  
24 The Chair mentioned that the MSG can maybe ask the BIR Commissioner to provide a letter encouraging the  
25 companies to sign the waiver.

26  
27 The body agreed.

28  
29 As an update, it was shared that two (2) companies (Carrascal Nickel Corporation and Shuley Mine) initially  
30 refused to sign the waiver but again informed the Secretariat that they will be signing the waiver provided  
31 that the MSG agrees to the revisions in the waiver that they are proposing. The body was informed that the  
32 proposed version of the waiver was sent to the BIR, however, Asst. Comm. Misajon refuses to accept the  
33 revision. In addition, it was shared that the Secretariat, together with the representative from Chamber of  
34 Mines of the Philippines (COMP) and non-members of COMP, is planning to set up a small meeting with the  
35 said companies to discuss further the necessity of signing the BIR waiver.

36  
37 3.5. *Incentive regime for mining:* It was again recalled that the Board of Investments (BOI) was invited to  
38 attend the MSG meeting to give a presentation on the incentives availed of by the companies. However, the  
39 BOI was not available for the day's meeting. The BOI representative informed the Secretariat that they  
40 already referred the matter to their legal department and that they will send the legal opinion to the MSG. It  
41 was shared that the legal opinion was supposed to be submitted before the day's meeting, however, the  
42 Secretariat has not yet received it.

1 3.6. *Selection of Non-COMP alternate representative:* The representative of the non-members of COMP  
2 reported that Marcventures already agreed to be the alternate representative of non-COMP in the MSG.  
3 The name of the representative from Marcventures will be submitted to the Secretariat.  
4

5 3.7. *Other information from Department of Energy (DOE):* It was recalled that DOE was asked to render legal  
6 opinion whether other information coming from them can be disclosed. It was mentioned that this is still a  
7 pending matter since the Secretariat has not yet received the legal opinion from DOE. Later in the meeting,  
8 however, the DOE informed the body that the legal opinion had been prepared and ready for release, and  
9 that the same will be sent to the secretariat as soon as possible.  
10

11 3.8. *Inclusion of coal in the report:* It was shared that Asec. Ariaso and Asec. Habitan already met with the  
12 President and Vice President of Semirara. It was also mentioned that Semirara previously informed the  
13 Secretariat that they will refer this matter to their board, however they have not given the Secretariat an  
14 update regarding the outcome of their board meeting.  
15

16 3.9. *Scoping consultants:* The body was informed that the World Bank decided to accept the final report of  
17 the scoping consultants and that the bank has paid them in full.  
18

19 3.10. *Philippine National Oil Company Exploration Corporation (PNOC EC) presentation:* It was recalled that  
20 the PNOC EC representative was asked to send the following to the secretariat: project matrix, list of social  
21 development projects and list of incentives. It was shared that PNOC EC sent all these documents to the  
22 secretariat and that these are included in the meeting kits.  
23

24 3.11. *Companies that will disclose beneficial ownership:* Regarding the task of the Secretariat to ask CTP  
25 Construction and Mining if it is willing to disclose beneficial ownership, it was reported that CTP has already  
26 been informed. However, the Secretariat is still awaiting feedback from the said company.  
27

28 3.12. *Publicly listed companies:* The Secretariat was tasked to prepare a list of reporting companies that are  
29 publicly listed and not publicly listed. It was noted that the list is also included in the meeting kits.  
30

31 3.13. *Philippine Mining Development Corporation (PMDC):* The Secretariat informed the body that PMDC will  
32 give a presentation for the day's meeting.  
33

34 3.14. *Two mining companies in Tawi-Tawi:* The Secretariat was tasked to send a letter to Gov. Hataman  
35 regarding EITI briefing and discuss how to engage the two (2) mining companies in Tawi-Tawi. It was shared  
36 that the letter has already been sent to Gov. Hataman, however, the Secretariat was informed that he is out  
37 of the country for a fellowship. It was mentioned that the Governor and his staff were also invited to the  
38 upcoming National Conference.  
39

40 3.15. *Additional information for the reporting template:* It was reported that the Secretariat already  
41 informed the IA about the additional information for inclusion in the template.

1 3.16. *List of IA's clients*: The list of previous and current clients of the IA has been sent to the MSG through  
2 the e-group and the said list is also included in the meeting kits.

#### 3 4 **4. Philippine Mining Development Corporation (PMDC) Presentation**

5  
6 4.1. The structure and operations of the company was presented by Atty. Lito Mondragon, President and  
7 CEO of PMDC (the presentation material is attached as Annex A).

8  
9 4.2. The salient parts of the presentation were the following:

- 10 • PMDC Projects
- 11 • Operators/ Partners
- 12 • Payments made by PMDC
- 13 • Payments made by Operators of PMDC

14  
15 4.3. On the list of cancelled tenements, one representative from CSO noted that four (4) mining companies  
16 were operating in Eastern Samar. It was mentioned that these companies refused to provide documents  
17 that the CSOs in the area were requesting for. For purposes of transparency and accountability, the PMDC  
18 was requested to instruct the said companies to provide the requested documents.

19  
20 4.4. The PMDC representative asked for the information that the CSOs were requesting from the companies  
21 so that they can provide it.

22  
23 It was added that on a regular basis, PMDC is sending people in the mine site to talk to concerned parties  
24 since they also want to make sure that their operators are performing their obligations under the contract.

25  
26 4.5. The Chair asked what is the nature of the relationship between PMDC and their operators, especially  
27 those which are reported as cancelled tenements.

28  
29 4.6. The representative of PMDC explained that although their agreement is called Joint Operating  
30 Agreement (JOA), it is basically a Mineral Production Sharing Agreement (MPSA). This means that the  
31 operators are actually doing the actual work while PMDC supervises and monitors their activities. It was  
32 noted that host communities of PMDC operations are getting two Corporate Social Responsibility (CSR)  
33 projects (one from the operator and another from PMDC) which is not the case for LGUs with mining  
34 operations under MPSA.

35  
36 4.7. One CSO representative clarified whether the MPSA is between the PMDC and the contractor.

37  
38 4.8. The PMDC representative first mentioned that under the constitution, mining operations can be done  
39 either directly by the state or through operators. It was then clarified that MPSA is only for agreements  
40 between the government and private company. Since PMDC is Government-Owned and Controlled  
41 Corporation (GOCC), the agreement is actually between the government and the Department of

1 Environment and Natural Resources (DENR) through an Administrative Order. It was further explained that  
2 the JOA between PMDC and their operators is actually the equivalent of a sub-contracting agreement in  
3 MPSA holders. The only difference is that in the case of PMDC, the entire operation is being sub-contracted  
4 with one entity whereas in most of the private mining companies, sub-contracting is done in portions. There  
5 are only few instances wherein a private mining company will allow the entire operation to be sub-  
6 contracted by another mining company.

7  
8 4.9. One member of the MSG clarified if the PMDC started by virtue of a Presidential Memorandum in 2003  
9 and if the date of the company registration was on March 30, 2007.

10  
11 4.10. The PMDC representative responded that the Presidential Memorandum is indeed the basis for setting  
12 up the corporation in 2003. However, the name of the company was changed in 2007. It was elaborated that  
13 since PMDC was previously called Natural Resources Mining Development Corporation (NRMDC) which is  
14 very similar to Natural Resources Development Corporation (NRDC), there was a concern that the names  
15 could be mixed up given that the only difference is the word mining. With this, it was decided that NRMDC  
16 be changed to PMDC. The representative of PMDC also shared that NRDC is a stockholder of PMDC.

17  
18 4.11. For clarification, it was noted that PMDC is a Securities and Exchange Commission (SEC) registered  
19 GOCC which is under the labor law and not the civil service.

20  
21 4.12. Since PMDC was created during the term of Sec. Gozun as Secretary of DENR, Sec. Gozun shared the  
22 history of PMDC. The body was informed that the reason for creating PMDC as subsidiary of the NRDC at the  
23 start was because they wanted to put order into the operations in Diwalwal. Unfortunately, there was a  
24 pending case then with the Supreme Court because Mr. Bernardino was claiming that Diwalwal was also  
25 part of the concession given to him by late President Marcos. Given that there was a pending case in court,  
26 the government could not give Diwalwal to any private sector company. Thus, the only legal way for the  
27 government to come in was for the government to operate it.

28  
29 4.13. Sec. Gozun shared that this was the reason why they decided to set up the NRMDC as a subsidiary of  
30 NRDC, with capitalization borrowed from Philippine National Oil Company (PNOC). It was also mentioned  
31 that at that time, 22 small-scale mining operations were actually given permits to operate over the areas in  
32 Diwalwal. Large-scale mining, on the other hand, was supposed to be done by the NRMDC which eventually  
33 became the PMRDC. Sec. Gozun noted that mining in Diwalwal became a model where small-scale mining  
34 can co-exist with large-scale mining operations.

35  
36 4.14. It was further explained that the overall plan was to allow the small-scale miners to mine but  
37 eventually, all processing was to be done by the NRMDC so that the mine tailings can be controlled.  
38 Subsequently, it was decided to expand the coverage of NRMDC, and DENR transferred the other idle mining  
39 areas to them.

1 Moreover, it was mentioned that there were questions before as to the PMDC's authority to issue permits  
2 since it is clear in the Mining Act that only the Mines and Geosciences Bureau (MGB) of DENR can grant  
3 mining permits. It was then reiterated that what PMDC issues are only operating permits and not mining  
4 permits.

5  
6 4.15. In addition, a representative of the industry sector shared that in order to take care of the problems  
7 with small-scale miners, a demarcation line was made, wherein areas above 600 meters elevation will be  
8 operated by the small-scale miners while areas below 600 meters will be operated by the government. The  
9 said representative also shared that the idea then was to see if there would be an opportunity to buy out  
10 small-scale miners. However, when PMDC was already on the verge of getting the big three (3) mining  
11 companies and when the area was about to be totally controlled by the government and its future partners,  
12 the plan did not push through because a new DENR Secretary was appointed.

13  
14 4.16. To follow through with the history of Diwalwal, the PMDC representative mentioned that the PMDC's  
15 thrust was then to direct operations. Thus, they applied for a Php 500 million loan with Development Bank  
16 of the Philippines (DBP) which was approved. However, they were required to raise their capital which was  
17 about Php 125 million at that time. The problem was PMDC had no funds for the capital, so the only amount  
18 released was Php 50 million which was not enough to undertake the direct mining of Diwalwal.

19  
20 For the information of the body, it was mentioned that last year, PMDC already paid their Php 50 million  
21 loan to DBP.

22  
23 4.17. As for the plan of making small-scale mining work with large-scale mining, what happened  
24 subsequently was that the area of 600 meters above sea level (which was supposed to be for the small-scale  
25 miners) was given back to NRDC. It was noted that there is now a move from the Regional Development  
26 Council to give the area back to PMDC because there will be a problem in bidding out the vacant 729 areas  
27 where gold reserves are already proven to be present.

28  
29 4.18. The body was also informed that there was a case filed against PMDC and that the area cannot be  
30 bid out since there is now a court injunction.

31  
32 4.19. One MSG member inquired what happened to the small-scale miners in the area.

33  
34 4.20. PMDC explained that the small-scale miners are still there but the problem is that the area of 600  
35 meters above sea level is already fully extracted. Because of this, the small-scale miners are now eating into  
36 what the PMDC calls the first floor or the area below 600 meters. This is the reason why PMDC thinks that  
37 the area should be given to one entity.

38  
39 It was shared that PMDC is just waiting for the outcome of the pending case in court before bidding out  
40 Diwalwal. The PMDC representative also mentioned that since they do not have the capital, they want to bid  
41 out the area so that a private mining company can already develop it.

1 4.21. A representative from the government asked how the royalties for PMDC are computed, and if the  
2 company has other sources of income. In relation to this, the Chair also clarified if there is a Value-added tax  
3 (VAT) on the royalty paid by the contractors.  
4

5 4.22. The PMDC representative responded that they are paying VAT for royalties pursuant to a BIR ruling.  
6 With respect to the rate of the royalties, it was explained that this is determined during the bidding process.  
7 PMDC shared that one factor that they look into is which company will be giving the highest royalty. This is  
8 the reason why the rate of the royalty ranges from 5% (for limestone) to 26% (nickel chromite) of gross  
9 sales.  
10

11 4.23. The same government representative clarified if the royalty rate is identified per mineral product. In  
12 addition, a question was raised whether there will be separate royalty rates for a mine operation that has  
13 two (2) products.  
14

15 4.24. It was explained by the PMDC representative that the company will only include one royalty rate in  
16 their bid. For example, even though gold was found to be the more prevalent mineral in a copper mine in  
17 Diwalwal, the company still paid 5% royalty which is the rate that they indicated in their bid. It was  
18 expounded that the same royalty rate will apply whether the company extracted copper or gold.  
19

20 4.25. As for the question on the other sources of income aside from the royalty, the PMDC representative  
21 mentioned that they have upfront commitment fee which the company pays for the right to explore. It was  
22 mentioned that this is actually the first thing that the company pays for, and this is also included in the bid  
23 of the company.  
24

25 4.26. In relation to royalty payments, one representative of the CSO asked what percentage of the royalty is  
26 being used by the PMDC for their operation, and how much of the royalties are being remitted to the  
27 national government.  
28

29 4.27. PMDC explained that 50% of their net income goes to the government in the form of dividends. On the  
30 other hand, their operators pay all taxes and fees that are being paid by a private mining company that has  
31 been granted an MPSA by the government. PMDC further clarified that their royalty payment partakes of  
32 the nature of a rent which the contractors pay to them.  
33

34 It was also clarified that royalty payments from Privatization Management Office (PMO) assets managed by  
35 PMDC goes to the national government and that PMDC receives a management fee from the said royalty  
36 payment.  
37

38 4.28. A representative from the government clarified if the royalty that the PMDC is referring to, in which  
39 VAT is imposed, is in addition to the 5% royalty that a mining company on a mineral reservation area pays.  
40

41 4.29. The PMDC representative clarified that the royalty being paid to them is the same as the royalty paid  
42 for mineral reservation areas.



1 4.30. A question was then raised whether this royalty is being remitted to MGB.  
2

3 4.31. It was then explained that PMDC has an exemption from the MGB regarding the collection of royalties.  
4 It was reiterated that the royalty being paid to PMDC is already the royalty under mineral reservation area  
5 and it is being paid to them and not MGB.  
6

7 4.32. For clarification, PMDC also mentioned that they do not turn over the royalty payments to the national  
8 government but at the end of the year, 50% of their net earnings are remitted to the national government in  
9 the form of cash dividends.  
10

11 4.33. The Chair then clarified if the royalty that PMDC gets from the contractors becomes part of the income  
12 of PMDC.  
13

14 4.34. PMDC replied that applying the laws, the royalties paid to them will become part of their income.  
15 However, since PMDC is SEC registered and is covered by the corporation code, they are not yet remitting  
16 50% of their earnings to the government because they still have negative retained earnings.  
17

18 4.35. The Chair expressed that the royalty payments to PMDC confuses the revenue streams. It was  
19 mentioned that the MSG members need to understand the flow of payments from the contractors and  
20 identify the fees that are going to PMDC as well as payments from PMDC to the national government.  
21

22 4.36. The representative of PMDC stated that what they are paying is just actually the same as the payments  
23 of private companies except only for the royalty portion.  
24

25 4.37. One member of the MSG noticed that in the report of PMDC, there is no real property tax payment to  
26 local government. The said MSG member then asked if this is part of the benefits given to PMDC or it just so  
27 happened that their operations are all under lands owned by national government.  
28

29 4.38. The PMDC representative mentioned that it just so happened that most of their operations are on  
30 government owned land. However, there were also instances where the operator has to pay some surface  
31 right owners either for the land or for the trees/vegetation.  
32

33 4.39. The Chair stated that PMDC is among the companies listed in MGB as a large scale mining operator. In  
34 which case, as part of the EITI process, the PMDC was asked to sign a waiver addressed to the BIR  
35 Commissioner so that PH-EITI can access the information that the company submits to BIR.  
36

37 4.40. The PMDC representative stated that they do not see any problem in signing the BIR waiver. It was  
38 shared that in fact, PMDC is required by Governance Commission for GOCCs (GCG) to put in their website all  
39 important information for transparency.  
40

41 It was reiterated that with the present regime of GCG, PMDC does not see any problem signing the waiver.  
42 However, they will still need the board resolution for the said waiver.

1 4.41. The Chair also asked if the PMDC can request their contractors to also sign the waiver.  
2  
3 4.42. In response to this, PMDC explained that currently, they do not have the right or control over their  
4 contractors. On the other hand, it was mentioned that PMDC can already include this in their JOA next year.  
5  
6 4.43. For clarification, the PMDC representative also stated that PMDC is not a regulatory body governing  
7 their contractors.  
8  
9 4.44. Sec. Gozun stated that as agreed with government, all large-scale mining companies based on the  
10 coverage are supposed to disclose. It was mentioned that disclosure is not an option. Companies are  
11 supposed to disclose because this is a project of the national government, and no less than the President  
12 himself committed to this.  
13  
14 It was proposed that a meeting with the PMDC contractors be scheduled so that they can be briefed about  
15 what EITI is and explain the data that PH-EITI will be looking at. Sec. Gozun clarified that this is not optional.  
16 None of the other operating mines had this in their contract but because there was such a commitment and  
17 the government went through a consultation process where everyone agreed that the Philippines will  
18 participate in the EITI, then all relevant entities should cooperate.  
19  
20 4.45. A CSO representative raised a concern regarding the accessibility of the JOAs.  
21  
22 4.46. According to PMDC, the JOA between them and their contractors are publicly accessible and can be  
23 disclosed as part of the EITI report.  
24  
25 4.47. The PMDC representative was asked to clarify the number of operating mines that are under them  
26 since 28 projects are included in the list they presented, while from the list of MGB there are only two (2)  
27 large-scale mines that are operating at the moment.  
28  
29 4.48. It was confirmed that only two (2) large-scale mines are currently operating under PMDC. All other  
30 companies are still at the exploration stage.  
31  
32 The PMDC representative shared that the two mining operations are Dinagat Nickel Projects parcel 1 and  
33 parcel 2b, which are both operated by AAM-PHIL Natural Resources Exploration and Development  
34 Corporation.  
35  
36 4.49. Regarding the BIR waiver, the PMDC representative mentioned that they need a formal request so that  
37 they can bring up this matter to their board.  
38  
39 4.50. The Secretariat was tasked to send the formal request to PMDC.  
40  
41 4.51. The Chair noted that a press release showing which companies participated and signed the waiver can  
42 be issued.

1 4.52. On the legal opinion from DOE, it was shared to the body that Asec. Ariaso already spoke with the  
2 Department Head of their Legal Department and was informed that the legal opinion is already made but  
3 yet to be signed by the Director. Asec. Ariaso assured the members of the MSG that the legal opinion will be  
4 emailed to the Secretariat once it has been signed by the director.

5  
6 The Chair also stated that as soon as the report comes in, the Secretariat will circulate it to the MSG  
7 members.

## 8 9 **5. Presentation of Inception Report**

10  
11 5.1. The IA presented the inception report including a discussion on the contents of the reporting template  
12 and on the matter of whether reporting shall be done on an accrual or cash basis (the presentation material  
13 is attached as Annex B).

14  
15 5.2. One member of the MSG clarified that the scoping study was not actually approved by the MSG and  
16 thus, the IA should be careful in using the scoping study as a guide in developing the template.

17  
18 5.3. Another comment was that the MSG recognizes that the scoping study lacks several information like  
19 information about LGU. For example, as pointed out in previous meetings, Nueva Viscaya has fees that are  
20 higher than the fees charged by the national government. It was reiterated that the IA should be extra  
21 careful in using the scoping study as reference. The same MSG member went on to say that it is also  
22 important for the IA to go back to previous decisions of the MSG since the members already went through  
23 all the payments and fees and already identified what are material and non-material. Again, it was  
24 mentioned that it is important for the IA to review and validate the decisions of the MSG.

25  
26 5.4. Also for clarification, the Secretariat pointed out that the list of the payments that were decided upon  
27 by the MSG to be included in the report was already given to the IA. Also, it was communicated to the IA  
28 that the list should be more or less the final list of revenues that they should be looking into, subject of  
29 course to the determination of materiality.

30  
31 Regarding the scoping study, it was also mentioned that the Secretariat communicated to the IA that the  
32 scoping study is problematic so they should proceed with caution when using the said report.

33  
34 5.5. According to the IA, this is the reason why at the start there is a disclaimer that the report is subject to  
35 the final scoping study, since the scoping study will be the initial starting point in doing the inception report.  
36 The IA shared that they also indicated that this is not necessarily the final inception report for the validation.

37  
38 5.6. On the list of payments, the IA shared that they do understand that the list is more or less final. It was  
39 also mentioned that the materials provided also indicated some of the IA's initial comments whether the  
40 payments are considered very immaterial as well as nominal to the overall exercise.

1 Particularly for some of the one-time payments, some deposits which shall only amount to about 30  
2 thousand would warrant a re-assessment or reconsideration.  
3  
4 5.7. Another concern that was raised was the level of disaggregation. It was recalled that the MSG already  
5 agreed that the level of disaggregation is per company per site.  
6  
7 5.8. The Secretariat pointed out that the list of MSG decisions was already given to the IA.  
8  
9 5.9. One CSO representative asked whether financial statements of companies will be audited.  
10  
11 5.10. For the MSG's reference, the IA shared that they have already requested for all of the audited financial  
12 statements of participating entities. However, based on the SEC records, the following companies have not  
13 yet filed their 2012 financial statement:

- 14 • CTP Construction and Mining Corp., the last report available is for the year 2009
- 15 • Mt. Sinai Mining Exploration and Development Corporation, the last report available is for the year  
16 2008
- 17 • Zambales Diversified Metals Corp., the last report available is for the year 2011.

18  
19 5.11. The IA stressed that the 3 companies possibly have their own audited financial statements but the  
20 same is not filed with the SEC for one reason or another.  
21  
22 5.12. The Chair asked the Secretariat which of the 3 companies have already signed the waiver.  
23  
24 The Secretariat shared that from the 3 companies, only Mt. Sinai Mining Exploration and Development  
25 Corporation have not yet signed the waiver. CTP Construction and Mining Corp. and Zambales Diversified  
26 Metals Corp. both executed the BIR waiver already.  
27  
28 5.13. A representative of the industry sector asked whether in conducting the audit, the IA would look into  
29 the details of the expenses that have been derived, in order to find out what is the proper taxable payment.  
30  
31 5.14. According to the IA, that is unfortunately not part of the scope anymore. It is because the underlying  
32 assumption is that since these were already audited by big firms, the data were supposed to be already  
33 reasonable and compliant with applicable laws and regulations. The IA mentioned that the reconciliation  
34 should not be a re-audit of the tax payments being made by the reporting entities.  
35  
36 5.15. The Chair pointed out that it is simply a comparison of the payment records of the companies against  
37 what is in the BIR and the MGB records.  
38  
39 5.16. The industry representative again asked if there is a way to counter check the figures. For example in  
40 excise tax, figures can be countered checked with MGB since they have accurate shipment data that will  
41 determine the excise tax.

1 5.17. Similarly, it was mentioned that this will already be out of the scope of the IA. It was also mentioned  
2 that the IA has not yet seen a report from other countries that dwells into those details pertaining to  
3 recalculation.

4  
5 In terms of ensuring reasonableness of payments made, particularly if calculations were compliant with  
6 applicable laws and regulations, the IA pointed out that they indicated the base reference in the reporting  
7 template. The IA mentioned that it is still the overall discretion of the body whether all the entities will be  
8 required to do the necessary reconciliation and be included as part of the scope but definitely this is already  
9 outside of the jurisdiction of the whole EITI exercise.

10  
11 5.18. The same representative from the industry sector cited as an example how companies use contractors  
12 in reducing the taxes that they need to pay by telling the contractors to mark the costs up to 60%. The  
13 question is how the IA would find out whether such practice is being done.

14  
15 5.19. The Chair expressed that this is not a concern at this point. This might be related information that can  
16 be used but as far as the EITI report is concerned, the Chair mentioned that this is not something that the  
17 MSG should delve into at the moment.

18  
19 5.20. In relation to what the industry representative was pointing out, a representative from the  
20 government mentioned that the same practice may be occurring in local governments. However, if there is  
21 some accounting that looks questionable, they can possibly commission studies to see if the calculation is  
22 correct or not, which can be through the MSG or in another forum. But this will be done after the PH-EITI  
23 report has been published.

24  
25 5.21. The IA was asked to explain further when the selection for testing and sampling will be applied.

26  
27 5.22. The IA will of course be also requesting the participating entities to assist them in respect of all those  
28 reconciling items. Then on the basis of all those listed items, the IA will be selecting some of items for  
29 testing, meaning the IA will already be evaluating the supporting documents of selected reconciling items.

30  
31 5.23. It was noted that since the MSG wishes to emphasize on the more material payments, the IA will be  
32 adopting a threshold. Those payments that are nominal may also be subjected to some random sampling  
33 but not necessarily to the extent of 100% of reconciling items.

34  
35 5.24. The Secretariat clarified if this is for the purpose of determining what the material payments are.

36  
37 5.25. The IA confirmed that the selection for testing and sampling is for the purpose of determining the  
38 material payments. For example, looking already at BIR payments particularly for excise tax, comparison  
39 would be BIR data and entity disclosed amount. So in terms of providing the information that those are  
40 valid, the IA will only be selecting some of those reconciling items and that will also be the same framework  
41 to be used in respect of the social fund payments or disbursement. Therefore, not necessarily all payments  
42 will be scoped in for testing but only those based on the threshold that the IA will be using.

1 5.26. A representative from the industry sector commented that the companies will not be able to report  
2 the Social Development and Management Program (SDMP) according to the template presented. The  
3 companies will not be able to report SDMP that way since a lot of the expenditures are actual projects that  
4 the companies do themselves and turn over. Even for payments, it was mentioned that there are numerous  
5 small payments for any particular project.

6  
7 With this, it was suggested that since the major scope of EITI is tax payments and revenues to the  
8 government, the companies report only their total social payments as one entry in the template. The  
9 industry representative stated that the IA can actually match the total amount spent for SDMP with what  
10 was reported to the MGB.

11  
12 5.27. It was explained by the IA that they have seen from the final list of payments endorsed by the MSG, a  
13 detail of different mine funds. The reporting template would just not necessarily indicate the individual  
14 payments but really just to cover for example, how much was allocated for Environmental Protection and  
15 Management Program (EPEP).

16  
17 5.28. The industry representative clarified that he is referring specifically to SDMP, which is the biggest  
18 amount. The suggestion to ask the company to report only the total SDMP for the year was reiterated.

19  
20 5.29. In respect of a line item disclosing the SDMP, the IA stated that they can make do with that. However,  
21 it was mentioned that perhaps the body would also want to again ascertain and confirm procedures to be  
22 undertaken on the social funds as unilateral payments. If the body decides, the IA can examine supporting  
23 documents of sample disbursements arising from the funds, but the scope would have to be discussed and  
24 agreed with the MSG. Initially the IA can just request for the total amount of funds but in respect of going to  
25 the details once the sample selection of disbursements from the fund is being done already, the IA may  
26 again request from the different entities.

27  
28 The IA stated that this will again be ultimately subject to the approval of the body, but from what they  
29 understand from the scoping study and even on the list, it was specifically mentioned that the body would  
30 wish for a level of re-validation.

31  
32 5.30. The Secretariat shared that maybe what was being discussed specifically refers to the last bullet point  
33 in the power point presentation which states that "Others being considered to be reaffirmed with the MSG  
34 include respective production data (output), pricing, manpower complement and comparative analysis  
35 between planned and actual expenditures sourced from social funds".

36  
37 5.31. The Secretariat explained that this item is based on the CSO template presented last MSG meeting,  
38 when the declaration of the actual expenditures were proposed to be included. It was recalled that during  
39 the last MSG meeting, the CSO proposed a template and the body agreed that the template be sent to the  
40 IA. The contents of the said bullet point in the reporting template for social payments were based on the  
41 CSO template. That explains why actual expenditures were considered by the IA.

1 5.32. A CSO representative explained that the SDMP reports in the MGB are actually disaggregated based on  
2 specific items. It was mentioned that MGB may also have information on whether the companies are  
3 implementing the SMDP or not.  
4

5 5.33. The representative from MGB shared that they indeed have that data since there is a Multi-Partite  
6 Monitoring Team (MMT).  
7

8 5.34. Given the availability of MGB data, the CSO representative stressed that what the companies are  
9 submitting to the MGB can be included in the report. Thus, the IA will have a table and then the validated  
10 report of the MGB.  
11

12 5.35. The industry representative then agreed to report the SDMP on the basis of categories that they report  
13 to MGB but not on the basis of what was shown in the reporting template where the companies have to  
14 show every single payment made.  
15

16 5.36. According to the IA, a lump sum disclosure would already be accepted for this purpose.  
17

18 5.37. An industry representative proposed that disaggregated operating costs be included in the template.  
19

20 5.38: The body agreed to include the suggestion of the industry representative as part of the reporting  
21 template.  
22

23 5.39. The IA shared that they have committed to the Secretariat that they will try to already have a sample  
24 reporting template by next week. By the time of the national workshop, the reporting entities can already  
25 submit their initial completed templates and the IA can then work from there and see if there are any  
26 questions or clarifications.  
27

28 5.40. To clarify, the Secretariat mentioned that they cannot ask the reporting entities to fill up the template  
29 during the national conference because their data will not be available by then. But, the Secretariat  
30 explained that what can be done is to test the template with them and maybe have sample figures that can  
31 be tested so that the IA would know if they have the proper guidelines on how to accomplish the template.  
32

33 5.41. The IA asked whether it is possible for the sheet to already be distributed to the reporting entities even  
34 a week before the national conference. This was suggested so that the reporting entities may have some  
35 sort of idea what are the areas wherein they will really have a hard time accomplishing.  
36

37 5.42. As long as the IA can provide the template as early as possible, the Secretariat stated that they can  
38 circulate the template a week before the conference.  
39

40 5.43. Regarding Local Government Units (LGUs), the Secretariat clarified that the agreement of the MSG was  
41 to include all LGUs with mining, oil and gas operations.

1 5.44. A representative from the government sought clarification as to whether the accounts subject to a  
2 determination of materiality threshold will be presented to the MSG. Given that there will be a list of  
3 accounts that are material and a list of accounts that are not material, the government representative  
4 further inquired whether the final decision of inclusion or non inclusion of such accounts would be made by  
5 the MSG.

6

7 5.45. The Chair mentioned that the final decision is with the MSG.

8

9 5.46. To again clarify the procedure, the Secretariat enumerated the step by step process. First, a list of the  
10 revenue payments was given to the IA. Then, from the list, the IA will do a sampling to identify what  
11 payments are material. The IA will do a sampling and from the sampling the IA will come up with a reporting  
12 template that will contain what they have determined as material payments, which is again based on their  
13 sampling. Consequently, those payments will appear on the template and that is what the Secretariat will  
14 give to the reporting entities during the national conference.

15

16 The procedure was confirmed by the IA.

17

18 5.47. The IA mentioned that there will be some reconciliation of certain payments. One MSG member then  
19 asked what would be the value of this information, if it is going to just be used as explanation for the  
20 difference.

21

22 5.48. The IA stated that similar also to their response earlier, it will just be more of checking the  
23 mathematical accuracy based on spread sheets or supporting documents provided to them by the entity.  
24 But, it will not be to the extent of assessing whether those were accurately calculated as well as estimated  
25 by the entity. In addition, it was mentioned that the IA does not anticipate that there will be a difference in  
26 the calculation because whatever has been paid should have already been received by the government.

27

28 5.49. For example, in calculating excise tax, an industry representative asked if the IA will be asking for the  
29 tonnage and the contract arrangements for payments with the buyer.

30

31 5.50. In response to this, the IA stated that initially, they only requested for the supporting documents  
32 evidencing payments to the government but not necessarily for the invoices that would support the  
33 calculation of excise tax. The IA pointed out that they will include the contract since it is included as part of  
34 the non-mandatory information that was approved by the MSG.

35

36 5.51. The industry representative clarified that the suggestion was for the IA to include the price and the  
37 tonnage that was used in calculation when looking for excise tax.

38

39 5.52. The IA responded that they can customize the reporting template to address the suggestion.

40

41 5.53. The body approved to include the suggestion of the industry representative to include the price and  
42 the tonnage in the reporting template.



1 5.54. Another suggestion was to include a template for the incentives availed of by the companies.  
2  
3 5.55. In relation to this, the Secretariat shared that the BOI is willing to give the data on incentives but on an  
4 anonymous basis. This is because according to them, they cannot disclose the company names, only the  
5 aggregated data. However, there are companies that might be willing to unilaterally disclose the incentives  
6 that they are availing of.  
7  
8 5.56. A member of the MSG asked whether the BOI will agree to disclose if the company discloses the  
9 incentives.  
10  
11 The Secretariat responded that this was not answered by the BOI.  
12  
13 5.57. It was shared to the body that the legal basis for non-disclosure of incentives is Article 81  
14 (Confidentiality of Applications) of the Omnibus Investments Code stating that:  
15 “All applications and their supporting documents filed under this Code shall be confidential and shall not be  
16 disclosed to any person, except with the consent of the application or on orders of a court of competent  
17 jurisdiction.”  
18  
19 5.58. The CSO representative pointed out that the provision talked about applications and their supporting  
20 documents, meaning the data is confidential when the company is still applying for an incentive. The CSO  
21 representative further explained that it is only logical for the application and supporting documents to be  
22 confidential at the time of application since it discloses business information. However, once the application  
23 for incentives has been approved, there is no more reason why such incentives should remain confidential.  
24  
25 5.59. The CSO representative also pointed out that since there is the phrase “except with the consent of the  
26 application or on orders of a court of competent jurisdiction”, there should not be any problem if the  
27 applicant voluntarily discloses the incentives.  
28  
29 5.60. The Chair agreed that the provision does not say anything about non-disclosure or confidentiality once  
30 the application is approved and the incentive has been granted. The Chair mentioned that a Technical  
31 Working Group (TWG) meeting with the BOI might be needed.  
32  
33 5.61. Going back to the inception report, the Secretariat shared that the IA will submit a narrative based on  
34 the inception report they presented.  
35  
36 5.62. One MSG member proposed that the body review the schedule of MSG meetings. It was mentioned  
37 that initially, the idea is to have a quarterly meeting for the MSG, however, the MSG currently has monthly  
38 meetings. Since the MSG has already decided on the critical elements of the template, it was proposed that  
39 the body decide if monthly meetings are still necessary.  
40  
41 One MSG member asked for the recommendation of the Secretariat.

1 5.63. Since the scope of the report had already been determined and there is already a general direction for  
2 the report, the Secretariat mentioned that the MSG can afford to meet on a quarterly basis but subject to  
3 special meetings that may be called from time to time.

4  
5 On the other hand, it was explained that in the course of the preparation of the report, there may be some  
6 questions from the IA that the MSG has to decide. If this is the case, the MSG can have emergency meetings  
7 instead.

8  
9 5.64. According to the Chair, a quarter is too long given that the deadline for the EITI report is in December.  
10 It was then proposed that the MSG meet every two months.

11  
12 The body agreed. With this, the next MSG meeting was scheduled on July 4, 2014.

13  
14 5.65. The Chair mentioned that the MSG meeting in July will be in time for the first monthly report of the IA  
15 which is scheduled on June 20.

16  
17 5.66. As for the reporting template that the IA needs to submit by May 15, in time for the conference, the  
18 Secretariat clarified that the reporting template will be circulated first to the MSG for final approval before it  
19 is presented during the national conference.

## 20 21 **6. Other Matters**

### 22 23 **Update on the MDTF**

24  
25 6.1. It was shared to the body that the MDTF amounting to USD 1.4 million has been approved by the World  
26 Bank Washington DC and by the Country Director. However, the World Bank is still finalizing the  
27 documentation for the grant.

### 28 29 **Upcoming activities**

30  
31 6.2. The members of the MSG were reminded that on May 14, 2014 a second LGU briefing will be  
32 conducted for LGUs that did not attend the briefing last February. The Secretariat shared that 58  
33 participants were already confirmed for the said event which will be held in Crowne Plaza Hotel.

34  
35 6.3. The Secretariat also mentioned that the 2<sup>nd</sup> PH-EITI National Conference and template workshop will be  
36 on May 15 and 16. The body was also informed that this conference will also be held in Crowne Plaza Hotel.  
37 The Secretariat mentioned there are already 122 confirmed participants.

38  
39 It was also mentioned that Minister Alfredo Pires of Timor Leste already confirmed to attend the said  
40 conference. The Secretariat shared that there will also be speakers from the International Secretariat and  
41 World Bank.

1 **Financial statement for April**

2  
3 6.4. It was reported that out of the total budget of Php 10.9 million for 2013, the Secretariat already spent  
4 Php 1,728,754.20 which is 15.75% of the total budget. Therefore, there is a remaining balance of Php  
5 9,249,281 or 84.25% of the total budget. However, the Secretariat pointed out that the Php 4 million from  
6 the balance is already allocated for the IA.

7  
8 6.5. The body was informed that the CSO representatives of the MSG again signed an agreement with the  
9 British Embassy to continuously fund the participation of the CSOs in the MSG, specifically in doing outreach  
10 activities to the different mining sites. It was shared that British Embassy granted 80,000 pounds.

11  
12 6.6. The CSO representative pointed out that in the contract with British Embassy, it is stated the grant will  
13 really end by March 2015. This would mean that the CSO participation in the MSG after March 2015 will  
14 have to be funded by the government. It was noted that this will be a challenge for the MSG since this is a  
15 concern with the COA.

16  
17 **ADJOURNMENT**

18  
19 There being no other matters to discuss, the meeting was adjourned at 11:00 AM.

Republic of the Philippines



# PHILIPPINE MINING DEVELOPMENT CORPORATION

*Creating Wealth. Enriching Lives.*



## **Profile:**

- formerly the Natural Resources Mining Development Corporation (NRMDC)
- a Government-Owned and Controlled Corporation (GOCC)
- attached to the Department of Environment and Natural Resources (DENR)
- Total Manpower = Fifty-Five (55) Employees (*as of April 2014*)
  - Head Office – 30
  - Davao – 3
  - Depot (Diwalwal) – 10
  - Dinagat – 2
  - North Davao – 10
  
- PMDC Office Address: 3001 B&C West Tower, Philippine Stock Exchange Center, Ortigas Center, Pasig City



## History:

**April 9, 2003** The Natural Resources Mining Development Corporation (NRMDC) was created through **Presidential Memorandum**. NRMDC is primarily tasked to conduct and carry on the business of exploring, developing, mining, smelting, and producing, transporting, storing, distributing, exchanging, selling, disposing, importing, exporting, trading and promotion of gold, silver, copper, iron, and all kinds of mineral deposits and substances.

**July 4, 2003** Natural Resources Mining Development Corporation (NRMDC) was incorporated and registered with the Securities and Exchange Commission (SEC).

**2003** **DENR Administrative Order No.2003-38** - NRMDC was designated/appointed as the new implementing arm of the DENR in undertaking the mining and mineral processing operations in the 8,100 hectare Diwalwal Mineral Reservation located in the municipality of Monkayo, Compostela Valley Province.



Republic of the Philippines

# PHILIPPINE MINING DEVELOPMENT CORPORATION

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March 30, 2007

Securities and Exchange Commission (SEC) approved the application of NRMDC to amend its Company Name to **Philippine Mining Development Corporation (PMDC)**

2007

**DENR Memorandum Order No. 05-2007** - all non-performing mining tenements were transferred to PMDC.



# MANDATE

Under the Presidential Memorandum dated April 9, 2003, the **PMDC is primarily tasked to conduct and carry on the business of exploring, developing, mining**, smelting, and producing, transporting, storing, distributing, exchanging, selling, disposing, importing, exporting, trading and promotion of gold, silver, copper, iron, and all kinds of mineral deposits and substances.

The PMDC has also been specifically tasked by the Philippine government to implement the program of **putting up a world class mine in Diwalwal**, municipality of Monkayo, Compostela Valley province. The company was created for the purpose of, among others, addressing the environmental, health, social and economic well being of the occupants of the area, and to rationalize the mining and mineral processing operations in the reservation for greater efficiency, and to provide for adequate environmental protection and mine rehabilitation measures.

While the original mandate focused on resolving conflicts in Diwalwal, the PMDC is also responding to the challenges of **revitalizing the Philippine mining industry**. The company does not intend to compete with privately-owned mining projects, but rather hopes to position itself as the catalyst for developing mining projects in areas where private investors find difficult to come in.





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## VISION

By 2018, PMDC leads the way  
in converting idle mining  
assets into productive  
operating mines.



# MISSION

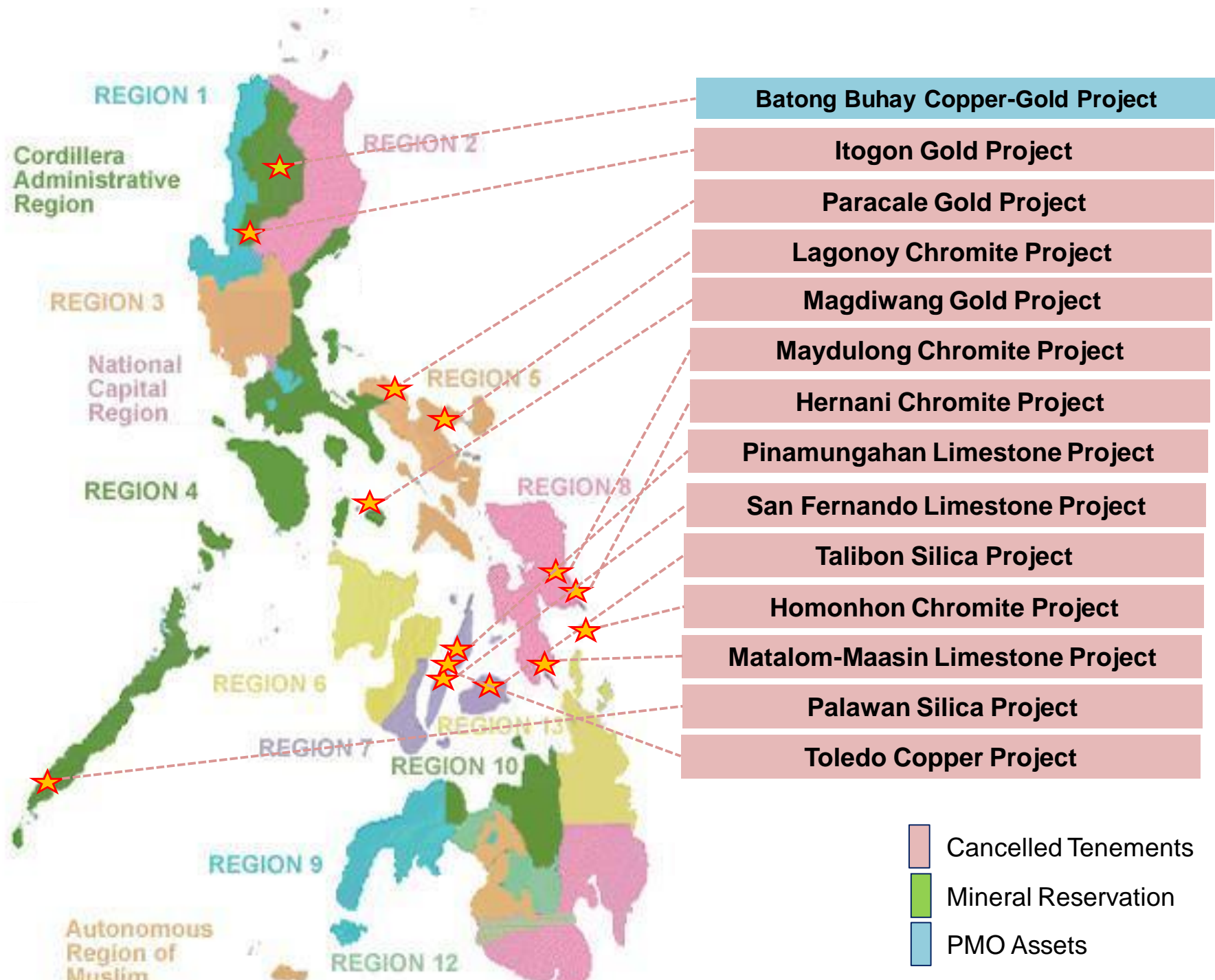
PMDC develops, promotes and manages mining projects, and builds productive partnerships with its partners/operators in order **to contribute to the revenues of the National Government, generate employment and enrich lives in mining communities.**

PMDC adheres to the ideals and standards of **responsible mineral development and adopts the best practices in environmental protection and enhancement.**



## **PMDC PROJECTS**

- Mineral Reservations
- Cancelled Tenements
- PMO Assets



**Batong Buhay Copper-Gold Project**

**Itogon Gold Project**

**Paracale Gold Project**

**Lagonoy Chromite Project**

**Magdiwang Gold Project**

**Maydulong Chromite Project**

**Hernani Chromite Project**

**Pinamungahan Limestone Project**

**San Fernando Limestone Project**

**Talibon Silica Project**

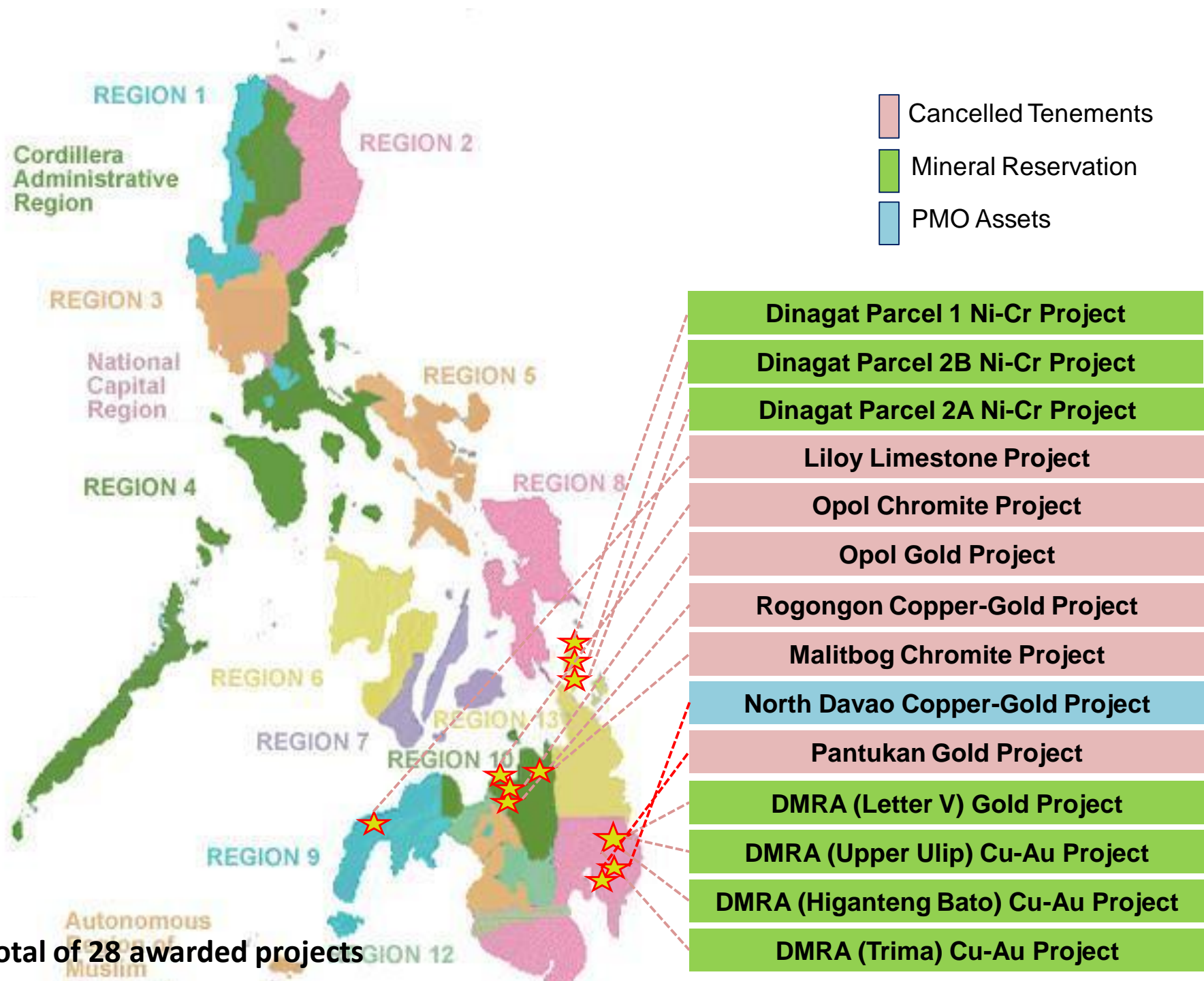
**Homonhon Chromite Project**

**Matalom-Maasin Limestone Project**

**Palawan Silica Project**

**Toledo Copper Project**

- Cancelled Tenements
- Mineral Reservation
- PMO Assets





## OPERATORS/ PARTNERS

PROPERTY	COMMODITY	AREA (Has)	OPERATOR
<b>DIWALWAL MINERAL RESERVATION AREA (DMRA)</b>			
Upper-Ulip	Copper, Gold	1,620.00	Paraiso Consolidated Mining Corp
Higanteng Bato	Copper, Gold	1,359.00	Giant Stone Mining Corporation
Letter V	Gold	1,296.00	Black Stone Mineral Resources Inc.
Trima	Gold/ Copper	950.00	ICC of Monkayo
<b>DINAGAT MINERAL RESERVATION</b>			
Dinagat Parcel 1	Nickel, Chromite	636.00	AAM-Phil Natural Resources & Dev't Corp.
Dinagat Parcel 2B	Nickel, Chromite	5,496.00	AAM-Phil Natural Resources & Dev't Corp.
Dinagat Parcel 2A	Nickel, Chromite	3,600.00	Pacific Nickel Phils. Inc.
<b>PMO ASSETS</b>			
North Davao	Copper, Gold	20,237.00	Asia Alliance Mining
Batong Buhay	Copper, Gold	492.00	Carascal Nickel Corp. - Faratuk Mining Inc.

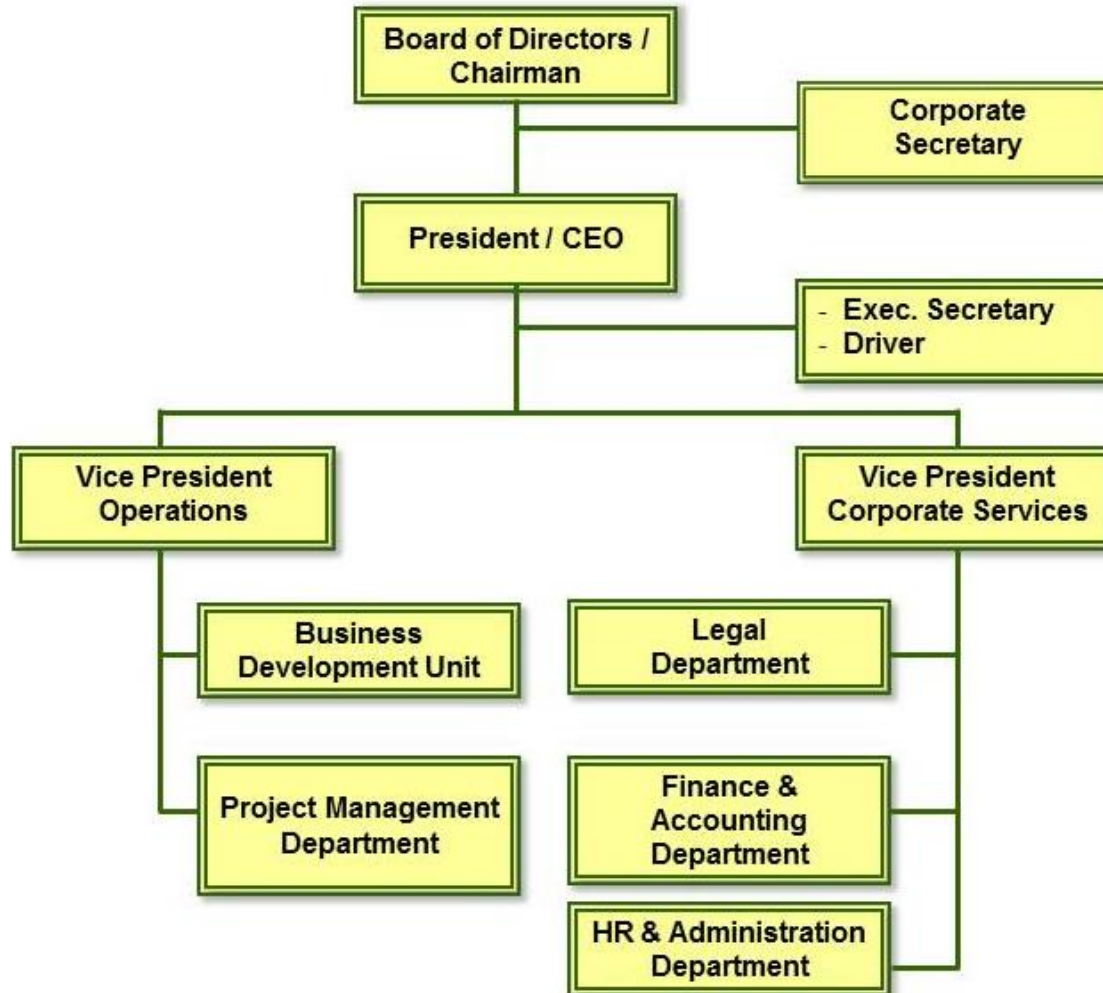


NO.	CANCELLED TENEMENTS	COMMODITY	AREA	OPERATOR
1	Hernani	Chromite	754.70	Masada Resources & Mining Corp.
2	Homonhon	Chromite	286.06	Mt. Sinai Mining Exploration & Devt Corp.
3	Magdiwang	Gold	334.00	Masada Resources & Mining Corp.
4	Maydulong	Chromite	325.00	Masada Resources & Mining Corp.
5	Palawan	Silica	896.00	Vic-Soc Mining Corp
6	Pantukan	Gold	371.00	Mt. Sinai Mining Exploration & Devt Corp.
7	Malitbog	Chromite	170.00	SBG 3A Corp.
8	Rogongon	Copper, Gold	16,200.00	Masada Resources & Mining Corp.
9	San Fernando	Limestone	589.00	Mabuhay Filcement Inc.
10	Itogon	Gold	73.3384	CNMC Mining and Development Corp.
11	Pinamungahan	Limestone	4,795.00	Century Peak Corp
12	Toledo	Copper	90.00	T & D Kim Philippines
13	Opol Gold	Gold	84.58	Black Stone Mineral Resources Inc.
14	Paracale	Gold	213.00	Black Stone Mineral Resources Inc.
15	Lagonoy	Chromite	240.00	Hua Fu Corporation
16	Liloy	Limestone	3,078.00	Mt. Sinai Mining Exploration & Devt Corp.
17	Matalom-Maasin	Limestone	7,893.00	Mt. Sinai Mining Exploration & Devt Corp.
18	Talibon	Silica	115.20	Mt. Sinai Mining Exploration & Devt Corp.
19	Opol Cr	Chromite	27.00	Filipinas (Prefab Systems)





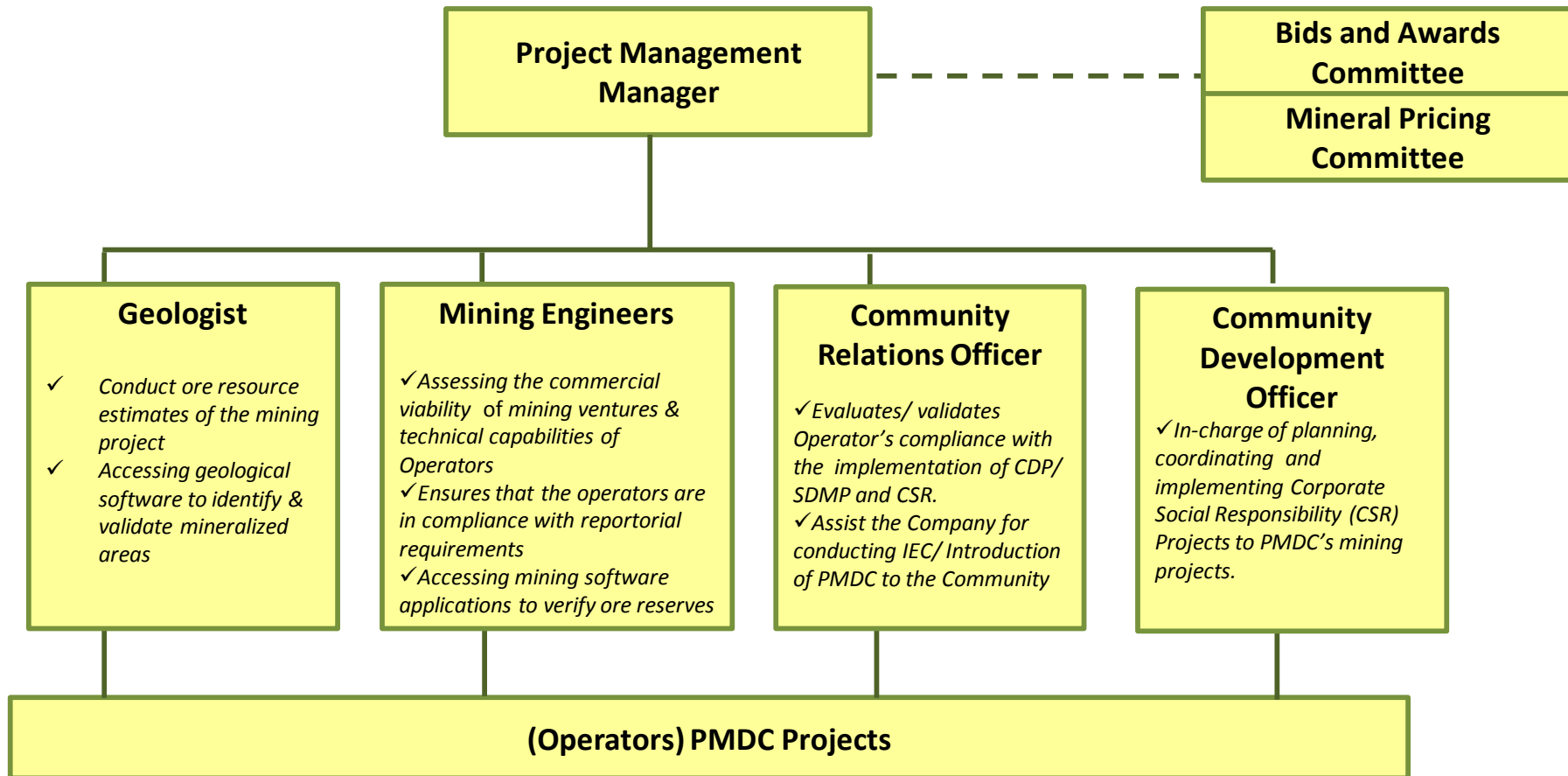
# PMDC ORGANIZATIONAL STRUCTURE







## OPERATIONS : PROJECT MANAGEMENT DEPARTMENT





## **Payments made by PMDC to:**

- B.I.R. : Income Tax (30%) and VAT on Royalty (12%)
- Treasury : Dividend Act (At least 50% of Annual Net Income)

## **Payments made by Operators:**

- BIR : Income Tax (30%), Excise Tax (2%), VAT on Royalty (12%)
- PMDC : Royalty to PMDC (Variable)
- LGU : Occupation Fees



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## **Corporate Social Responsibility**

**Health**

**Education/Environment**

**Rural Infrastructure and**

**Opportunities to Earn (Livelihood)**



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**Hhealth**



**Education**



**EEnvironment**





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**Rural Infrastructure**



**Opportunities to Earn  
(Livelihood)**



**Philippine Mining Development Corporation**

Telefax (63-2) 706-1630 to 31

Tel. (63-2) 706-1636 to 38

eMail. [info@pmdc.com.ph](mailto:info@pmdc.com.ph)

# End of Presentation

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# *Transparency and reliability*

Inception Report -  
Independent administrator  
for the Philippines  
Extractive Industries  
Transparency Initiative  
(PH-EITI)  
December 2014

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# *Agenda*

Scope reconfirmation

Approach and methodology

Reporting templates



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## *Scoping reconfirmation*

*Scoping study remains outstanding to date and awaiting final approval and endorsement.*

- Draft provides for list of entities and government agencies, as well as enumeration of payments/ revenue to be encompassed for validation based on materiality considerations adopted by the MSG.

Based on the above, preliminary assessment was conducted to identify possible barriers.

- Pending final decision and determination on other areas including, among others, sub-national payments and consideration of SOE (i.e. GOCC).

# Scope reconfirmation, continued

## Scoping study

### Revenues and payments

- Recalculation of certain payments based on fixed references will leverage on spreadsheet from management.
- Others are deemed not applicable (e.g. FTAA government share, IAET)
- Availability of disaggregated information or total can suffice (excise, DST, RPT)
- Reassessment of certain fees vis-à-vis materiality used (select LGUs only?)
- Consideration on unilateral and sub-national payments.

### Participating entities and government agencies

- Total of 39 mining and 11 OG
- Varying framework used by both sides – Cash against Accrual basis.
- Availability of information from government agencies particularly for those that have regional and satellite offices (e.g. RDO).
- Fiscal vs. calendar year-end
- Different functional currencies adopted (USD or PhP)
- Other SOE/GOCCs

### Others

- Confirmation if all waivers have been obtained.
- Disposition of unreconciled differences.

## Materiality

# Approach and methodology

## Evaluation

- The team will perform “walkthrough procedures” to understand and evaluate the audit and assurance procedures in participating companies and government entities primarily through inquiry and examination of select documents. This will focus on the financial closing process particularly preparation and finalization of audited financial statements.

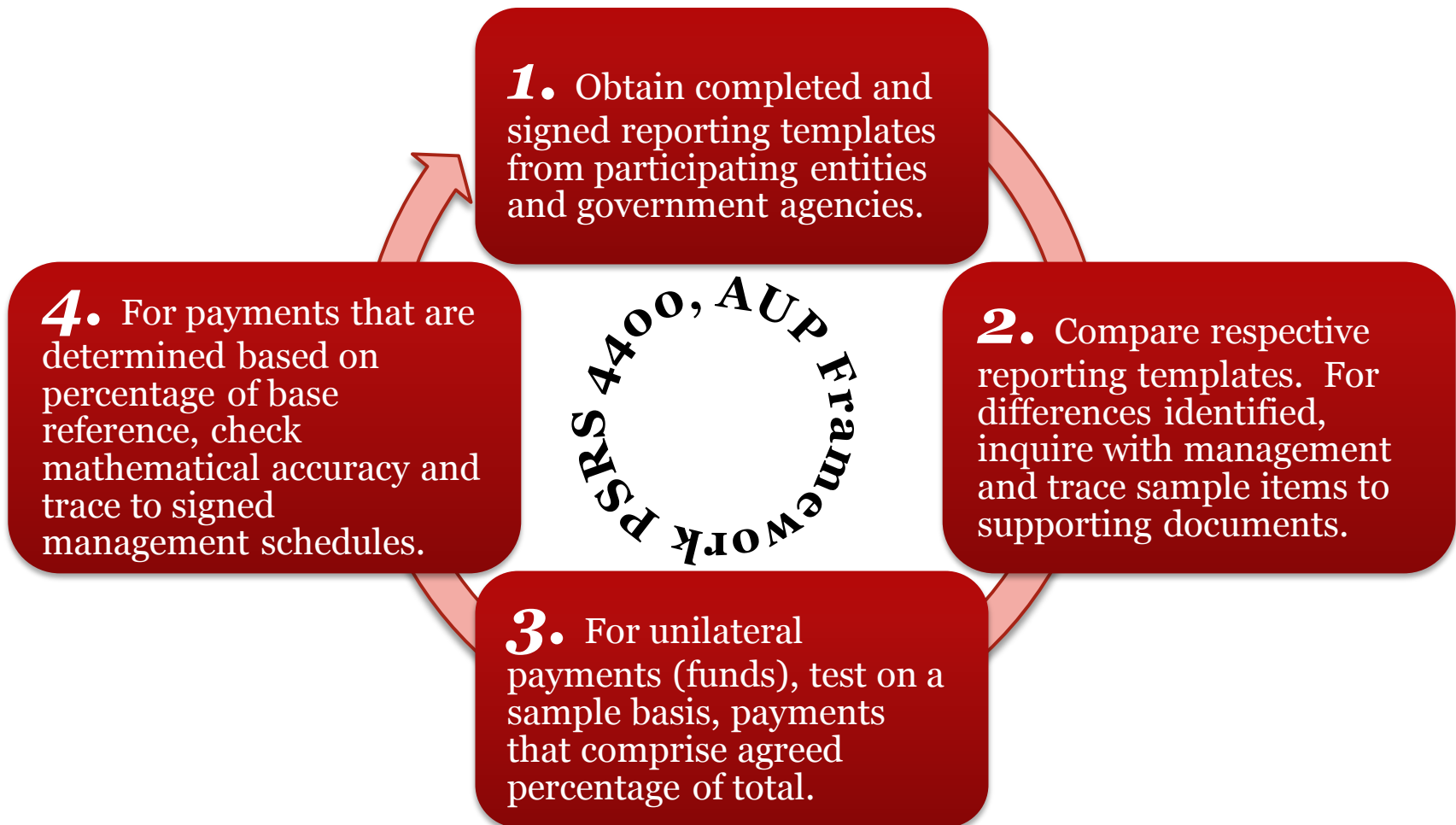
## AUP procedures

- Actual conduct of procedures based on agreed scoping, sampling, selection scheme and thresholds. Results of these procedures will be disclosed in a statement of factual findings.

## Final reporting

- Final communication to all parties and stakeholders including debrief of the process, and obtaining suggestions and recommendations for ease of process in subsequent periods.

# Approach and methodology, continued



# Materiality

## Percentages

In the normal course of statutory audits, our threshold is determined using a range of percentages that is likewise used by the SEC.

5% or 10%

## Benchmarks

Standard benchmarks include income before tax, revenue and expenses or other key drivers of an entity.

- Total payment per government agency
- Total reconciling items/ social funds.

## Risk assessment

Varying percentages may be applied relative to the assessment of which payments/receipts are deemed significant. Accordingly, high risk areas will warrant greater coverage.

- Direct or indirect
- Frequency of payments

# Sample selection

## Target

- Selection is based on determined and specified criteria and qualification. Attributes in identifying samples may include:
  1. Monetary value, and
  2. Payment period (e.g. quarterly)
- Focuses on high risk transactions

## S a m p l e s Sampling

Non-statistical method that determines number of samples relative to the total population. Samples may be identified either randomly, haphazard or systematic selection, which will be applied to the net total or after deducting samples selected from target.

## Others

Others that may be specified by the MSG based on the results of the scoping study, which should be underscored during the validation process.

# *Reporting templates*

## Payments to government agencies

Agency – Type of payment		Basis of payment				
Date	Description	Amount	Benchmark	Location	Amount	References
.....						
.....						

\* *To provide increment sheets as deemed necessary*

\*\* *Required disclosure on basis of estimation, as well as if there were amended returns filed*

# ***Reporting templates***

## Social payments and others

<b>Type of fund</b>		<b>Basis of payment</b>			
<b>Date</b>	<b>Description</b>	<b>Amount</b>	<b>Benchmark</b>	<b>Amount</b>	<b>References</b>
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

- To include non-mandatory information as identified and decided by the MSG including contract disclosure and beneficial ownership.
- Others being considered to be reaffirmed with the MSG include respective production data (output), pricing, manpower complement and comparative analysis between planned and actual expenditures sourced from social funds.



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# *Thank you*

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