

THE PHILODRILL CORPORATION
Alternative Dispute Mechanism

Any controversy of claim brought directly by a shareholder against the Corporation or any of its Directors and Officers or agents may be settled by Arbitration as provided under the **Philippine Alternative Dispute Resolution Act of 2014**.

The arbitration shall be conducted in accordance with the Arbitration Rules of the Philippine Dispute Resolution Center, Inc. of the Philippine Chamber of Commerce and Industry (the "Arbitration Rules") then in effect.

The place of arbitration shall be in Metro Manila and the language of arbitrations shall be in English.

There shall be three (3) arbitrators (the "Arbitral Tribunal") to be appointed in accordance with the Arbitration Rules.

The parties shall be bound by the award rendered by the Arbitral Tribunal and confirmed by the appropriate Regional Trial Court.

In handling conflicts or differences between the Company and third parties directly relating to the business of the Company, involving foreign companies, Philodrill considers and explores with the other party/parties involved mutually acceptable alternative means or procedures for resolving such disputes that are provided by law prior to resorting to court action.

International Arbitration (IA)

Disputes in the oil and gas sector could arise as a result of any of the following but not limited to: environmental claims; shareholder value related issues, regulatory issues, trade restriction among others. Contracts in the oil and gas industry more often than not, involve individual foreign parties. It could be an individual, an agency representing a state.

Recourse to a national court to address any contractual disputes between these parties would mean that, the national court would be a foreign court to the other party. These courts have their own rules; formalities and procedure designed to deal with domestic issues and may not have the competence and experience to handle complex international energy investment cases. The language of these courts may not be the language of the contract and hence cannot be used to settle such international energy disputes. Any international contract signed by the parties that does not contain an arbitration clause will have recourse to foreign court systems to resolve their disputes.

The parties to an agreement which provide for an arbitration clause will have the opportunity of resolving any disputes that may arise in future on a neutral ground rather than on the home grounds of one party or the other. Since most oil and gas contracts are international in nature, International Arbitration fits in as the best alternative to addressing any contractual disputes that

may arise because IA gives the disputants the opportunity to participate in the nomination and appointment of the arbitral tribunal for their dispute.

PROCEDURE IN ADR METHODS

Since resort to arbitration generally depends on the agreement of the parties, the same can only be commenced by the demand of one party to the other to submit a controversy to arbitration. On the other hand, in cases where there is no arbitration clause in the contract, parties may execute a submission agreement to arbitrate. The demand for arbitration in accordance with the contract shall be served upon the other party.

Thereafter, parties will appoint the arbitrator/arbitral tribunal based on the procedure agreed upon by them. Failing such agreement, in arbitration with three arbitrators, each party shall appoint one arbitrator, and the two chosen arbitrators shall appoint the third arbitrator. Generally, arbitration proceedings are administered by an arbitral institution or entity, an example of which is the Philippine Dispute Resolution Center, Inc. or the case of international disputes involving foreign counterparties, International Chamber of Commerce (ICC). These arbitral institutions have a list of qualified and competent arbitrators from which the parties shall choose the arbitrators who will adjudicate their dispute. The arbitrator appointed shall either accept or decline the appointment but must first disclose circumstances likely to give rise to justifiable doubts as to his impartiality or independence.

An arbitrator may be challenged if circumstances exist that give rise to justifiable doubts as to his impartiality or independence, or if he does not possess qualifications agreed to by the parties. After their appointment, the arbitrators shall set the time and place for the hearing of the matter submitted to them and must cause notice thereof to be given to the parties.

Subject to any contrary agreement by the parties, the Arbitral Tribunal shall decide whether to hold oral hearings for the presentation of evidence or to conduct proceedings on the basis of documents and other materials. Parties may even agree to conduct an informal hearing which may be held at any place. During the hearing, all statements, documents or other information supplied to the Arbitral Tribunal by one party shall be communicated to the other party. The arbitrators shall be the sole judge of the materiality/relevancy of the evidence offered and shall not be bound to conform to the rules on evidence.

After the close of the hearing, the arbitral tribunal shall then render an award. The award shall be made in writing and shall be signed by the arbitrator or arbitrators. It shall state the reasons upon which it is based and the date and place of arbitration. A copy of the award shall be delivered to each party.