



May 02, 2017

PHILIPPINE STOCK EXCHANGE, INC.

Tower One & Exchange Plaza
Ayala Avenue, Makati City
Makati City

Attention: **MR. JOSE VALERIANO B. ZUNO III**
OIC Head, Disclosure Department

Gentlemen:

We write with respect to the attached news article entitled "Ban on open-pit stalls \$2-billion Silangan mine project" posted in Manila Bulletin (Internet Edition) on April 30, 2017. The article reported in part that:

"The ban on open-pit mine will put on hold the \$2-billion Silangan Mine, the next big prospect of the country's largest gold producer Philex Mining Corp. which now stands to lose as much as P17 billion for this particular venture.

Philex Mining Chairman Manuel V. Pangilinan said that because of the order of the Department of Environment and Natural Resources (DENR) Secretary Gina Lopez to ban open-pit mining in the country, the listed company will now be forced to put on hold its Silangan Mine project.

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According to Pangilinan, Philex Mining had so far invested P17 billion for the Silangan Mine.

'She issued an order banning all open-pit so in the meantime, we hold the project. We have to follow the government,' Pangilinan told reporters on the sidelines of the ASEAN Prosperity for All Summit recently held in Pasay.

'There have been some initial development works for the project. It was initially underground mining so there was work there and there was also some work in respect of open-pit. And then we are at the stage of finalizing the definitive studies which, on completion, we will submit to the government for approval and confirmation of the ECC (environment compliance certificate). If we are given all the relevant approvals, then we can proceed. But for now, that's put on hold,' he further said.

When asked if the company would bring this case to the court, he only said 'We don't know yet. We are reluctant to.'

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The Silangan project is expected to generate P170 billion in revenues by 2020."

On 27 April 2017, the Department of Environment and Natural Resources ("DENR") issued DENR Administrative Order No. 2017-10 ("DAO 2017-10"), banning the open pit method of mining for copper, gold, silver, and complex ores in the country.

Philex Mining Corporation (the "Company") believes that DAO 2017-10 will not adversely affect its current mining operations in Padcal but may have an impact on future projects such as the Silangan Project. The Company also believes that DAO 2017-10 was issued without any legal or factual basis. The Company is of the position that DAO 2017-10 is constitutionally and legally infirm as it constitutes usurpation of legislative powers, impairs vested rights without due process of law, violates the equal protection clause, and infringes the rights of foreign investors under the relevant investment treaties.

In this respect, we confirm the statements of Philex Chairman Manuel V. Pangilinan on this issue, and the Company is carefully studying possible courses of action to protect its interests. The Company will make further disclosures when it implements the chosen course of action.

For your information.

Very truly yours,

(Original Signed)
DANNY Y. YU
SVP – Finance