



REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City

NOTICE

Notice is hereby given that the Commission in its Resolution No. 493 dated November 16, 2006, resolved to approve the proposed transitional relief from Philippine Accounting Standard (PAS) No. 39 [Financial Instruments: Recognition and Measurement] covering the hedging contracts of mining companies which were entered into and effective prior to January 1, 2005.

Under the approved transitional relief, certain commodity derivative contracts of mining companies shall be “grandfathered” and exempted from the fair value requirements of PAS 39. The said approval shall be subject to the following conditions:

1. Derivative contracts of mining companies shall qualify for exemption from PAS 39 if all the following requirements are met:
 - a. Commodity derivative contracts entered into and effective prior to January 1, 2005;
 - b. Commodity derivative contracts with original maturity of more than 1 year; and
 - c. Commodity derivative contracts that would have qualified under PAS 39 hedge accounting rules had these been applied at inception of such contracts.
2. Mining companies availing of the transitional relief from PAS 39 shall apply the same to all such contracts outstanding as of January 1, 2006 on a retrospectively basis. Applying such exemption only to selected transactions shall not be permitted. The companies will have to decide either to apply such exemption to all or none of its qualified contracts.
3. Mining companies shall make an irrevocable choice to avail of the exemption by a written notice to the Philippine SEC on or before **December 29, 2006**. A mining company availing of the exemption shall nonetheless indicate in the notes to financial statements the following:
 - a. the fact that it availed of such exemption;
 - b. the applicable disclosures required by PAS 32 (Financial Instruments: Disclosure and Presentation) and its forthcoming amendments embodied in Philippine Financial Reporting Standard (PFRS) 7 (Financial Instruments: Disclosures) which is effective for annual reporting periods beginning on or after January 1, 2007;

- c. a presentation of the quantitative impact on retained earnings and net income for the reporting periods covered, had the subject derivatives not been exempted from PAS 39 and accounted for under non-hedge treatment.

November 30, 2006, Mandaluyong City, Philippines.

For the Commission:

(SGD.) **FE B. BARIN**
Chairperson