



CSO Assessment of the 2nd PH EITI Report

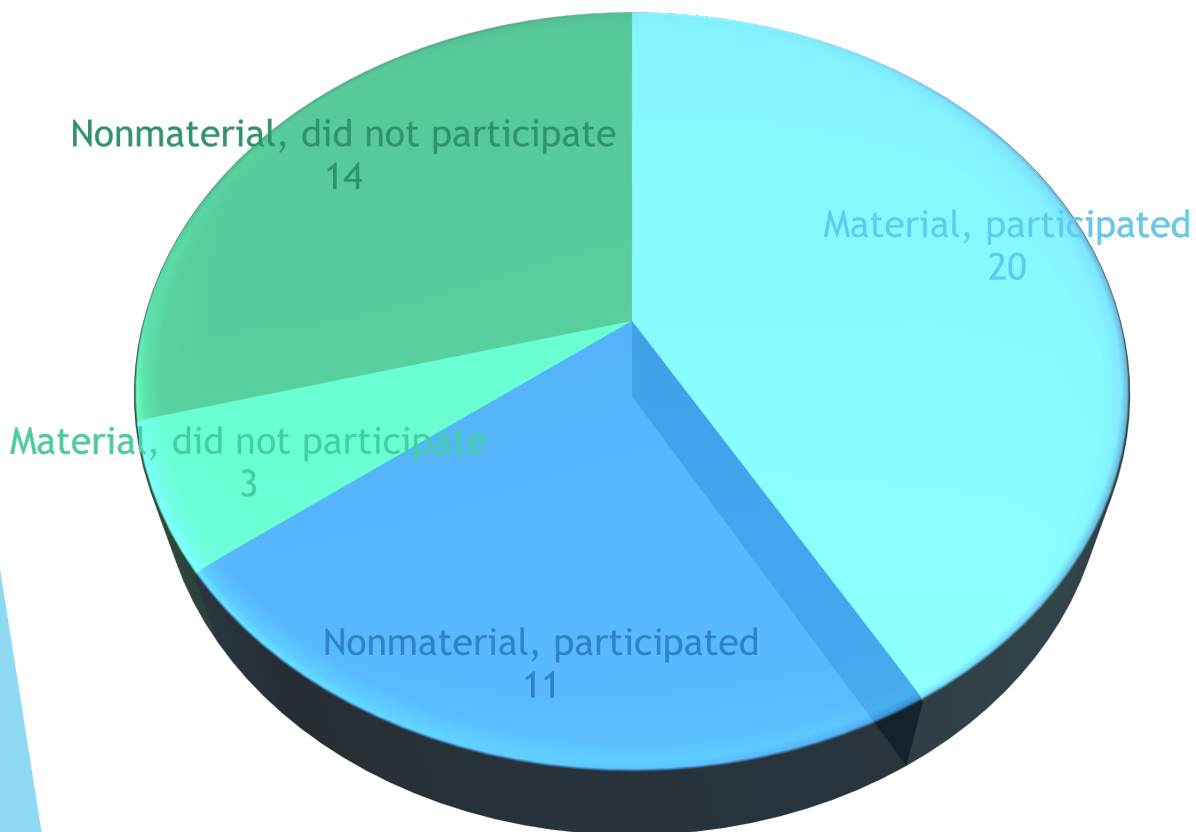


Contribution of the Extractive Industries to the Economy in 2013

	GDP	Gov't Revenues	Employment
Mining	0.42% P99 billion	1.23% P22.8 billion	0.6% 239,000
Oil and Gas	0.33% \$1.65 billion	1.94% P35.9 billion	0.004% 1,600
Coal	-	0.00076% P1.30 billion 3% P60 billion	



Participation: Increased or decreased?



- ▶ Imposed materiality threshold of P1 billion net sales
- ▶ Mining:
 - ▶ 31 companies participated (20 material, 11 non-material)
 - ▶ 17 companies DID NOT participate
- ▶ Oil and gas
 - ▶ 4 companies participated
 - ▶ 8 companies DID NOT participate



Problems with materiality of P1 billion

- ▶ Is a company earning lower revenues less important?
 - ▶ Combined revenues of all “nonmaterial companies”: 4 billion
 - ▶ Combined areas covered: 23,748 hectares (11 MPSAs)
 - ▶ Expiration of MPSA – 2029 - 2034
 - ▶ Location:
 - ▶ Palawan – 1
 - ▶ Zambales – 1
 - ▶ Eastern Samar – 2
 - ▶ Dinagat – 2
 - ▶ Camarines Norte – 1
 - ▶ Leyte 1



Problems with materiality of P1 billion

- ▶ What happens when demand and prices are low?
 - ▶ Incentive to understate sales
 - ▶ Less material companies to reconcile
 - ▶ Companies that participated in 2012 and **not** in 2013: Berong Nickel Corporation, Shenzou Mining Corporation, Oriental Synergy Mining Corporation, and Cambayas Mining Corporation



Who participated?

Mining

- ▶ Carmen Copper Corp
- ▶ Philex Mining Corporation
- ▶ Oceana Gold Inc
- ▶ Krominco Inc
- ▶ Carrascal Nickel Corp
- ▶ Platinum Group Metals Corp
- ▶ Hinatuan Mining Corp
- ▶ Rio Tuba Nickel Mining Corp
- ▶ Taganito Mining Corp
- ▶ SR Metals Inc
- ▶ Marcventures Mining & Devt
- ▶ TVI Resources Devt Phils
- ▶ Lepanto Consolidate
- ▶ Adnama Mining Resources
- ▶ Apex Mining Company Inc
- ▶ Eramen Minerals Inc
- ▶ Filminera Resources Corp
- ▶ Rapu-Rapu Minerals
- ▶ Benguet Nickel Mines Inc
- ▶ Greenstone Resources Corp

Oil and Gas

- ▶ Chevron Malampaya LLC
- ▶ Shell Philippines Exploration
- ▶ PNOC Exploration Corp
- ▶ Galoc Production Co.



Who did not participate?

▶ Companies

- ▶ Citinickel Mines and Development Corporation
- ▶ CTP Construction and Mining Corporation
- ▶ SR Languyan

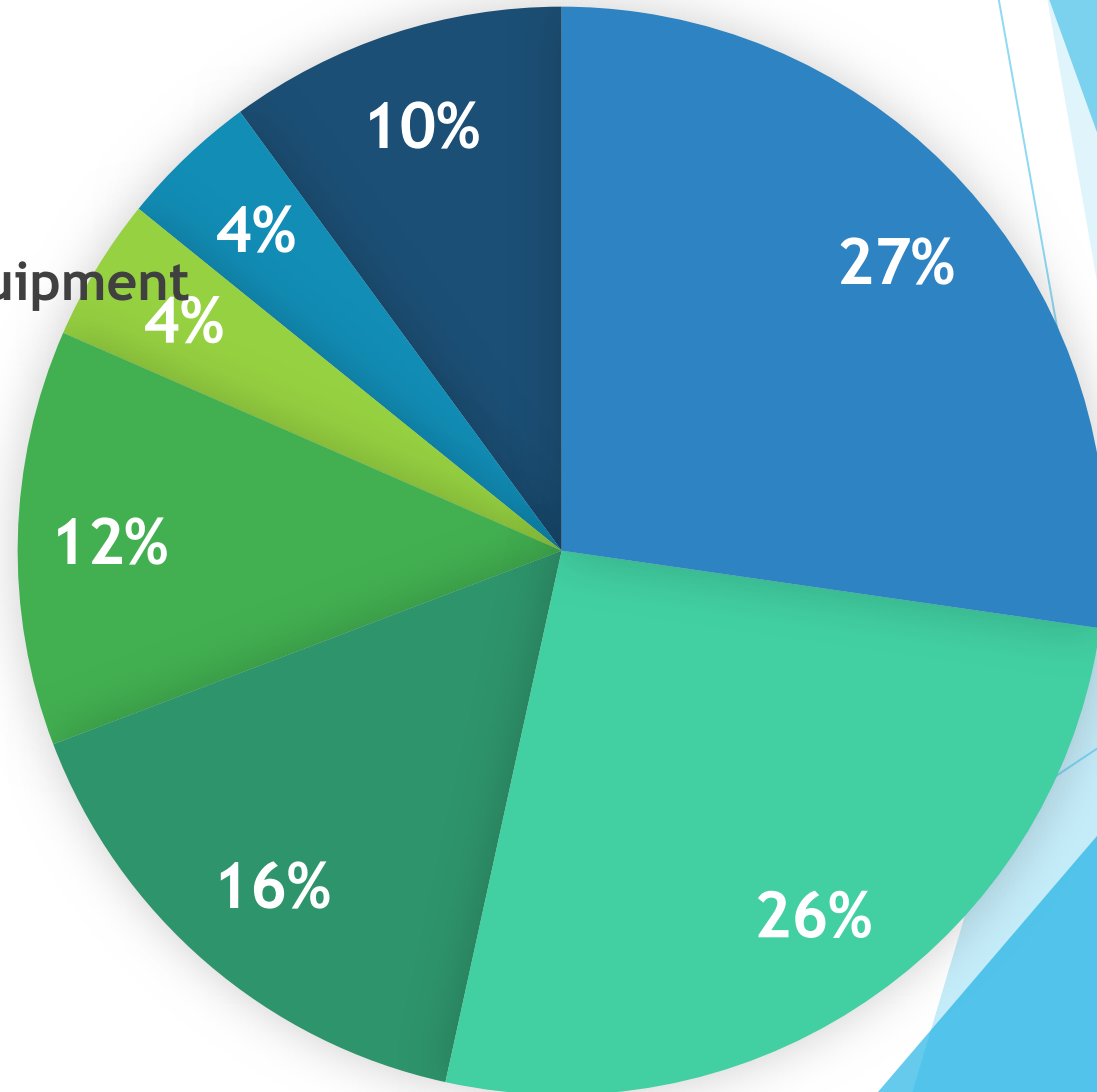
▶ Local Government Units

- ▶ Zambales
- ▶ Leyte
- ▶ Agusan del Norte
- ▶ Eastern Samar
- ▶ Dona Remedios Trinidad
- ▶ Sta. Cruz
- ▶ MacArthur
- ▶ Zamboanga City
- ▶ Libjo
- ▶ Caloocan City
- ▶ Mandaluyong City
- ▶ Muntinlupa City



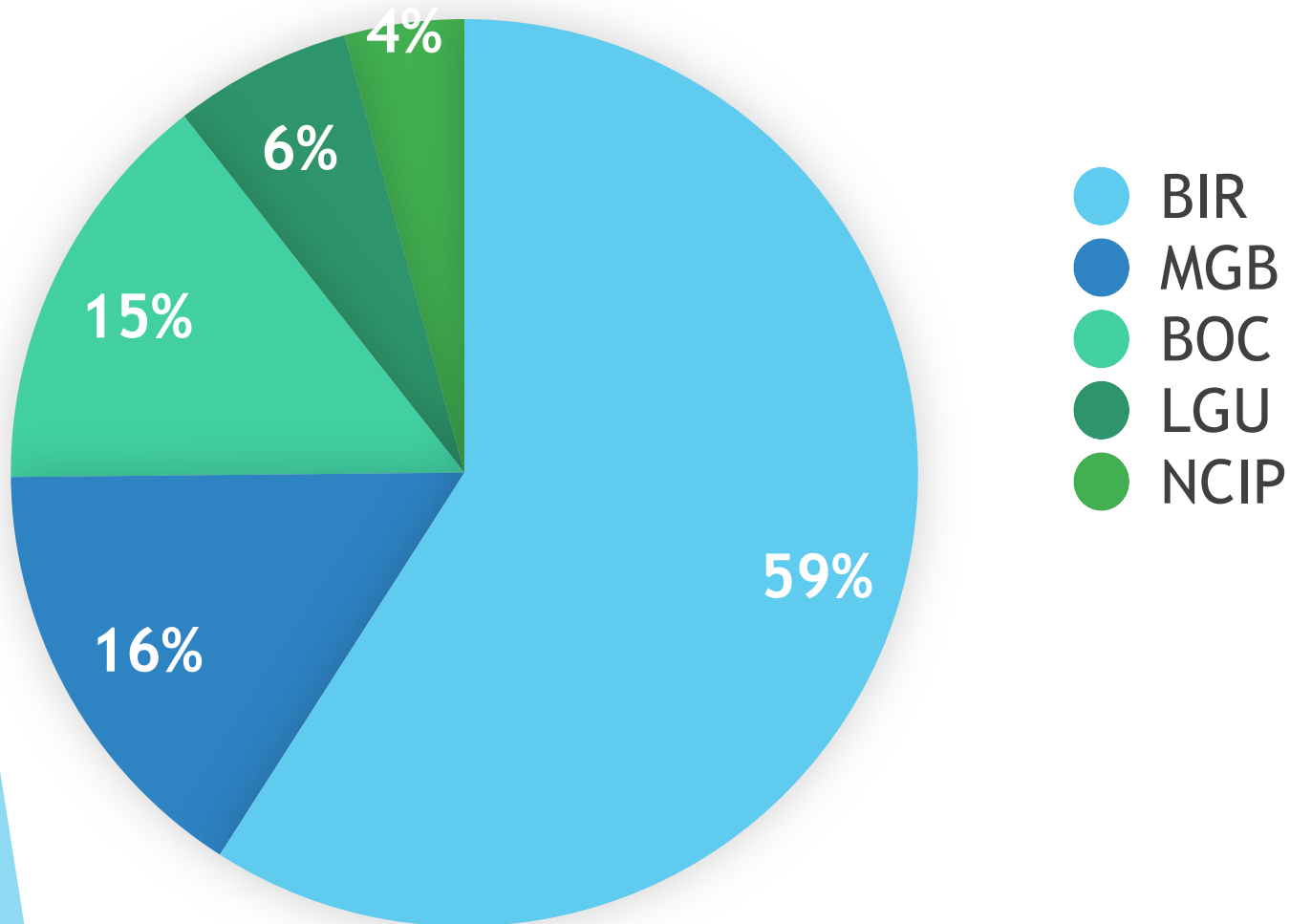
Mining Revenues by revenue stream

- Revenue Stream: Mining
- Corporate Income Tax
- Excise Tax on Minerals
- Royalty on mineral reservation
- VAT on imported materials and equipment
- Royalty for Ips
- Local business tax
- Others





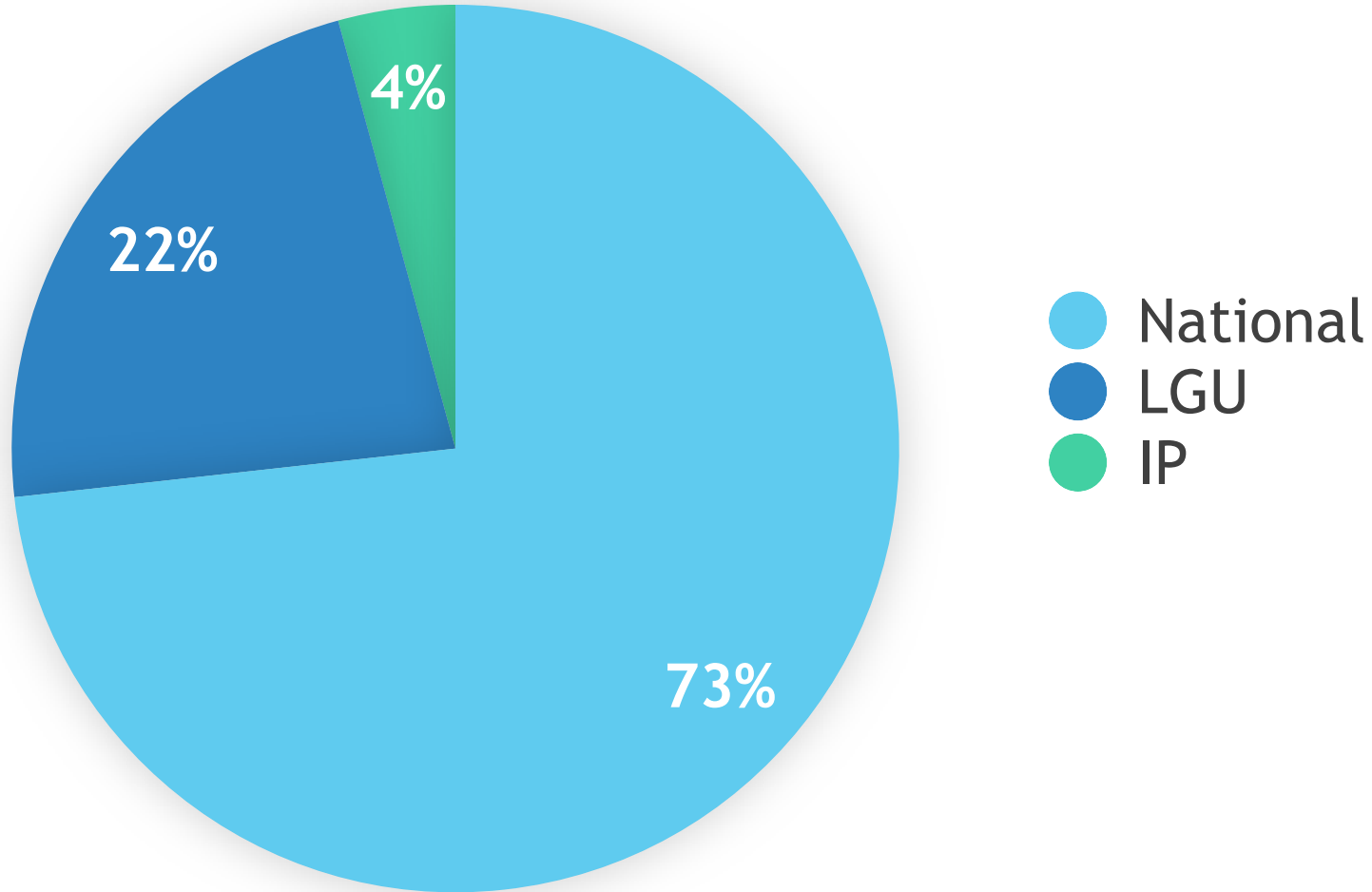
Mining Revenues by government agency



Per Agency: Mining

BIR: 3,356,173,192.00
MGB: 896,810,657.00
BOC: 826,610,791.00
LGU: 360,625,349.00
NCIP: 242,124,305.00

Distribution of revenues



**LGUs: From
6% to 23%**

LGUs are entitled to 40% of excise tax on minerals and 36% of mineral reservation royalties

Distribution of revenues

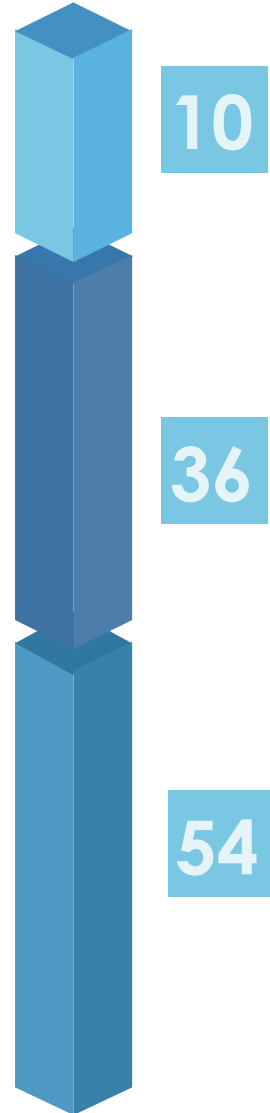
Royalty on mineral reservation:

896,810,657

MGB:
89,681,065

LGU:
322,851,836

National:
484,277,754



Excise Tax on Minerals:

1,486,034,335

LGU:
594,413,734

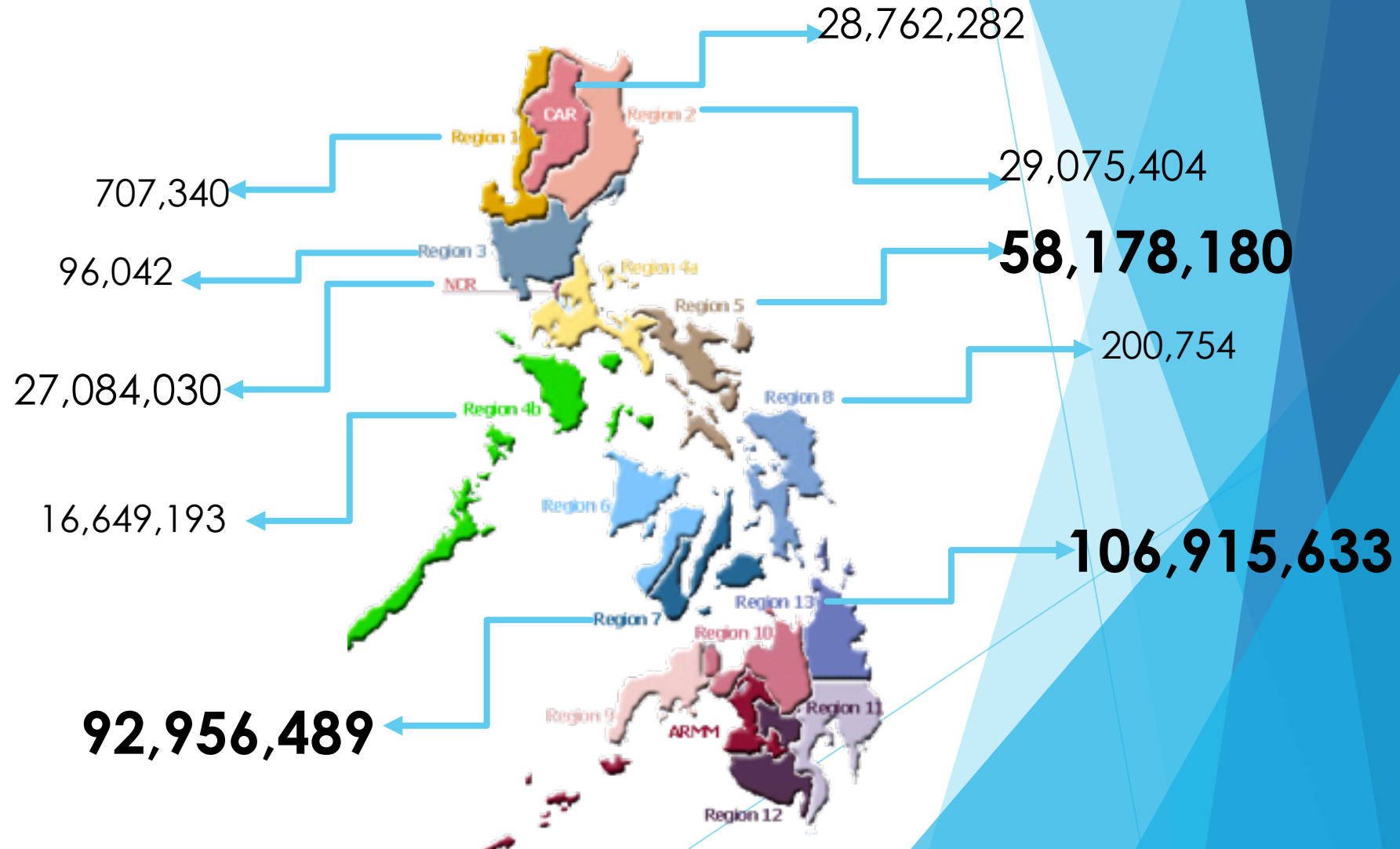
National:
891,620,601





Which region collected the most?

Region 13	106,915,633
Region 7	92,956,489
Region 5	58,178,180
Region 2	29,075,404
CAR	28,762,282
NCR	27,084,030
Region 4	16,649,193
Region 1	707,340
Region 8	200,754
Region 3	96,042





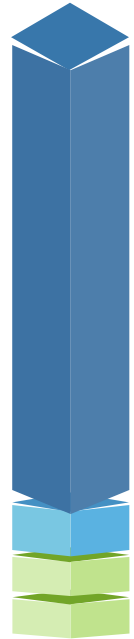
MGB: Monitoring Mandatory Expenditures and Environmental Funds

- ▶ Mandatory Expenditures
 - ▶ Annual Environmental Protection and Enhancement Program
 - ▶ Community Development Program
 - ▶ Safety and Health Program
 - ▶ Social Development and Management Program
- ▶ Environmental Funds
 - ▶ Mine Rehabilitation Fund
 - ▶ Mine Waste and Tailings Fees Reserve Fund
 - ▶ Final Mine Rehabilitation and Decommissioning Fund



MGB: Monitoring Mandatory Expenditures and Environmental Funds

P2.6 billion



AEPEP P2.1 billion
(81%)

SDMP P319 million (12%)
S&H P77.9 million (3%)
Others P87 million (3%)

**4.3x total
LGU share**



**3x Mineral Reservation
Royalties**





Discrepancies in Mandatory Social Expenditures

- ▶ 2ND EITI REPORT, Vol. I, pg 75: “Further, some of the reports do not explicitly provide the specific accomplishments related to environmental protection and enhancement program to include monitoring of the related actual expenditure.”
- ▶ Variances
 - ▶ Pre-reconciliation: 1,252,410,495
 - ▶ Post-reconciliation: 89,476,247



MGB: Penalties

On 18 February 2013, Philex Mining paid total fine of PHP1,034,358,971

This was based on the provisions of Section 190 of DAO No. 2010-21 that required payment of PHP50/MT of tailings. As represented by the MGB, there have been no disbursements from the said deposit account and any future withdrawals should be in accordance with the requirements of DAO No. 2010-21. The fine will form part of the mine waste and tailing fees reserve fund to be used for payment of compensation for damages caused by the mining operation.



NCIP: Royalties to IPs

	Entity	Reconciled Amt	IPs
Philex Mining		84,721,060	Ibaloi/Kankana-ey
Carrascal Nickel Corporation		44,375,357	Manobo
Rio Tuba Nickel		31,896,336	Palaw'an
Platinum Group Metals		29,000,000	Tagbanua/Palaweno
Marcventures Mining and Devt		27,258,745	Manobo
Taganito Mining Corporation		24,872,807	Mamanwa
Apex Mining Company*	17 million	-	Mamanwa
TVI Resources*	36.2 million	-	Subanen
Philsaga Mining Corporation		-	Manobo
SR Metals		-	Mamanwa
		242,124,305	

*Unreconciled



Government Take: Industry

Excise Tax on Minerals	1,486,034,335.00
Total Revenues	74,301,716,750.00
Total Expenses	43,430,997,345.18
Total Income Before Tax	30,870,719,404.82
Government Take	18%
Industry Take	82%



MGB: Mineral Reservation Royalties

How is the MGB spending its share from mineral royalties?

Carrascal Nickel Corp	220,250,549	CARAGA
Platinum Group Metals Corp	183,118,611	CARAGA
Hinatuan Mining Corp	171,942,806	CARAGA
Taganito Mining Corp	155,455,043	CARAGA
Benguet Nickel Mines	64,412,086	REGION III
Cagdianao Mining Corp	36,895,304	CARAGA
AAM Phil	27,883,257	CARAGA
Shuley Mine Inc	21,171,078	CARAGA
Sinosteel Phils HY Mining Corp	8,062,974	CARAGA
Krominco Inc	7,618,949	CARAGA

896,810,657



How much did we lose to ITH?

	Revenues	Total Expense	Income before Income Tax	Actual Income Tax Payment	30% Income Tax Due	Loss due to ITH
Adnama Mining	1,781,413,069	1,395,083,486	457,343,101	4,503,851	137,202,930	132,699,079
Carrascal Nickel	4,461,093,737	2,826,844,375	1,684,784,392	(4,227,303)	505,435,318	509,662,621
Marcventure s	2,516,601,260	354,430,294	1,141,823,257	(1,929,799)	342,546,977	344,476,776
Platinum Group	3,759,984,460	3,101,301,163	659,156,241	9,969,934	197,746,872	187,776,938
TVI Resources	2,389,331,130	2,361,370,831	27,960,299	1,920,689	8,388,090	6,467,401
Carmen Copper	13,583,949,974	12,709,276,677	2,391,928,117	64,884,636	717,578,435	652,693,799
OceanaGold	8,467,158,164	4,158,277,791	6,637,125,845	626,602,115	1,991,137,753	1,364,535,638
Krominco Inc						-
						3,198,312,252



What happens when all companies pay royalties?

Revenues	74,301,716,750.00
Projected Royalties	3,715,085,837.50
Projected - Current	2,818,275,180.50
Projected Government Take	8,500,619,474.50
Projected ETR	28%
Current ETR	18%



Is our current fiscal regime not competitive? From 2011 to 2014...

How come...

Global Prices are going down

Copper	-23%
Gold	-16%
Silver	-46%
Nickel	-27%

Production Value	55%
Total Exports	41%
Operating Metallic Mines	43%
Number of FTAA Applications	19%
Application for Exploration Permits	17%
Approved Mineral Processing Permits	44%
Application for Mining Processing	46%

Source: Mines and Geosciences Bureau



Oil and Gas Revenues: P35.9 billion

Disbursements made by the
Aquino Government from
Malampaya Fund:

National Defense

- P880 million for weather high endurance class cutter
- P335 million for RADAR repainting and haul repainting

National Electrification Admin.

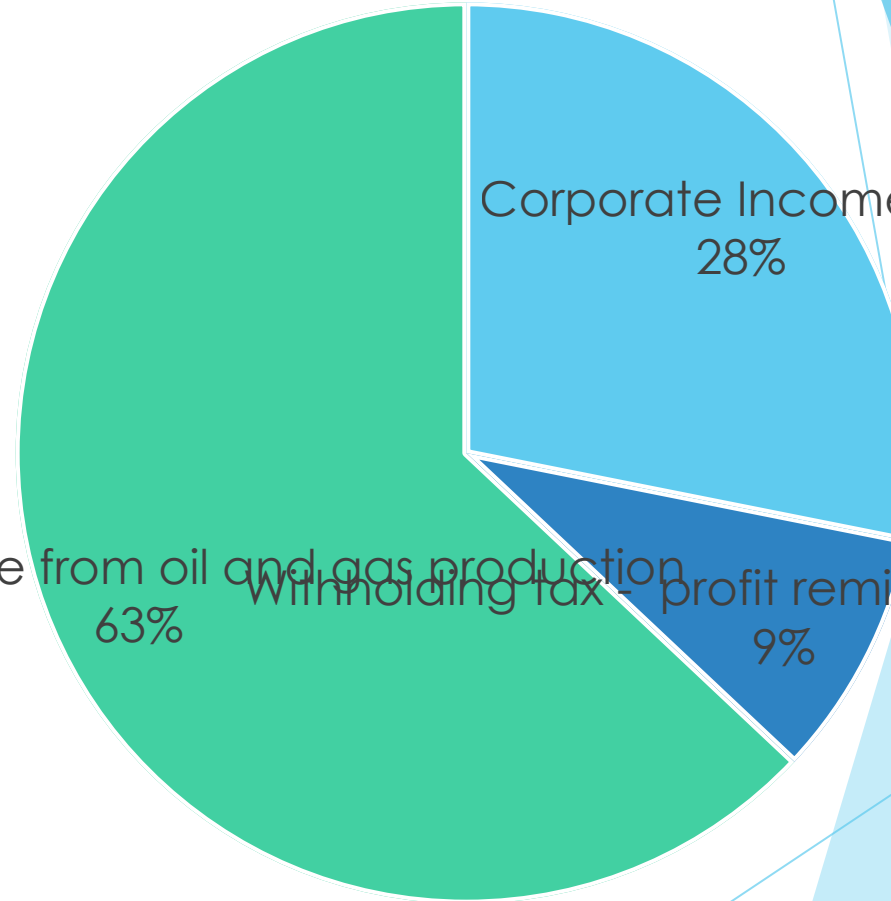
- P1.1 billion for Sitio Electrification Program (2012)
- P4.5 billion for Mindanao Modular Generator Sets

Current Balance: P161 billion

Government share from oil and gas production
63%

Corporate Income Tax
28%

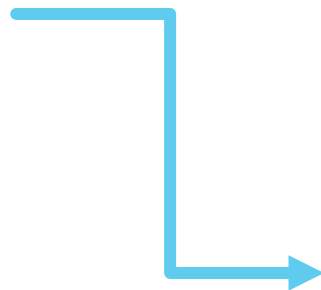
Withholding tax - profit remittance to principal
9%





Semirara Mining Corporation

Revenues	16,677,421,744.00
Total Expense	13,447,448,030.00
Income Before Income Tax	5,193,200,179.00
Income Tax, final	
Income tax, deferred	
30% Income Tax	
Loss due to ITH	1,480,000,000.00
Payment to DoE	1,304,961,185.00



FY 2013	
Cost of Sales	11,732,566,593
Government Share	1,304,961,185
Personnel	154,240,164
Professional Fees	58,556,801
Office Expenses	57,871,886
Taxes and License	48,055,560
Doubtful accounts	29,743,263
Depreciation	28,020,386
Transpo and travel	19,523,784
Entertainment...	11,807,992
Loss on disposal of property...	2,100,416