



**PHILEX PETROLEUM
CORPORATION**

27 Brixton St., Pasig City Philippines 1600
Tel. No. 631-1381 to 88 Fax No. 634-4441

October 5, 2012

PHILIPPINE STOCK EXCHANGE, INC.

3/F Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Gentlemen:

We submit to you herewith a copy of the **Audit Committee Charter** of Philex Petroleum Corporation covered by SEC Form 17-C which was filed with the Securities and Exchange Commission.

Very truly yours,

CARLO S. PABLO
President & COO



110052012000409



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Marites S. Guevarra
Receiving Branch : SEC Head Office
Receipt Date and Time : October 05, 2012 10:43:11 AM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. CS200719819
Company Name PHILEX PETROLEUM CORPORATION
Industry Classification Non-Metallic Mining & Quarrying
Company Type Stock Corporation

Document Information

Document ID 110052012000409
Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code 17-C
Period Covered October 05, 2012
No. of Days Late 0
Department CFD
Remarks

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. October 5, 2012
Date of Report (Date of earliest event reported)
2. SEC Identification Number CS200719819 3. BIR Tax Identification No. 006-940-588-000
4. PHILEX PETROLEUM CORPORATION
Exact name of issuer as specified in its charter
5. Philippines (SEC Use Only)
Province, country or other jurisdiction of incorporation Industry Classification Code:
7. 27 Brixton Street, Pasig City 1600
Address of principal office Postal Code
8. (632) 631-1381
Issuer's telephone number, including area code
9. N/A
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding |
|----------------------|--|
| <u>Common Shares</u> | <u>1,700,000,000</u> |
11. Indicate the item numbers reported herein: Adoption of Audit Committee Manual


Item 9. Other Events

The undersigned Chairman of the Audit Committee and the Compliance Officer of **Philex Petroleum Corporation** hereby report to the Honorable Commission that pursuant to SEC Memorandum Circular No. 4, Series of 2012, the Guidelines for the Assessment of Performance of Audit Committees of Companies Listed on the Exchange (the "Guidelines"), the Audit Committee adopted an **Audit Committee Charter**, a copy of which is attached to this report. The Charter was adopted by unanimous vote of the Committee as of 24 September 2012.

The Audit Committee has adopted an initial plan for compliance with the Manual and the Guidelines, which shall be revised and refined as necessary.

Under this plan of compliance, the Committee shall meet on a regular basis, at least once every quarter or as often as may be deemed necessary, in executive session or with the presence of management, towards proactive and full compliance with its oversight functions, conducting the necessary audit review of pertinent matters during such periods. It shall empower the Company's internal audit group, and ensure availability of adequate resources towards the effectiveness of the Company's internal audit system. The Committee shall also monitor the conduct of the external audit, consistent with best corporate governance practices. Furthermore, the Committee shall oversee the adoption of risk management policies to address the different risk exposures of the Company. Through all of these activities, the Committee shall assess its performance through a self-assessment worksheet consistent with the Guidelines not later than the end of October 2012.

Signed:


EMERLINDA R. ROMAN
Chairman, Audit Committee
Independent Director


RENATO N. MIGRIÑO
Compliance Officer
Director

PHILEX PETROLEUM CORPORATION

AUDIT COMMITTEE CHARTER

I. Introduction

This Charter of the Audit Committee of **Philex Petroleum Corporation** (the “Company”) sets forth the Audit Committee’s purposes, authority, duties and responsibilities, structure and procedures which shall guide the function of the Committee as prescribed by the Revised Code of Corporate Governance (the “CG Code”), the Company’s Manual on Corporate Governance (the “CG Manual” and the *Guidelines for the Assessment of Performance of Audit Committees of Companies Listed on the Exchange* (the “Guidelines”) promulgated by the Securities and Exchange Commission (the “Commission”). The Committee shall conduct an annual review and assessment of this Charter, and adopt revisions if deemed necessary or beneficial.

The Committee shall review the charter at least annually and obtain the approval of the Board of Directors as needed for any revisions thereto.

II. Purposes, Authority, Duties and Responsibilities

1. Purposes

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities for:

- 1.1. the integrity of the Company’s accounting and financial reporting principles and policies, and system of internal controls, including the integrity of the Company’s financial statements and the independent audit thereof;
- 1.2. the Company’s compliance with legal and regulatory requirements;
- 1.3. the Company’s assessment and management of enterprise risks including credit, market, liquidity, operational and legal risks;
- 1.4. the Company’s audit process and the performance of the Company’s internal audit organization and External Auditor, including the External Auditor’s qualifications and independence and;
- 1.5. 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.

2. Authority

- 2.1. The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to engage external auditors for special audits, reviews and other procedures and to retain and obtain advice from special counsel and other experts or consultants, without need for Board approval.
- 2.2. The Chairman of the Committee and/or any of its Members may meet separately with Management, the Internal Audit Head and/or the external auditor/s of the Company to discuss any matter that the Committee or any of the foregoing persons or firms believes should be discussed privately. The Committee may also request any Officer, Executive or employee of the Company or the Company's outside counsel or External Auditor to attend a meeting of the Committee or to meet with any Member or consultant of the Committee.

3. Duties and Responsibilities

To carry out its purposes, the Committee shall have the duties and responsibilities set forth in this Section 3. Where Board action is necessary or appropriate, the Committee shall escalate to the Board, in a timely and complete manner, its findings, conclusions or recommendations.

With respect to the External Auditor:

The primary responsibility of the Committee is oversight. Management is responsible for the integrity of the Company's financial statements and disclosures and for maintaining effective internal controls. The External Auditor is responsible for the proper audit and review of the Company's financial statements as may be required prior to the filing thereof with various stock exchanges and government entities. In fulfilling their responsibilities hereunder, it is recognized that Members are not full-time employees of the Company and are not, and do not represent themselves to be, accountants or auditors by profession or experts in the fields of accounting or auditing. As such, as it is not the duty or responsibility of the Committee to conduct "field work" or other types of auditing or accounting reviews or procedures and the Committee will be relying in part on the expertise of Management and the External Auditor. Each Member shall be entitled to rely on:

- the integrity of those persons within and outside the Company that it receives information from;
- the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board); and
- the representations made by Management as to any information technology, Internal audit and other non-audit services provided by the External Auditor to the Company.

The External Auditor shall report directly to the Committee. 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 Audit Committee shall:

- 3.1.1. 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;
- 3.1.2. 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;
- 3.1.3. 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;
- 3.1.4. 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;
- 3.1.5. 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;
- 3.1.6. 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

- 3.1.7. ensure that the External Auditor, or its lead audit partner primarily responsible for the audit or review of the Company's financial accounts is rotated at least once every five (5) years or such shorter or longer period provided under applicable laws and regulations.

3.2. With respect to Internal Audit:

- 3.2.1. review the appointment, removal and replacement of the Internal Audit Head who shall be appointed by Management in accordance with the Company's employment policies but shall functionally report directly to the Committee, and ensure that the internal audit organization shall be free from interference by Management in the performance of its work;
- 3.2.2. advise the Internal Audit Head that he is expected to provide to the Committee summaries of and, as appropriate, significant reports to Management prepared by the Internal Audit Head and Management's responses thereto;
- 3.2.3. review and approve the audit plan (which shall include the audit scope, resources and budget necessary to implement it) of the internal audit organization, and ensure that internal audit examinations cover at least the evaluation of adequacy and effectiveness of controls encompassing the Company's governance, operations, information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules and regulations;
- 3.2.4. require the Internal Audit Head to render to the Committee an annual report on the internal audit organization's activities, purposes, and authorities, responsibilities and performance relative to the audit plans and strategies approved by the Committee. Such annual report shall include significant risk exposures and control issues, corporate governance issues and other matters requested by the Committee or the Board;
- 3.2.5. require a statement from the Internal Audit Head that the activities of the internal audit organization are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing; if otherwise, a disclosure that the internal audit organization has not yet fully achieved compliance with the International Standards for the Professional Practice of Internal Auditing; and
- 3.2.6. conduct an annual review and, if deemed appropriate, cause an update, of the Company's Internal Audit Charter.

- 3.2.7. approve the outsourcing and/or co-sourcing of projects which are beyond the expertise of the current collective skills of the Internal Audit Department as recommended by its Head.

3.3. With respect to financial reporting principles and policies and system of internal controls:

- 3.3.1 advise Management and the External Auditor that they are expected to provide to the Committee a timely analysis of significant/critical financial reporting issues and practices;
- 3.3.2. obtain and consider any reports or communications (and Management's and/or the Internal Audit Head's responses thereto) submitted to the Committee by the External Auditor as required by or referred to in the prevailing applicable Auditing Standard, including reports and communications related to:
- the External Auditor's responsibility under generally accepted auditing standards;
 - the External Auditor's responsibility for other information in documents containing audited financial statements;
 - consideration of fraud in a financial statement audit;
 - detection of fraud and illegal acts, whether or not material, that involve Management or other employees who have a significant role in the Company's internal controls, and that cause a material misstatement of the financial statements;
 - significant/critical accounting policies and practices and any major issues regarding, or significant changes in, accounting principles or financial statement presentation;
 - methods of accounting for significant unusual transactions and for controversial or emerging areas for which there is a lack of authoritative guidance;
 - Management's judgments and accounting estimates;
 - all alternative treatments of financial information within generally accepted accounting principles that have been discussed by the External Auditor with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the External Auditor;
 - the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements;
 - the External Auditor's judgments about the quality of the Company's accounting principles;
 - significant deficiencies and material weaknesses noted in the audit in the design or operation of internal controls;
 - adjustments arising from the audit;

- any material written communication between the External Auditor and Management such as any management letter or schedule of unadjusted differences;
- any significant disagreements with Management;
- major issues discussed with Management in connection with initial or recurring retention;
- consultation by Management with other accountants;
- any restriction on audit scope and the External Auditor's activities or access to requested information;
- difficulties encountered with Management while performing the audit; and
- reviews of interim financial information conducted by the External Auditor as may be required under applicable laws and regulations.

3.3.3. Meet with Management, the Internal Audit Head and/or the External Auditor to:

- discuss the scope of the annual audit;
- review and discuss the quarterly unaudited financial statements and the annual audited financial statements (including the disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations) with particular focus on, among other matters: (a) any change(s) in significant/critical accounting policies and practices, and issues related thereto; (b) major Management judgmental areas; (c) going concern assumptions, (d) compliance with applicable accounting standards, and (e) significant adjustments arising from the audit of the full year financial statements.
- discuss any earnings press releases, and financial information and earnings guidance provided to analysts and rating agencies; and
- discuss any significant changes to the Company's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the External Auditor, the Internal Audit Head or Management.

3.3.4 obtain from the External Auditor assurance that the audit was conducted in a manner consistent with certain procedures to be followed in any audit of financial statements required under the applicable rules of the relevant stock exchange, securities and exchange commission and other regulatory bodies;

3.3.5. ensure that Management has established and maintains and periodically reviews/evaluates the adequacy and effectiveness of the Company's internal control system;

3.3.6. 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;

- 3.3.7. resolve disagreements between Management and the External Auditor regarding financial reporting;
- 3.3.8. have separate sessions periodically, with Management, with the Internal Audit Head and with the External Auditor as the Committee may deem necessary to surface issues warranting the attention of the Committee; and
- 3.3.9. ensure that the External Auditor and the internal audit organization act independently from each other, and that the Company or Management grants the External Auditor and the internal audit organization unrestricted access to all records, properties and personnel to enable the performance of their respective audit functions.
- 3.3.10. ensure that a review by and appropriate approval from authorized signatories of the management representation letter is performed prior to submission to external auditor.

3.4. With respect to enterprise risks:

- 3.4.1. review and discuss with Management and the Internal Audit Head and/or the External Auditor the policies and processes adopted by Management with respect to risk identification, assessment and management; and
- 3.4.2. require Management to provide a report to and discuss with the Committee about the Company's significant or major risk exposures, if any, and the steps taken by Management to monitor or manage such risks.

3.5. With respect to legal and regulatory compliance:

- 3.5.1. monitor compliance and adherence by the Company with all applicable laws and regulations pursuant to which the Company conducts its operations and business activities;
- 3.5.2. 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 therefor; and
- 3.5.3. discuss with the Company's Chief Finance Officer/Compliance Officer 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.

3.6. With respect to reporting and recommendations:

- 3.6.1. establish or assess the procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- 3.6.2. conduct investigations of identified irregularities in the operations of the Company and anomalies on matters relating to finance and of funds disbursement which bear strategic significance to the Company and recommend to the Board the necessary actions to remedy, correct and prevent the repetition of such anomalies;
- 3.6.3. set clear hiring policies for employees or former employees of the External Auditor;
- 3.6.4. prepare any report, including any recommendation of the Committee, required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy / information statement;
- 3.6.5. review this Charter at least annually and recommend any necessary changes to the Board;
- 3.6.6. report the Committee's activities to the Board at least once each year and make such recommendations with respect thereto and other matters as the Committee may deem necessary or appropriate; and
- 3.6.7. prepare and review with the Board an annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of its Charter, set forth the goals and objectives of the Committee for the ensuing year and include any recommendation to the Board on any improvements to this Charter deemed necessary or desirable by the Committee; provided that such report to the Board may take the form of an oral report by the Chairman of the Committee or any other Member designated by the Committee to make such report.

III. Committee Structure

1. Composition

- a) The Committee shall have a minimum of three (3) Members, each of whom, including the Chairman thereof who shall be chosen from among the Members of the Board of Directors.
- b) The Chairman shall be an Independent Director.

- c) The Chairman of the Committee or any of its Members may be removed from office only by the Board.

2. Qualifications and Disqualifications

- a) Each Member must be financially literate and the Chairman must have accounting or related financial management expertise, as such qualifications are interpreted by the Board in its business judgment. At least one (1) Member must be an audit committee financial expert or one who, through education and experience, has the following attributes as determined by the Board:
 - a.1. an understanding of generally accepted accounting principles (“GAAP”) and financial statements;
 - a.2. an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
 - a.3. experience in preparing or auditing or reviewing or analyzing financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Company’s financial statements;
 - a.4. an understanding of internal controls and procedures for financial reporting; and
 - a.5. an understanding of audit committee functions.

Appropriate orientation on the Company’s business and on the mining industry shall be conducted for new members of the Committee. Management may also provide or outsource special technical training for a specific topic if requested by the Committee to help them understand and decide accordingly.

- b) The office of a Member shall *ipso facto* be vacated:
 - b.1. if he resigns his office as a Member;
 - b.2. if he is removed by a resolution of the Board;
 - b.3. if he becomes of unsound mind; or
 - b.4. if he is subsequently disqualified from becoming a Member.

A Member shall be disqualified from continuing to be such during the remainder of his tenure if, upon determination by the Board or its Nomination Committee, a Member ceases to meet the qualifications of a Board of Director or to possess any of the qualifications for directorship, or he becomes disqualified from directorship based on any grounds for disqualification set forth in the PMC Corporate Governance.

IV. Committee Procedures

1. Meetings

- a) The Committee shall hold meetings at such times and places as it considers appropriate, provided that at least one (1) meeting shall be held in each calendar quarter.

- b) Meetings of the Committee shall be convened by the Chairman of the Committee as and when he considers appropriate or upon the request of a majority of the Members.
- c) A Committee meeting shall be convened upon notice in writing at least three (3) days prior to the meeting and specifying the place, date and time of the meeting and the matters to be discussed at the meeting.
- d) Subject to Section IV.1 (j) below, notwithstanding that a meeting is called by shorter notice, it shall be deemed to have been duly convened if it is so agreed by the Members present in the meeting at which there is a quorum. A Member may consent to short notice and may waive notice of any meeting of the Committee and any such waiver may be retrospective.
- e) Each Member shall give to the Secretary of the Committee an address and a facsimile number for the service of notices of meetings of the Committee.
- f) Notice of a meeting of the Committee shall be deemed to be duly served upon a Member if it is given to him personally, or sent to him by mail or facsimile transmission to his address or facsimile number, as appropriate, given by him to the Secretary of the Committee in accordance with Section IV. 1. (e) above.
- g) The quorum for a meeting of the Committee shall be at least a majority of the Members present throughout the meeting.
- h) Resolutions at a meeting of the Committee at which there is a quorum shall be passed by a simple majority of votes of the Members present at such meeting.
 - h.1. Each Member, including the Chairman of the Committee, shall have one (1) vote.
 - h.2. In case of an equality of votes, the Chairman of the Committee shall not have a second or casting vote.
 - h.3. A resolution in writing signed by all Members shall be as valid and effective for all purposes as a resolution of the Committee passed at a meeting of the Committee duly convened, held and constituted. A written notification of confirmation of such resolution in writing sent by a Member shall be deemed to be his signature to such resolution in writing for such purpose. Such resolution in writing may consist of several documents, each signed by one or more Members.
- i) If, within thirty (30) minutes from the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned until such other day, time and place as the Chairman of the meeting may determine.

- j) Notwithstanding any other provision herein, no business shall be properly transacted at any meeting of the Committee where prior notice of such meeting has not been provided to each Member a reasonable time prior to such meeting, and if any meeting is convened less than twenty four (24) hours' prior written notice to each Member.
- k) Members may participate in a meeting of the Committee through teleconference or video conference by means of which all persons participating in the meeting can hear each other.

2. Escalation

The Committee shall timely refer to the Board its recommendations or decisions which require ratification or approval by the Board or, if otherwise, as it may deem necessary or proper.

3. Minutes and Records

- a) The Committee shall appoint a Secretary who shall prepare minutes of meetings of the Committee and keep records of the Committee.
- b) The Committee shall cause records to be kept for the following:
 - b.1 appointments and resignations of the Members;
 - b.2. all agenda and other documents sent to the Members; and
 - b.3. minutes of proceedings and meetings of the Committee.
- c) Any such records shall be open for inspection by any Member upon reasonable prior notice during usual office hours of the Company.
- d) Minutes of any meeting of the Committee, if purported to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting, shall be conclusive evidence of the proceedings and resolutions of such meeting.

4. Notice

- a) Except for notice of meetings of the Committee which shall be given or issued in accordance with Section IV.1 (f), any other notice or document to be given or issued to the Members may be served by the Committee upon any Member either:
 - a.1. personally, or
 - a.2. by sending it by mail, postage prepaid, addressed to such Member at his address and, in any case where the address of a Member is outside the Philippines, by prepaid airmail or courier, or
 - a.3. by facsimile transmission.

- b) Any notice sent by mail shall be deemed to have been served, in the case where the Member's address is in the Philippines, on the day following that on which the notice is mailed in the Philippines, and in any other case, on the third day after the day of mailing. In proving such service, it shall be sufficient to prove that the notice was properly addressed and mailed, postage prepaid. Any notice sent by facsimile transmission shall be deemed to have been sent upon dispatch, as evidenced by facsimile transmission confirmation report.
- c) Any notice or other document required to be sent to or served upon the Committee or upon any Officer of the Company, may be sent or served by leaving the same, or sending it through the post in a postage prepaid envelope, addressed to the Committee or to such Officer, at the principal place of business of the Company.

V. Remuneration of Members

No fees or other remuneration shall be payable to the Members in respect of their services provided in connection with the Committee or in respect of their attendance at meetings of the Committee except fees or remuneration authorized and approved by the Board for such purposes. No fees or compensation shall be paid directly or indirectly to any Member or his firm for consultancy or advisory services rendered to the Company directly by the Member or indirectly through his firm even if such Member is not the actual service provider. However, this prohibition shall not apply to ordinary compensation paid to a Member or his firm in respect of any other supplier or other business relationship or transaction that the Board has determined to be at arm's length terms and immaterial for purposes of its basic Member's independence analysis.

VI. Amendment

This Charter shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board.