

Philex Statement on DENR Secretary Lopez's February 14, 2017 Press Conference

Philex Mining Corporation (PX) received unofficial information that Department of Environment and Natural Resources ("DENR") Secretary Gina Lopez held a press conference today listing 75 Mineral Production Sharing Agreements ("MPSAs") for cancellation, on the ground that these MPSAs are located in watershed areas. It appears that the MPSA of PX's wholly-owned subsidiary Silangan Mindanao Mining Company, Inc. (Silangan Mining) covering the Silangan project was included in the list even as Silangan Mining has not, to date, received any cancellation order or any notice of a cancellation proceeding from the DENR or any other Government agency.

The Silangan project is a copper and gold project located in Surigao del Norte in Mindanao with an expected investment opportunity of around P40 Billion. Mindanao is an area where President Rodrigo Duterte has declared his fight against hunger, poverty and underdevelopment. It is expected that, starting 2020, the Silangan project will, for the first ten (10) years of operation, generate an estimated P170 Billion of revenues, approximately P31 Billion in national and local taxes, and at least 8,000 employment opportunities. Silangan Mining is also expected to spend roughly P6 Billion over the same period for social development and infrastructure programs that will benefit Mindanao. The project will promote the much-needed development in an area which, in the words of President Duterte, has long been neglected.

Silangan Mining secured its MPSA for the Silangan project from the National Government only after a thorough review process by all relevant Government agencies and the endorsement of the host communities and local government units.

PX, the parent company of Silangan Mining, has a long-standing policy of strictly complying with all applicable laws and regulations, and especially those pertaining to social development, environmental protection and rehabilitation. Contrary to the statements in the press conference, none of the areas covered by the Silangan Mining MPSA is located in a proclaimed watershed forest reserve where mining is prohibited. Silangan Mining is therefore confident that its MPSA is valid and can withstand any legal challenge.

While the DENR, as regulator, has the right, if not also the duty, to enforce faithfully all mining laws, and to act against erring mining companies, it must do so within the bounds of the Constitutionally-mandated due process procedure.

Following the press conference, the ensuing confusion and uncertainty surrounding DENR Secretary Lopez's pronouncements has already resulted in significant economic harm to PX public shareholders, including the Social Security System and its beneficiaries, through a sharp decline in its share price (approximately P6.5 Billion loss in shareholder value in one day) and has endangered the Silangan project, which is nearing its project implementation, by eroding investor confidence in the midst of a worrisome regulatory landscape that appears to disregard due process and interprets applicable laws as it wishes.

Four tenements of another PX subsidiary, Philex Gold Philippines, Inc. (PGPI) have also been included in the list for MPSA cancellation, even if all these MPSAs have been validly issued and, contrary to the assertions in the press conference, are also not located in proclaimed watershed forest reserves.

PX and its subsidiaries are willing partners of the Government in protecting the environment, and in its fight against poverty and unemployment, and in upholding the rule of law and supporting due process. PX continues to support President Duterte in his drive against illegal and irresponsible mining, and rally behind the President in promoting responsible and community-oriented mining.