



February 19, 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:

Please be advised that Silangan Mindanao Mining Co., Inc. (SMMCI) and Philex Gold Philippines, Inc. (PGPI), both wholly owned subsidiaries of Philex Mining Corporation ("PX"), received on Friday, February 17, 2017, at the close of business hours, show cause letters from the Department of Environment and Natural Resources (DENR) directing SMMCI and PGPI, respectively, to explain why the following Mineral Production Sharing Agreements (MPSAs) should not be cancelled for being located within watershed areas:

| SMMCI | PGPI |
|-------------------------------------|--|
| MPSA 149-99-XIII (Silangan Project) | MPSA 063-97-IX (Sibutad Project) MPSA 096-97-VI (Vista Alegre Project) MPSA 344-2010-XII (Tambis Project) MPSA 148-99-XIII (Lascogon Project) |

SMMCI and PGPI will respond to the show cause letters in due course that the MPSAs are valid and legal and the tenements covered by the MPSAs are not within any proclaimed watershed forest reserve where mining is prohibited.

For your information.

Very truly yours,

Original Signed
DANNY Y. YU
SVP – Finance