



HARMONY

ANNUAL REPORT 2017

ABOUT THE COVER

The word “Harmony” perfectly encapsulates Philex Mining Corporation’s (PMC’s) performance year-in and year-out. The visual symmetry that frames the seemingly opposite or contrary forces of nature, community, and mining operations represent the symbiotic relationship the Company has with its key stakeholders. As an advocate of right and principled mining in the Philippines, PMC constantly strives to work harmoniously with its host communities and the environment to create the best value for all its stakeholders. PMC’s proactive environmental management goes beyond mere regulatory compliance and promotes the equitable, efficient, and conscientious use of natural resources, which, in turn, stimulates the Company’s long-term sustainable growth, the host communities’ continuing progress, and the environment’s responsible management.





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BUSINESS BACKGROUND

CORPORATE PROFILE

Philex Mining Corporation (“PMC” or the “Company”) and its subsidiaries had been originally organized into two main business groupings: the mining business, which is directly under PMC, Silangan Mindanao Mining Co., Inc. (SMMCI), and Philex Gold Philippines, Inc. (PGPI), and the energy and hydrocarbon business under PXP Energy Corporation (PXP), formerly Philex Petroleum Corporation. However, since July 15, 2016, the Group has focused on its core mining business when PXP and its subsidiaries ceased to be subsidiaries of PMC as a result of loss of control through property dividend distribution.

The Company was incorporated in the Philippines in 1955, and has been listed in the Philippine Stock Exchange (PSE) since November 23, 1956. PMC, Silangan Mindanao Exploration Co., Inc. (SMECI, a wholly-owned subsidiary incorporated in the Philippines) and its subsidiary, SMMCI, and PGPI (a wholly-owned subsidiary incorporated in the Philippines), are primarily engaged in large-scale exploration, development, and utilization of mineral resources.

PMC has been operating the Padcal mine in Benguet for the past 60 years using the underground block-cave method, with a starter mine in 1958. It is one of the longest operating mines in the country and provides PMC its main source of revenue.

SMECI, through SMMCI, owns the Silangan project covering the Boyongan and Bayugo deposits in Surigao del Norte. The project has secured and currently maintains all major permits from the Department of Environment and Natural Resources (“DENR”), including environmental compliance certification (“ECC”), a tree-cutting permit, and approved Declaration of Mining Project Feasibility. Silangan is envisioned to be an underground mine with a (1) starter mine to initially extract the near-surface ore and improve the groundwater condition, and (2) a main mine to extract most of the ore for the planned mine life. These studies are being advanced to include more details to support the requirements for project financing. The project has not yet commenced development.

Meanwhile, community development and environmental enhancement programs are sustained in compliance with the ECC conditions and the environmental, social, and governance (“ESG”) commitments to the local communities.

DENR Administrative Order (“DAO”) No. 2017-10, which bans the use of open-pit mining in the Philippines has been issued. Under the Philippine Mining Act of 1995, surface mining, such as the open-pit mining practiced in advanced economies like Canada, Australia, and the United States, is allowed in the country.

The Boyongan copper-gold porphyry deposit in Surigao del Norte was discovered in August 2000 under SMMCI, a joint venture with Anglo American Exploration Plc (Anglo). On February 6, 2009, the Company acquired Anglo's 50% interest in the Silangan project under SMMCI for a cash consideration of USD55 million, thereby owning 100% of the Silangan project. Adjacent to the Silangan project is the Kalayaan project, which is under a Farm-in Agreement with Kalayaan Gold & Copper Resources, Inc., a subsidiary of Manila Mining Corporation.

PGPI, on the other hand, used to operate the Bulawan Mine in Negros Occidental until 2002. PGPI's tenements include the Vista Alegre, Cayas, and Bulog projects. Other assets include the Sibutad Project in Zamboanga del Norte and Lascogon project in Surigao del Norte.

The Company also has a 20% equity investment in and advances to its energy and hydrocarbon affiliate PXP Energy Corporation.



BUSINESS OVERVIEW

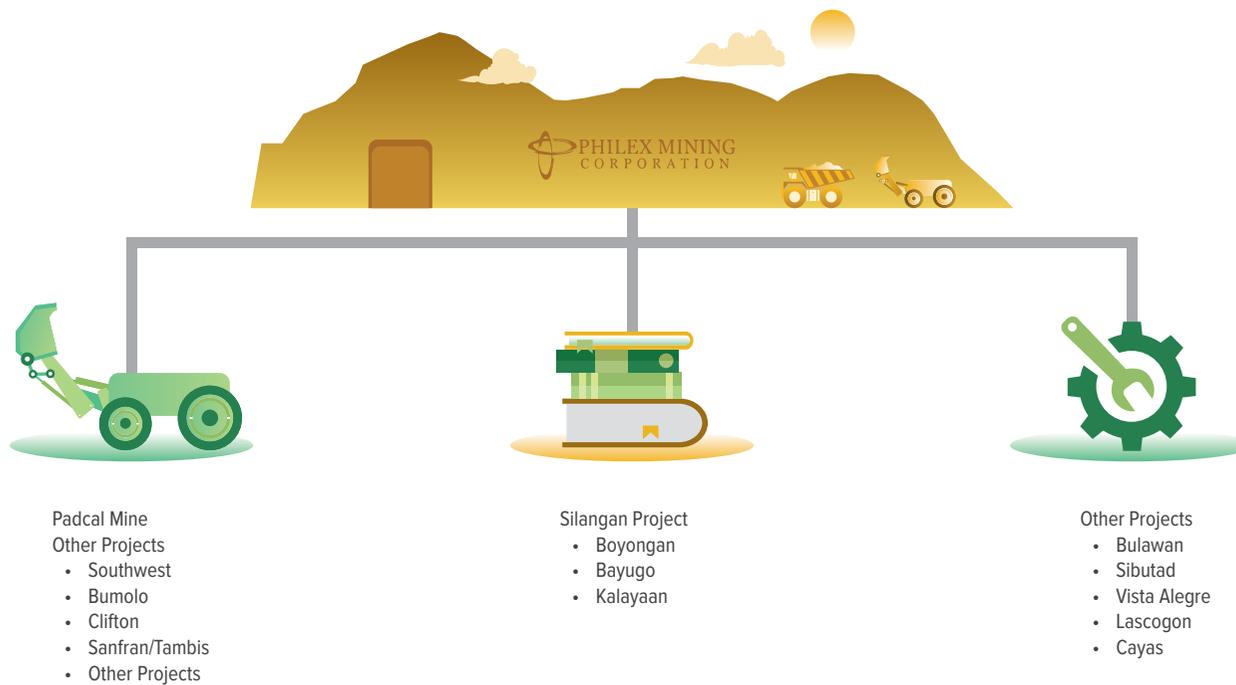
VISION

“Our vision is to be a highly respected, world-class natural resource company, committed to adhere to international standards in mining operations and environmental conservation and deliver excellent value to our partner communities, investors, employees and other stakeholders.”

MISSION

We are a responsible mining corporation that discovers and processes minerals and energy resources for the use of society.

BUSINESS STRUCTURE



The Company has a 20% equity investment in and advances to affiliate PXP Energy Corp.



FINANCIAL HIGHLIGHTS

PROFIT AND LOSS (P Millions)	2017	2016	2015	2014	2013
Revenue					
Gold	5,432	6,209	5,670	5,889	5,582
Copper	4,475	3,976	3,450	4,615	4,580
Silver	77	86	70	82	92
Total	9,985	10,272	9,189	10,587	10,253
Smelting Charges	842	893	837	850	660
Costs and Expenses	6,778	6,900	7,011	7,989	7,036
Income from Operations	2,365	2,478	1,341	1,748	2,557
Other Income (charges)	2	(213)	(55)	(191)	(1,371)
Net Income	1,658	1,567	776	703	312
Attributable to Philex Shareholders	1,658	1,589	896	1,006	342
EBITDA	3,977	3,854	2,779	3,320	3,920
Core Net Income	1,686	1,657	905	1,122	1,508
Earnings per Share	0.336	0.322	0.181	0.204	0.069
Cash Dividends per Share	0.08	0.07	0.02	0.08	N/A
FINANCIAL CONDITION (P Millions)					
Property, Plant and Equipment	6,721	6,736	6,828	7,139	6,880
Deferred Exploration Costs	23,361	23,072	29,197	25,367	22,050
Total Assets	39,679	38,662	43,527	44,597	39,899
Total Liabilities	14,947	15,263	16,243	17,555	13,982
Total Equity	24,732	23,399	27,284	27,042	25,917
Capital Expenditures*	2,438	2,360	3,878	5,764	5,695
Book Value per Share	5.00	4.74	5.52	5.47	5.25

PRICE AND COSTS	2017	2016	2015	2014	2013
Gold					
Realized Price / oz (US\$)	1,273	1,254	1,147	1,270	1,297
Operating Cost / oz (US\$)	929	919	933	977	858
Copper					
Realized Price / lb (US\$)	2.96	2.35	2.29	2.98	3.27
Operating Cost / lb (US\$)	2.16	1.72	1.86	2.29	2.16
FINANCIAL RATIOS					
Net Profit Margin	18.1%	16.7%	9.3%	7.2%	3.3%
Return on Assets	4.2%	3.8%	1.8%	1.7%	0.9%
Return on Equity	6.9%	6.2%	2.9%	2.7%	1.3%
Asset-to-equity Ratio	1.6	1.7	1.6	1.7	1.5
OTHER INFORMATION					
Cash Dividend Yield	1.3%	0.8%	0.5%	1.0%	N/A
Cash Dividend Payout Ratio	24.0%	20.9%	28.0%	25.0%	N/A
Number of Shareholders	44,072	44,219	44,296	44,386	44,533
Number of Employees	2,119	1,982	2,007	2,063	2,438

* Excluded the Company's energy and hydrocarbon business capex from 2013 - 2017.

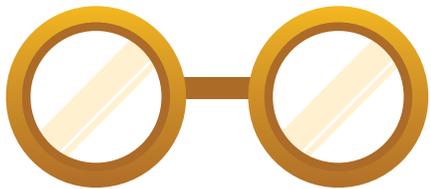
5-year Highlights (2013-2017)

↑ P1.66B	↑ P0.336/share	↑ P1.69B
2017 Net Income	2017 Earnings per Share	2017 Core Net Income

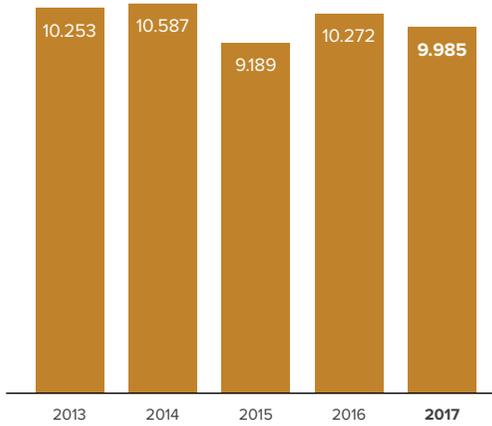
2017

AT A

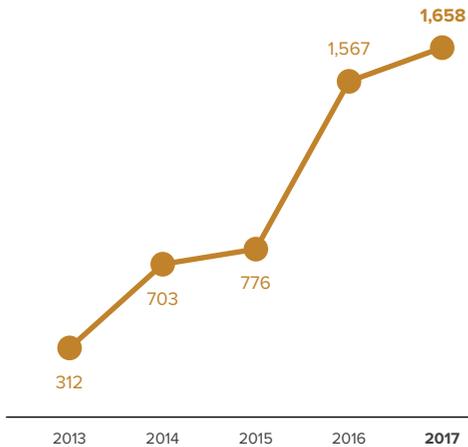
GLANCE



Revenues (P Billions)



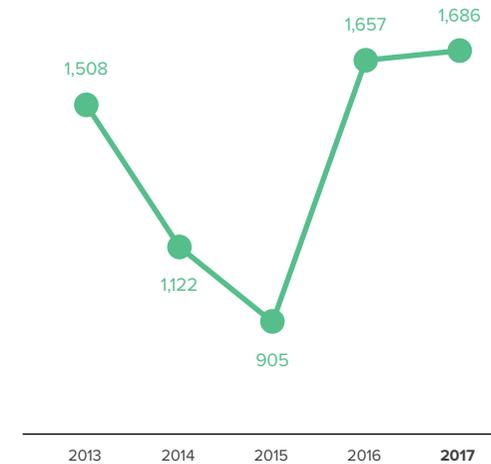
Net Income (P Millions)



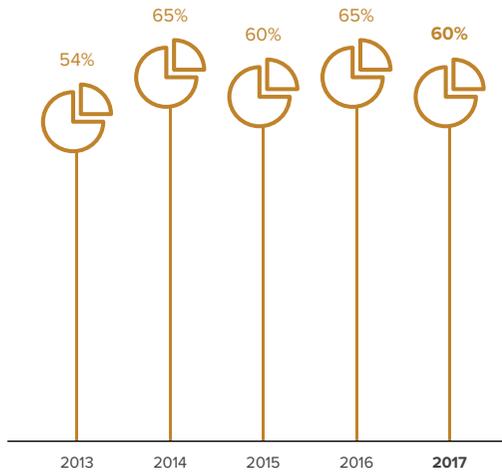
Earnings Before Interest, Taxes, Depreciation and Amortization (P Billions)



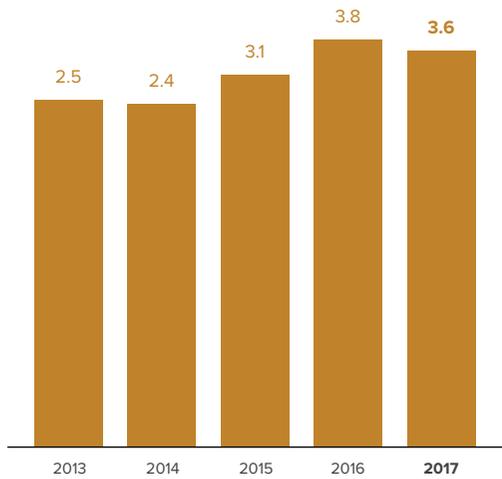
Core Net Income (P Millions)



Debt to Equity Ratio



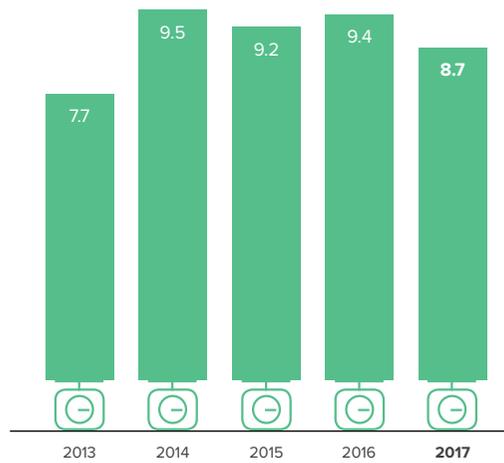
Net Debt to EBITDA (x)



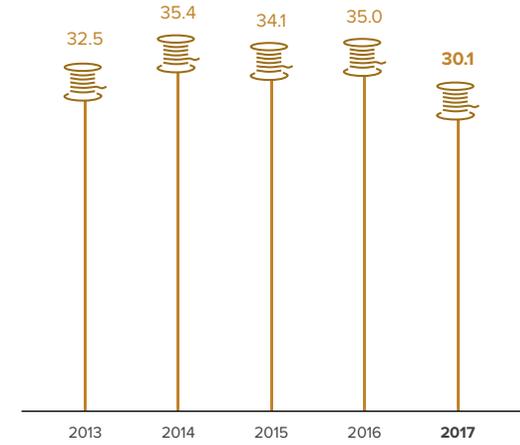
Market Capitalization and Share Price



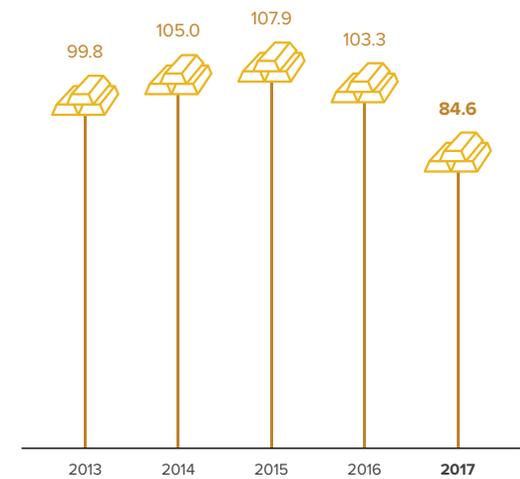
Tonnes Milled (Millions)



Copper Output (Million lbs.)



Gold Output ('000 ozs.)



2017



SAFETY PERFORMANCE



EXPLORATION ACTIVITIES



DEFINITION

Safety performance in the workplace means having an environment free from injury and hazards. Proper processes and procedures are in place to allow employees and contractors to work safely, thereby ensuring operations run smoothly. In addition, the Company is certified as OSHAS 1800 compliant for occupational health and safety.

Exploration is an intermittent endeavor, and mineral exploration and mining operations can be affected by factors beyond the Company's control. The Company banks on its ability to successfully explore and acquire reserves, design and construct efficient processing facilities, operate and manage its projects, and provide financial controls and management.



IMPACT ON OPERATIONS

A safe working environment would result in zero or minimal operational disruptions and business interruptions. This would translate to efficient operations and a reduced risk premium that will result in lower insurance premiums.

The Company pursues and invests in viable exploration activities and operational enhancements on a regular basis to ensure the optimization of value from its natural resource properties and the long-term sustainability of operations.



2017 PERFORMANCE

The Company believes that operational excellence can only be achieved when personnel health and safety remains an utmost priority. In 2017, the Company reported one Lost Time Accident-Fatal (LTA-F) in its Padcal mine, down from three LTA-F in 2016 caused by mud rush. Meanwhile, there were nine Lost Time Accident-Non Fatal (LTA-NF) incidents recorded in 2017, the same as in 2016.

In 2017, the Company spent P691.3 million for Silangan-related expenses and Padcal exploration projects, compared with P625.3 million in 2016. As of December 31, 2017, total exploration costs amounted to P24.361 billion, 61% of the Company's total assets, compared with P23.072 billion in 2016.

The Company is working towards achieving a "zero-harm" record by constantly reviewing safety policies and procedures. Initiatives are also in place to ensure that injuries are avoided and accidents are eliminated in the workplace. Third-party consultants are also engaged to evaluate the Company's existing safety performance and identify risks areas, as well as possible areas for improvement.

KEY PERFORMANCE INDICATORS



TONNES MILLED AND METAL PRODUCED

Total tonnage is the annual mine throughput, and this provides the basis for copper and gold production, together with the metal grade and recovery rate.

Tonnes milled and ore grade determine concentrates production, sales volume, and revenues. Tonnes milled, ore grade, and recovery rate determine the amount of concentrates that will be produced, which, in turn, will dictate the sales volume and revenues. Additional processes may be applied to increase the recovery of metal concentrates in cases of low ore grades.

Tonnes milled totaled 8,673,474 in 2017, compared with 9,359,161 tonnes in 2016. Padcal mined less tonnage in 2017 mainly due to issues related to a bouldery ore. Copper production reached 30,118,206 pounds in 2017, from 34,961,062 pounds in 2016, due mainly to lower tonnage and ore grade. Gold production totaled 84,638 ounces in 2017, compared with 103,304 ounces in 2016, as a result of lower tonnage, grade, and metal recovery.



PRODUCTION AND OPERATING COST PER UNIT

The average cost per tonne is a key measure of the Company's operating performance. At the same cost level, the higher the production volume, the lower the cost per tonne becomes and vice versa. Total production cost includes mine site cost and expenses, excluding smelting charges, excise tax, and royalties; operating costs, on the other hand, consist of all cost and expenses, excluding corporate overhead.

A lower cost per tonne would generally reflect an improvement in operating efficiency.

In 2017, the total production cost per tonne of ore milled was P687 compared with P649 in 2016 while operating costs and expenses per tonne of ore milled was P837 against P793 the previous year. In 2017 also, operating cost per ounce for gold under a co-production method amounted to USD929 per ounce compared with USD919 per ounce in 2016, while operating cost per pound for copper was at USD2.16 per pound compared with USD1.72 per pound in 2016.



EARNINGS PER SHARE

Earnings per share (EPS) represents the net income attributable to equity holders of the Company expressed in amount per share of the Company's average outstanding capital stock. As long as the Company's outstanding number of shares remain constant, the EPS increases as the Company's profit rises.

The EPS reflects the Company's financial and operational growth as a result of its performance in cost management, technical efficiency, and productivity. The EPS is the ultimate metric that measures the Company's overall financial and operational efficiency. The growth in EPS reflects the Company's performance in terms of productivity, cost management, and technical efficiency, among others.

The basic earnings per share in 2017 was 4% higher at P0.336, based on 4,940,399,068 weighted average shares outstanding for the period, compared with P0.322 based on 4,940,399,068 weighted average shares outstanding in 2016.

CORPORATE OBJECTIVES

	Increase operational efficiency in Padcal			
	Extend Padcal's life of mine through extensive exploration around Padcal and possible conversion of mineral resources under new parameters			
	Manage Silangan under DAO-2017-10		Study options and proceed with mine development of Silangan	
	<ul style="list-style-type: none"> • Pursue joint-venture and/or farm-in/out agreement for other tenements • Support energy and hydro-carbon initiatives of an affiliate 			
	Launch right and principled mining as enhancement to responsible mining			
2 0 1 8	2 0 1 9	2 0 2 0	2 0 2 1	2 0 2 2





MESSAGES

CHAIRMAN'S MESSAGE



Dear Shareholders,

Philippine mining is undergoing a transformation that will promote the responsible use of the country's natural resources vis-a-vis environmental stewardship of the ecosystem and poverty alleviation of host and neighboring communities. We are encouraged by this ongoing transformation and believe that it will stimulate long-term sustainable growth of the mining sector and drive economic and social progress in the communities they serve.

As one of the pioneers of principled and sustainable mining in the Philippines, your Company fully embraces this vision. While understandably this change in direction has raised significant issues for many industry players, most especially those directly affected by the suspension order from the Department of Environment and Natural Resources (DENR), we take this as a challenge and will continue to raise the bar for responsible mining.

In 2017, volume of gold, copper, and silver produced, as reported by the Mines and Geosciences Bureau (MGB), declined by 2%, 10%, and 19%, respectively, from the previous period. This decrease has been due partly to the government's crackdown on what are recognized as unscrupulous and irresponsible mining practices.

Taking a longer term perspective, the mining industry posted the slowest growth among industries during the last five years, in terms of gross value added (GVA) to the economy. To put things in better perspective, the average growth rate of all

industries other than mining from 2012-16 was 7.9%, compared with 3.8% for the mining sector during the same period and 3.7% last year.

In particular, gold mining GVA from 2012-16 posted an 8.6% growth while copper mining GVA recorded a 7.1% improvement. In 2017, gold mining GVA's growth was halved to 3.6% while copper mining GVA decreased by 15.8%.

Other policy changes have also taken place, including, from a fiscal and regulatory standpoint, the 100% increase in excise taxes under the Tax Reform for Acceleration and Inclusion (TRAIN) Package I and the issuance of DENR DAO-2017-10. These developments will have a significant impact on your Company moving forward, both financially and operationally.

Despite this challenging backdrop, your Company posted a core net income and net income of P1.69 billion and P1.66 billion, respectively, which were both higher than the previous year's levels. The doubling of excise tax rates under the TRAIN Law, however, will have an impact starting 2018.

The financial performance was primarily driven by improved metal prices, which partially offset lower metal output. Nonetheless, our results enabled us to pay a total cash dividend of P0.08 centavos per share from 2017 earnings, which was also higher than 2016's cash dividends of P0.07/share.

We have continued to provide for the communities around our areas of operations through the Social Development and

Management Program (SDMP), where we spent an amount of P135 million equivalent to 1.9% of our total operating expenses and exceeding what the government mandates at 1.5%.

Over and above the SDMP, we continue to financially support a total of 54 students at the University of the Philippines, the University of Asia and the Pacific, and the St. Louis University in Baguio through various educational grants and scholarship programs.

Added to this, our contributions related to our Environmental Protection and Enhancement Program (EPEP) of P412 million reached 11.4% of our direct mining and milling costs last year, almost three times the 3-5% required under the law.

As in previous years, our proactive environmental management continue to extend beyond mere regulatory compliance. As of the end of last year, we have planted more than ten (10) million trees and reforested 3,972 hectares of land compared with the 825 hectares directly involved in our operations. Indeed, we strongly advocate the President's and DENR Secretary's thrust for a fair, efficient, and conscientious use of our natural resources, which we believe should be embraced by Philippine businesses as a whole.

We are convinced that the ongoing reform in the local mining industry is necessary to improve and consolidate the sector in the long-run to allow those who benefit from it—families, students, the communities, local and national government units, indigenous people (IP) groups, key stakeholders and society in general—to reap the full advantages from its continuation and development. We also believe that every cleansing process entails compromises and sacrifices and, currently, we are at the stage wherein our capability to thrive

under stricter norms, to create a stronger industry in the future for the benefit of all, is again challenged.

To show our support to the ideals of the DENR and the government, we proposed the adoption of the Towards Sustainable Mining (TSM) Initiative by the Chamber of Mines of the Philippines (COMP). As a result, the COMP and the Mining Association of Canada (MAC) have signed a mutual-cooperation and licensing agreement last December 2017 to adopt the TSM Initiative standards in the Philippines. Internally, we have also aligned and integrated our practices with ISO 26000 guidelines to strengthen our commitment to corporate social responsibility (CSR) and environmental management. These are on top of the existing OSHAS and IMS Certifications we have already secured for Padcal since 2002.

While we pursue these pioneering initiatives, we will likewise sustain and continue to strengthen our established advocacies, especially with respect to corporate governance best practices. We believe that our adherence to and familiarity with world-class standards in this field will also anchor our commitment to these international principles. We maintained our top ranking in the ASEAN Corporate Governance Scorecard and remained among the Philippine Stock Exchange's Top 5 Bell Awardees since 2015, the only mining company to do so, both in recognition of your Company's sound corporate governance practices.

Even as we continue to cultivate and deepen our partnership with government in terms of social development and nation building, we remain committed to work hand in hand with all the concerned agencies and policy-makers, to do our share for the country's long-term socio-economic advancement.

To uphold this commitment, we will continue to enhance operational efficiencies in Padcal to maximize the mine's remaining life, while simultaneously exploring areas within and around the vicinity of Padcal to unlock a new ore body to sustain operations beyond its current declared mine life. We are currently completing studies that will expand our existing tailings storage to extend Padcal's life of mine further.

Meantime, we are managing the Silangan Project under the existing environment, proceeding strategically yet cautiously, leveraging on the project's merits, to advance to mine development.

We are likewise constantly exploring the most viable options for our other assets to unlock their full potential value, which includes providing critical support to our various subsidiaries and affiliates as required. Finally, we will anchor our advocacy on a stronger platform, of right and principled mining, to enhance our legacy of responsible mining.

Allow me to thank everyone, our Board of Directors, the Management, our employees, our business partners, our creditors, and all our stakeholders, for taking part in this noble yet challenging endeavor. We seek your continued support for our aspiration to make Philex Mining stronger and more productive in the years to come.



MANUEL V. PANGILINAN
Chairman of the Board

PRESIDENT'S REPORT



My fellow shareholders,

As our Chairman has articulated in his message, the local mining industry is ushering in a new era that requires the sector's deeper commitment to the environment and an expanded support to surrounding communities. Ideally, the reforms put in place will enable the industry to become a more significant contributor to the country's socio-economic progress and serve as a role model for achieving a balance between natural resource development and environmental management.

In general, the industry has been called to strengthen its alignment with international mining standards, particularly that of Canada and Australia. While our Company is no stranger to adopting global benchmarks in many respects, it is important that we continue to be at the forefront of this transformation while remaining steadfast in pursuing the Company's long-term growth.

Last year, we generated a core net income of P1.69 billion and a reported net income of P1.66 billion, both exceeding the previous years' levels. These results were achieved despite our operations in Padcal being affected by bouldery ore, lower ore grades and other production-related issues. Tonnage reached 8.673 million tonnes, while ore grades were recorded at 0.377 g/t for gold and 0.192% for copper. As a result, gold output reached 84,638 ounces while copper production totaled 30.1 million pounds.

Despite lower production, gold revenue amounted to P5.43 billion as gold prices improved to US\$1,273 per ounce. Revenue from copper reached P4.48 billion as average copper prices increased to US\$2.96, while revenue from silver totaled P77.2 million. In all, total operating revenues amounted to P9.99 billion in 2017.

With lower output, consolidated costs and expenses decreased to P6.78 billion. In particular, cash production costs decreased to P4.41 billion as the cost of power, contracts and other expenses showed a combined 16% reduction to P1.71 billion. Meanwhile, general and administrative expenses declined for the fourth straight year to P363 million due to relentless cost rationalization programs. The Parent Company likewise repaid P705.2 million (US\$13 million) in bank loans to bring total short-term debt to P2.45 billion (US\$49 million) as of end-December 31, 2017.

With 2017's financial results, the Company sustained the increase in net income for the fifth consecutive year since 2012, amid volatile metal prices and a challenging regulatory environment. Such accomplishments over the years confirm our strong commitment to all our stakeholders, especially with respect to participating in the socio-economic development of our host and neighboring communities.

Our quantitative contributions, through the Social Development Management Program (SDMP) and Environmental Protection and Enhancement Program (EPEP), both continue to go well

beyond the government's mandate and we believe the programs we have supported have far reaching multiplier effects on the lives of the people within our host and neighboring communities.

In particular, our SDMP, including our support for information, education, and communication (IEC) and the development of mining technology and geosciences (DMTG), amounted to 1.9% of our operating expenses against the regulatory requirement of a 1.5% share. More importantly, our contributions translated to 320 families in Camp 1 of Tuba receiving immediate medical and dental attention through a newly-constructed rural health center; 2,200 families given access to a more sustainable potable water supply; and more than 1,100 families benefiting from 20 livelihood associations and cooperatives that offer and support their sources of income.

On top of the 2,000 annual enrollees at our very own Philex Mines Elementary School and St. Louis High School-Philex in Padcal, 98 college level and 278 high school students received scholarships while 400 students were given educational subsidies in various scholastic institutions under SDMP's educational component. In addition, twelve (12) students from the University of the Philippines, eight (8) from the University of Asia and the Pacific, and 34 from St. Louis University of Baguio were granted scholarships through the Company's voluntary donations and educational funds. These programs have produced hundreds of professionals who now support their own families.

A separate initiative under our Environmental Protection and Enhancement Program (EPEP) enabled our Company to plant more than ten (10) million trees across 3,972 hectares of land as of end last year. In 2017, we allotted 11.4% of our direct mining and milling costs for our EPEP compared with the 3-5% contribution mandated under the law.

To give you a perspective of how proactive we are in this arena, we have so far reforested four times the area directly affected by our operations. This even excludes the 1.3 million seedlings of various plant species planted in Silangan, Bulawan and Sibutad. The former has yet to commence mine development while the latter two have been transformed to natural sanctuaries and currently serve as models of environmental recreation after the completion of responsible mining operations.

Time and again, we welcome moves to strengthen compliance with global standards in mining including the call to adhere to Canadian and Australian standards. In fact, our initiatives, as early as 2016, materialized last year as the Chamber of Mines of the Philippines (COMP) adopted our proposal by signing a formal agreement with the Mining Association of Canada to adopt the Towards Sustainable Mining (TSM) initiative locally.

We are also aligning our operations with ISO 26000 guidelines for corporate social responsibility to further strengthen our social license to operate amongst our key stakeholders. These enhancements are in addition to the Integrated Management System (IMS) Certification, covering ISO 14001 and BS OSHAS

“Last year, we generated a core net income of P1.69 billion and a reported net income of P1.66 billion, both exceeding the previous years’ levels.”

18001, secured in our Padcal Mine, Environmental Management System (EMS) Certification (ISO 14001) received in our Silangan Project for the provision of pre-mining development activities, and our adherence to recommendations of the International Mining Industry Underwriters, the majority of whom are based in Europe, to reinforce our risk management framework.

Part of our being right and principled corporate citizens is compliance with all applicable laws and regulations. While our Silangan project has acquired all the pertinent documentations and permits for surface mining from the regulatory bodies and secured the necessary endorsements from key stakeholders, the project remains on hold.

More than the funds we have infused into the Silangan project, it is the return on our social investments, which aims to uplift the lives of thousands of residents who believe in the project, that remains unrealized. We remain confident, however, that the opportunity for shaping a brighter future for these individuals will be within reach soon. Currently, our team is evaluating options that will meet the present regulatory, financial, technical, and environmental requirements of the Department of Environment and Natural Resources and other government agencies to launch the Project into mine development.

Meanwhile, we are presently completing studies, focusing on the most effective and efficient means to expand the capacities of our existing tailings storage facilities (TSFs) to accommodate

additional tailings and allow for Padcal's life of mine to be extended beyond 2022. These studies are expected to be completed soon. Coupled with these, mining methodology at the active mining levels is also being reviewed to generate higher returns.

Over the longer-term, we will follow a strategic road map that supports our sustainable growth objectives.

This includes actively exploring new areas within and around the vicinity of the current ore body for new ore sources and evaluating several globally acceptable techniques and innovations, related to our tailings storage process, which will further augment our TSF capacities and result in a longer mine life.

As an essential element of our continuing right and principled mining advocacy, we are programmed to plant close to 180,000 trees this year, on top of the nine million trees we have already planted, under our proactive reforestation and rehabilitation program across the areas where we have presence. On a larger scale, we are likewise aligning our practices with the Mining Association of Canada's TSM initiative to strengthen our adherence to international mining standards. Though admittedly these initiatives are still at preliminary stages, we believe these will build the foundation for a strong and stable operating platform in the future.

We have established in Padcal a proven approach for a harmonious co-existence between mining operations, the host and neighboring communities, and the surrounding ecosystem for the past six decades. Yet despite employing this successful model, which we will follow in our other projects particularly Silangan, there still lies obstacles that need to be overcome. But such is the story of your Company – one of persistently rising above challenges – and this is what the succeeding chapters of our history will be.

With that, I would like to thank our Board of Directors, the Management, our partners, shareholders, key stakeholders, and, most especially, our employees, who have always kept the faith in our organization.



EULALIO B. AUSTIN, JR.
President and Chief Executive Officer



DIRECTORS AND OFFICERS

BOARD OF DIRECTORS



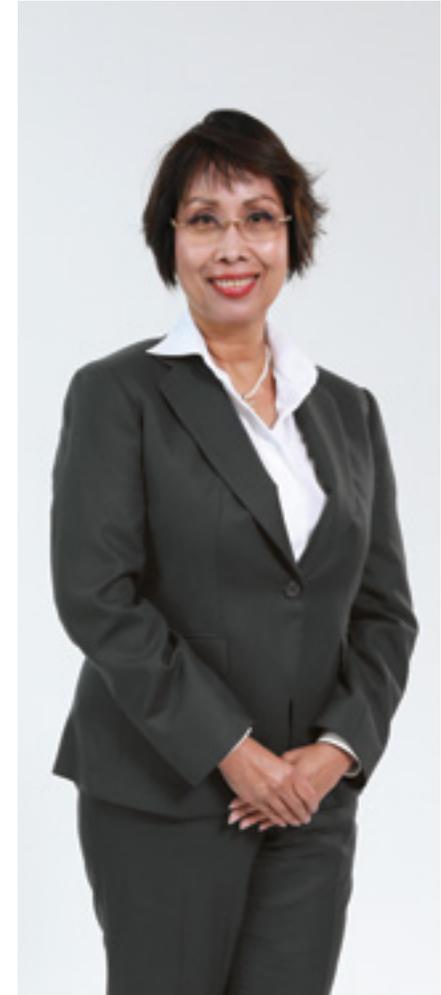
MANUEL V. PANGILINAN
Chairman, Non-Executive Director



EULALIO B. AUSTIN, JR.
President & CEO, Executive Director



OSCAR J. HILADO
Independent Director



MARILYN A. VICTORIO-AQUINO
Non-Executive Director

MANUEL V. PANGILINAN

Chairman, Non-Executive Director

Age: 71

Date of First Appointment: November 28, 2008

Academic Background:

Mr. Pangilinan graduated cum laude from the Ateneo de Manila University with a Bachelor of Arts degree in Economics. He received his Master of Business Administration degree from the Wharton School of the University of Pennsylvania in 1968.

Business and Professional Background/ Experience:

Mr. Pangilinan founded First Pacific Company Limited, a corporation listed on the Hong Kong Stock Exchange, in May 1981. He served as Managing Director of First Pacific Company Limited since its founding in 1981 until 1999. He was appointed Executive Chairman until June 2003, after which he was named Managing Director and Chief Executive Officer. In May 2006, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of *Lakandula*, rank of *Komandante*, in recognition of his contributions to the country. He was named Management Man of the Year 2005 by the Management Association of the Philippines.

Mr. Pangilinan was awarded the First Honorary Doctorates Degree in Management by the Asian Institute of Management in 2016, Honorary Doctorates in Science by Far Eastern University in 2010, in Humanities by Holy Angel University in 2008, by Xavier University in 2007, and by San Beda College in 2002. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School. He is a member of the ASEAN Business Advisory Council. Mr. Pangilinan is a Director of Silangan Mindanao Mining Co., Inc. and Philex Gold Philippines, Inc. (PGPI). He is also the Managing Director and Chief Executive Officer of First Pacific Company Limited, and Chairman of the PLDT Inc. (PLDT) since 2004, after serving as its President and Chief Executive Officer (CEO) since 1998. He assumed the position of President and CEO of PLDT effective December 2015. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Landco Pacific Corporation, Medical Doctors, Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Asian Hospital, Inc., Davao Doctors, Inc., Riverside Medical Center, Inc., Our Lady of Lourdes Hospital, Central Luzon Doctors' Hospital, Inc., Maynilad Water Services Corporation, Mediaquest, Inc., Associated Broadcasting Corporation (TV5), and Manila North Tollways Corporation. Mr. Pangilinan is also Chairman of the Manila Electric Company (MERALCO), after serving as its President and Chief Executive Officer (CEO) from July 2010 to May 2012. In December 2013, Roxas Holdings, Inc., the largest sugar producer in the Philippines, announced the election of Mr. Pangilinan as Vice Chairman.

Directorship in other Listed Companies in the Philippines:

- PLDT, Inc., *Chairman*
- Metro Pacific Investments Corporation, *Chairman*
- Roxas Holdings, Inc., *Vice Chairman and Non-Executive Director*
- Manila Electric Company, *Chairman*
- PXP Energy Corporation, *Chairman*

EULALIO B. AUSTIN, JR.

President & CEO, Executive Director

Age: 56

Date of First Appointment: June 29, 2011

Academic Background:

Mr. Austin graduated from Saint Louis University-Baguio City, with a Bachelor of Science degree in Mining Engineering, and placed eight at the 1982 Professional Board Examination for mining engineers. He took his Management Development Program at the Asian Institute of Management in 2005 and his Advanced Management Program at Harvard Business School in 2013.

Business and Professional Background/Experience:

Mr. Austin has been a Director of PMC and PGPI since June 29, 2011 and was re-elected on June 28, 2017. He became President and Chief Operating Officer on January 1, 2012, and President and CEO of the Company on April 3, 2013. He previously served as the Company's Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998, and Mine Engineering & Draw Control Department Manager from 1996 to 1998. Mr. Austin concurrently serves as Director of PXP Energy Corporation, President of PGPI and President and Chairman of Silangan Mindanao Mining Co., Inc.

Outside of Philex Mining, he is a member of the Board of Trustees of the Chamber of Mines of the Philippines, where he also serves as the Chairman of the Membership Committee and sits as a member of the Executive Committee and the Towards Sustainable Mining (TSM) Initiative Committee. He was awarded Most Outstanding Engineer of the Philippine Society of Mining Engineers (PSME) in 2016, on top of being the Founding President of PSME's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last December 14, 2015 in Hong Kong, and was recognized as an Asia-Pacific Entrepreneurship Awardee by Enterprise Asia in November 2016.

Directorship in OTHER Listed Companies in the Philippines:

- PXP Energy Corporation, *Non-Executive Director*

OSCAR J. HILADO

Independent Director

Age: 80

Date of First Appointment: December 7, 2009

Academic Background:

Mr. Hilado, a Certified Public Accountant, completed his undergraduate studies at the De La Salle College-Bacolod in 1958, and obtained his Masters in Business Administration from the Harvard School of Business Administration as a Smith Mundt/Fulbright Scholar in 1962. He received a Doctorate in Business Management, Honoris Causa, from the De La Salle University and a Doctorate of Laws, Honoris Causa, from the University of St. La Salle in 1992.

Business and Professional Background/Experience:

Mr. Hilado has been an Independent Director of PMC since December 7, 2009, and was last re-elected on June 24, 2015. He was the Chairman & Chief Executive Officer of Philippine Investment Management (PHINMA), Inc. (January 1994 to August 2005), and is currently the Chairman of the Board. He is also Chairman of PHINMA Corp. and PHINMA Property Holdings Corp., Vice Chairman of Union Galvasteel Corporation, PHINMA Energy Corporation, and PHINMA Power Generation Corporation, and Director of PHINMA Renewable Energy Corporation and PHINMA Solar Energy Corporation. Mr. Hilado is also an Independent Director of Smart Communications, Inc., Digital Telecommunications Phils., Inc., and A. Soriano Corporation. He is also a Director of United Pulp and Paper Company, Inc., Beacon Property Ventures, Inc., Manila Cordage Company, Pueblo de Oro Development Corporation, Seven Seas Resorts and Leisure, Inc., Asian Eye Institute, Araullo University, Cagayan de Oro College, University of Iloilo, University of Pangasinan, Southwestern University, St. Jude College, Manila, and Microtel Inns & Suites (Pilipinas), Inc.

Directorship in Other Listed Companies in the Philippines:

- PHINMA Corporation, *Non-Executive Director*
- PHINMA Energy Corporation, *Non-Executive Director*
- A. Soriano Corporation, *Independent Director*
- Rockwell Land Corporation, *Independent Director*
- Roxas Holdings, Inc., *Independent Director*

MARILYN A. VICTORIO-AQUINO

Non-Executive Director

Age: 62

Date of First Appointment: December 7, 2009

Academic Background:

Ms. Victorio-Aquino graduated cum laude from the University of the Philippines College of Law in 1980, and placed second in the Philippine Bar Examination.

Business and Professional Background/Experience:

Ms. Victorio-Aquino has been a Director of PMC and PGPI since December 7, 2009 and was re-elected on June 28, 2017. She is an Assistant Director of First Pacific Company Limited since July 2012, following her 32-year law practice at the SyCip, Salazar, Hernandez, and Gatmaitan Law Offices, where she was Partner from 1989 to 2012. She is also a Director of the Philippine Indofood Distribution Corporation since August 2014, Light Rail Manila Corporation since July 2014, Silangan Mindanao Mining Co., Inc., Lepanto Consolidated Mining Company since October 2012, and of Maynilad Water Services Corporation since December 2012.

Directorship in Other Listed Companies in the Philippines:

- PXP Energy Corporation, *Non-Executive Director*
- Lepanto Consolidated Mining Company, *Non-Executive Director*



BARBARA ANNE C. MIGALLOS
Corporate Secretary, Executive Director



ROBERT C. NICHOLSON
Non-Executive Director



WILFREDO A. PARAS
Independent Director



EDWARD A. TORTORICI
Non-Executive Director

BARBARA ANNE C. MIGALLOS

Corporate Secretary, Executive Director

Age: 63

Date of First Appointment: June 26, 2013

Academic Background:

Ms. Migallos graduated cum laude from the University of the Philippines, with a Bachelor of Laws degree in 1979. She placed third in the 1979 Philippine Bar Examination.

Business and Professional Background/Experience:

Ms. Migallos was elected to the Board of Directors of PMC and PGPI on June 28, 2017. She is also the Company's Corporate Secretary since July 1998. She is also Director and Corporate Secretary of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos has also been a Director of Mabuhay Vinyl Corporation since 2000 and of Philippine Resins Industries since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005 and of Nickel Asia Corporation since 2010. She is a professorial lecturer in Corporations Law, Insurance, Securities Regulation, and Credit Transactions at the De La Salle University College of Law. She was a Senior Partner of Roco, Kapunan, Migallos, and Luna Law Offices from 1988 to 2006.

Directorship in other Listed Companies in the Philippines:

- Mabuhay Vinyl Corporation, *Non-Executive Director*

ROBERT C. NICHOLSON

Non-Executive Director

Age: 62

Date of First Appointment: November 8, 2008

Academic Background:

Mr. Nicholson graduated from the University of Kent in 1976, and qualified as a solicitor in England, Wales, and Hong Kong.

Business and Professional Background/Experience:

Mr. Nicholson is an Executive Director of First Pacific Company Limited. He has been a Director of PMC and PGPI since November 28, 2008, and was re-elected on June 28, 2017. He is Chairman of Goodman Fielder Pty Limited (since March 2015), a Commissioner of PT Indofood Sukses Makmur Tbk. and a Director of Metro Pacific Investments Corporation, PXP Energy Corporation, Pitkin Petroleum Limited, Forum Energy Limited and Pacific Light Power Pte. Ltd., all of which are First Pacific Group subsidiaries, associates or joint venture.

Mr. Nicholson is also an Independent Non-Executive Director of Pacific Basin Shipping Limited. Previously, he was a senior partner of Reed Smith Richards Butler from 1985 to 2001, where he established the corporate and commercial department, and was also a senior advisor to the board of directors of PCCW Limited between August 2001 and September 2003.

Mr. Nicholson has wide experience in corporate finance and cross-border transactions, including mergers and acquisitions, regional telecommunications, debt and equity capital markets, corporate reorganizations, and privatizations in China.

Directorship in other Listed Companies in the Philippines:

- PXP Energy Corporation, *Non-Executive Director*
- Metro Pacific Investment Corporation, *Non-Executive Director*

WILFREDO A. PARAS

Independent Director

Age: 71

Date of First Appointment: June 29, 2011

Academic Background:

Mr. Paras completed his undergraduate studies at the University of the Philippines in 1969, with a Bachelor of Science degree in Industrial Pharmacy, and finished his Master in Business Administration at the De La Salle University in 1991. He also completed an Executive Program at the University of Michigan.

Business and Professional Background/Experience:

Mr. Paras has been an Independent Director of PMC since June 29, 2011, and was re-elected on June 28, 2017. He has been an Independent Director of GT Capital Holdings, Inc. since May 2013, President of WAP Holdings, Inc., and a Director of CIIF Oil Mills Group of Companies. He is also a member of the Board of Trustees of Dualtech Training Foundation, Inc. Mr. Paras was previously the Executive Vice President, Chief Operating Officer, and Director of JG Summit Petrochemical Corporation, President and Director of PT Union Carbide Indonesia, Managing Director of Union Carbide Singapore, and Business Director for Union Carbide Asia-Pacific.

Directorship in Other Listed Companies in the Philippines:

- GT Capital Holdings, Inc., *Non-Executive Director*

EDWARD A. TORTORICI

Non-Executive Director

Age: 78

Date of First Appointment: December 7, 2009

Academic Background:

Mr. Tortorici received a Bachelor of Science degree from New York University, and a Master of Science degree from Fairfield University.

Business and Professional Background/ Experience:

Mr. Tortorici has been a Director of PMC and PGPI since December 7, 2009, and was re-elected on June 28, 2017. Mr. Tortorici has served in a variety of senior and executive management positions, including Corporate Vice President for the Crocker Bank and Managing Director for the Olivetti Corporation of America and the Fairchild Semiconductor Corporation. Mr. Tortorici subsequently founded EA Edwards Associates, an international management and consulting firm specializing in strategy formulation and productivity improvement with offices in the United States, Europe, and the Middle East. In 1987, Mr. Tortorici joined First Pacific Company Limited and served as an Executive Director up to 2017. Mr. Tortorici was also appointed a Commissioner of Indofood Sukses Makmur Tbk in 2001 and re-elected in 2004, 2009, 2012, and 2015. He also served as Director of Metro Pacific Investments Corporation, Maynilad Water Services, Inc., and FEC Resources, Inc. of Canada. He previously served as Director of AIM-listed Forum Energy Plc. Mr. Tortorici serves as a Trustee of the Asia Society Philippines, and is on the Board of Advisors of the Southeast Asia Division of the Center for Strategic and International Studies, a Washington-based non-partisan think tank. He also served as a Commissioner of the U.S. ASEAN Strategy Commission.

Directorship in Other Listed Companies in the Philippines: None



MICHAEL G. REGINO
Non-Executive Director



ANITA BUMPUS QUITAIN
Non-Executive Director



GONZALO T. DUQUE
Non-Executive Director

MICHAEL G. REGINO

Non-Executive Director

Age: 56**Date of First Appointment:** February 28, 2017**Academic Background:**

Mr. Regino graduated cum laude and salutatorian from the Ateneo de Zamboanga University in 1981, with a Bachelor of Science degree in Economics. He obtained his Masters in Business Administration from the Ateneo de Manila University in 1985.

Business and Professional Background/Experience:

Mr. Regino was appointed on October 27, 2017 as Member of the Board of the Social Security Commission (SSC) and on February 28, 2017, as Director of Philex Mining Corporation. He has been a Director of UnionBank of the Philippines since March 7, 2018.

Previously, he served as the President and as a director of San Agustin Services, Inc., Agata Mining Ventures, Inc., and Exploration Drilling Corp., as the Senior Vice President and Chief Operating Officer of St. Augustine Gold and Copper Ltd., and as the Executive Director of TVI Resources Development Phils., Inc. He was a director of Nationwide Development Corporation and KingKing Mining Corp., where he took charge of the Davao operations.

He was also the President of Golden Haven Memorial Parks, Inc., Camella Homes, and MGS Group of Companies. He also once shared his competence in other industries, such as Northern Foods, Corp., Kilusang Kabuhayan at Kaunlaran, and the Ateneo de Zamboanga University, where he served as Finance and Treasury Manager, Chief Financial Specialist, and Instructor in Economics, respectively.

Directorship in Other Listed Companies in the Philippines: None**ANITA BUMPUS QUITAIN**

Non-Executive Director

Age: 71**Date of First Appointment:** February 28, 2017**Academic Background:**

Ms. Quitain holds a Bachelor of Secondary Education degree and a Bachelor of Science degree in Commerce, major in Accounting, from the University of Mindanao in Davao City. She also completed two years of Masters in Public Administration for her Career Civil Service Eligibility.

Business and Professional Background/ Experience:

As newly-appointed SSS Commissioner, Ms. Quitain voted yes on the increase of the pension of SSS pensioners, despite being a neophyte member of the Social Security Commission (SSC).

Having been connected with the SSS's Region IX Main Office in Davao City for 31 years, Ms. Quitain was appointed as Officer-in-Charge of the newly-opened SSS Representative Office in Digos City, Davao del Sur, where she conducted seminars and coverage drives in rural areas, aside from discharging her management and leadership functions.

Prior to this, Ms. Quitain taught elementary education for 10 years under the Department of Education and also taught at the Philippine Women's College of Davao.

At one time or another, Ms. Quitain headed different sections at the SSS Main Office in Davao, namely: Membership, Real Estate, Operations Accounting, Member Assistance Center, and the Sickness, Maternity, and Disability Sections.

Directorship in Other Listed Companies in the Philippines: None**JOSE GABRIEL M. LA VIÑA¹**

Non-Executive Director

Age: 59**Date of First Appointment:** February 28, 2017**Academic Background:**

Mr. La Viña graduated magna cum laude from the Ateneo de Manila University, with a Bachelor of Arts degree in Philosophy, he was an Ateneo full scholar and an Insular Life Educational Foundation (ILEF) scholar. He was also an AFS scholar, and holds a Master in Entrepreneurship, Superior Performance, at the Asian Institute of Management. He was also the class valedictorian at Corona del Mar High School, Newport Beach, California, Xavier University High School, and Xavier University Grade School.

Business and Professional Background/Experience:

Mr. La Viña was appointed Commissioner of the Social Security System (SSS) on November 2016. Prior to this, he was the Social Media Director of the Duterte 2016 Presidential Campaign and a member of its Media Central & Communications Group. Mr. La Viña has 32 years of experience in various industries, including home mortgage brokerage, real estate, cooperative banking, technology, auto sales, supply chain management, hospitality, and music entertainment. He was elected to the Board of Directors of the Alumni Association of the Asian Institute of Management in February 2016. He served as a Treasurer and Trustee of the AFS Intercultural Services, which sends around 30 to 40 Filipino Muslim youth scholars to the United States every year under the Kennedy-Lugar Youth Exchange and Study program funded by the U.S. State Department.

As composer, Mr. La Viña's songs have been recorded by Lea Salonga, Chad Borja, Joey Albert, Gino Padilla, Anna Fegi, Renz Verano, Jinky Llamanzares, Raymond Lauchengco, Iwi Laurel, Tillie Moreno, Louie Reyes, Eugene Villaluz, and other top Filipino and international artists. One of his compositions won

Third Prize in the Metro Manila Popular Music Festival in 1984, and two other received Honorable Mention at the 10th Billboard International Song Contest in 2002.

Directorship in Other Listed Companies in the Philippines: None**GONZALO T. DUQUE²**

Non-Executive Director

Age: 66**Date of First Appointment:** February 27, 2018**Academic Background:**

Dr. Duque graduated with a Bachelor of Arts degree in Political Science in 1972, and a Bachelor of Laws degree in 1976, from San Beda College, Manila. He completed his Doctor of Educational Management (2010, meritissimus) at the University of the Visayas, and his Doctor of Humanities (2011, honoris causa) at the University of Baguio.

Business and Professional Background/ Experience:

Dr. Duque served as a hearing officer at the Securities and Exchange Commission before being elected as Vice Governor of Pangasinan in 1987. In 1994, he served in the Philippine Overseas Employment Administration (POEA) as Director IV before becoming Deputy Administrator in 1996. He was also a consultant of the House of Representatives Committee on Education (2005) and of the Commission on Higher Education (2009).

Dr. Duque is currently the Chancellor of Lyceum Northwestern University (LNU) and the Chairman of the Dagupan City Water District. He is also the Chairman of the Dagupan City Peace and Order Council, Policy Advisory Council of the Pangasinan Historical Culture Commission, and Dagupan City Historical, Cultural, and Arts Commission. Likewise, he is a member of the Philippine Constitution Association and a consultant of the Dangerous Drugs Board.

Dr. Duque's previous affiliations included key positions in the Coordinating Council for Private Educational Associations, Philippine Association of Colleges and Universities, Private Schools Athletic Association of the Philippines, Young Men's Christian Association of the Philippines, Anti-Drug Abuse Foundation of Pangasinan, Pangasinan Press Club, Inc., Pangasinan Chapter of the Integrated Bar of the Philippines, and Vice Governors' League of the Philippines.

Directorship in Other Listed Companies in the Philippines: None¹ Mr. Jose Gabriel M. La Viña resigned from the Philex Board effective February 22, 2018.² Appointed to the Philex Board of Directors effective February 27, 2018.

PHILEX MINING CORPORATION OFFICERS



From left to right:
MICHAEL T. TOLEDO, Senior Vice President for Public & Regulatory Affairs
REDEMPTA P. BALUDA, Vice President for Exploration
DANNY Y. YU, Senior Vice President for Finance & Chief Financial Officer
EULALIO B. AUSTIN, JR., President & Chief Executive Officer
BARBARA ANNE C. MIGALLOS, Corporate Secretary
JOAN A. DE VENECIA-FABUL, Vice President and General Counsel
VICTOR A. FRANCISCO, Vice President for Environment & Community Relations

SILANGAN MINDANAO MINING CO., INC. DIRECTORS AND OFFICERS



From left to right:
PARALUMAN M. NAVARRO, Controller
DANNY Y. YU, Treasurer
MICHAEL T. TOLEDO, Chief Operating Officer and Director
EULALIO B. AUSTIN, JR., President & Chairman
MANUEL V. PANGILINAN, Director
MARILYN A. VICTORIO-AQUINO, Director



OPERATIONS

MINING PROPERTIES AND EXPLORATION ACTIVITIES

PMC’s mineral properties or tenements in the Padcal mine and its vicinity have a total area of 12,059 hectares located within the municipalities of Tuba and Itogon in Benguet Province. These are all covered by existing mineral agreements and applications.

Padcal mine, where Sto. Tomas II deposit is situated, is covered by Mineral Production Sharing Agreement (MPSA) 276-2009-CAR, valid up to January 19, 2034, with an area of 81 hectares. MPSA 276-2009-CAR was issued under the names of the heirs of Baldomero Nevada, Sr., Trinidad Nevada, and Baldomero Nevada, Jr. (the “Nevadas”). The Nevadas transferred their rights to explore, develop, and utilize the mineral property under the mineral agreements covered by MPSA 276-2009-CAR to PMC by virtue of a royalty agreement executed on August 29, 1955 for an indefinite term, in consideration of royalty payments of 1% for copper and 4% for gold and silver based on the net revenue of minerals after deducting smelting charges.

Contiguous to the area covered by MPSA 276-2009-CAR are two other mineral agreements covered by MPSA 156-2000-



CAR and MPSA 157-2000-CAR, both issued on April 10, 2000 and valid up to April 10, 2025, and mineral applications under Exploration Permit Application (EXPA) 075-CAR, EXPA 078-CAR, and Application for Production Sharing Agreement (APSA) 098-CAR. A summary of the Padcal vicinity mining tenements and applications is shown in the table:

Tenement	Area ² (in Hectares)
MPSA 156-2000-CAR	3,848
MPSA 157-2000-CAR	2,958
MPSA 276-2009-CAR	81
EXPA 075-CAR	486
EXPA 078-CAR	4,561
APSA 098-CAR	125

Padcal Mine Mineral Resources as of December 31, 2017

Ore Sources	Classification	Tonnes (in million)	Copper %	Gold g/t	Contained Metals	
					Copper (in million lbs.)	Gold ('000 ozs.)
908-782ML						
908ML	Measured + Indicated	51.2	0.26	0.46	291.3	752
798ML	Measured + Indicated	27.9	0.21	0.37	127.5	333
782ML	Measured + Indicated	26.0	0.23	0.39	134.7	324
Subtotal	Measured + Indicated	105.1	0.24	0.42	553.5	1,409
800-600ML	Measured + Indicated	80.6	0.20	0.44	361.1	1,152
TOTAL	Measured + Indicated	185.7	0.22	0.43	914.6	2,561
Metal Prices						
	Copper: USD2.90 / lb			Forex		P51.00 to USD1
	Gold: USD1,280 / oz			Operating Cost		P948 per tonne
Metal Recovery						
	Copper: 80%		Conversion Factor for Gold to CuEq			0.644
	Gold: 80%		Break-even Grade			0.363% CuEq

This resource statement was prepared by Mr. Noel C. Oliveros, Exploration Division Manager of Philex Mining Corporation, who has sufficient experience relevant to the style of mineralization of Sto. Tomas II Porphyry Copper Deposit. Mr. Oliveros is a Competent Person for Exploration and Mineral Resource Estimation under the definition of the Philippine Mineral Reporting Code ("PMRC"). He is a professional Geologist with PRC License No. 1285 and accreditation number Geology CP-07-08-07. He has given his consent to the Public Reporting of this statement concerning Mineral Resource Estimation.

On October 28, 2015, the declared life of mine of the Padcal mine has been extended to year 2022 from 2020 due to an additional 20 million tonnes declared proved reserves.

On February 22, 2016, the Company disclosed the results of exploration near the surface of Bumolo project, an area within MPSA 156-2000-CAR, with an estimated 21.7 million tonnes of Inferred Mineral Resource Estimate (MRE) at 0.20% copper and 0.30 grams per tonne gold, at a cut-off of 0.274% CuEq. Thereafter, additional drilling brought the Bumolo MRE to Indicated category.

EXPLORATION

Exploration and development, the equivalent of research and development for a mining company, are currently undertaken by the Company's in-house team, with or assisted by consultants and other service providers like engineering and/or drilling contractors. Expenses related to exploration and development for 2017, 2016, and 2015 amounted to P691.3 million, P625.3 million, and P2.488 billion, respectively.

Padcal Mine

The Padcal mine, which Philex has been operating since 1958, is the first underground block cave operation in the Far East. The mine produces copper concentrates, with gold and silver as by-products.

Exploration activities in 2017 focused on four prospects in the vicinity of the Padcal mine, all within MPSA 156-2000-CAR. These are the Southwest project, with intensive drilling for porphyry copper-gold; Tapsan project, with scout drilling for vein gold; North Midway project, with scout drilling for porphyry copper-gold; and Oliva project, with scout drilling for porphyry copper-gold.

Southwest Project

The Southwest prospect lies about 0.8 kilometers (kms) from the Santo Tomas II ore body, where active mining is being undertaken. In 2017, drilling resulted in a total of 10,311 meters (m) from 18 drill holes. Results from these holes provided an updated understanding of the mineralization in this prospect from historical drilling in the 1980s and in 2011 to 2012.

Significant hypogene copper mineralization of chalcopyrite and bornite, hosted in a phreatomagmatic breccia-intrusive pipe, was intersected during the drilling activities. Aside from hypogene mineralization, supergene mineralization, as tenorite and chalcantite, occurs in the northwest portion of the prospect and is limited within structures. Follow-up drilling of the early significant intercepts resulted in a narrow mineralized zone, which is currently the subject of ongoing mineral resource estimation.

Other Projects

Tapsan Project

Drilling in the Tapsan prospect for gold mineralization commenced in the third quarter of 2017. Mapping of outcrops and gold veins from a number of tunnels identified three main gold zones. No significant gold resource has yet been discovered due to the limited volume of the narrow gold veins intersected in the first two scout holes.

Padcal Mine Proved Reserves As of December 31, 2017

Ore Sources	Tonnes (in million)	Copper %	Gold g/t	Recoverable Metals	
				Copper (in million lbs.)	Gold ('000 ozs.)
908ML	0.1	0.20	0.42	0.4	1
798ML	20.8	0.20	0.34	71.2	183
782ML	8.3	0.21	0.27	30.4	56
760ML	12.1	0.21	0.49	44.0	152
730ML	7.1	0.19	0.46	23.7	84
700ML	3.9	0.20	0.44	13.8	44
TOTAL	52.3	0.20	0.39	183.5	520

Metal Prices	Copper: USD2.90 / lb Gold: USD1,280 / oz	Forex	P51.00 to USD1
		Operating Cost per Tonne	Above 760ml: P837 per tonne Below 760ml: P948 per tonne
Metal Recovery	Copper: 80% Gold: 80%	Conversion Factor for Gold to CuEq	0.644
		Break-even Grade (% CuEq)	Above 760ml: 0.321 Below 760ml: 0.363

This reserve statement was prepared by Engr. Ricardo S. Dolipas II (BSEM), Mine Division Manager of Philex Mining Corporation. Engr. Dolipas is a Competent Person under the definition of the PMRC and has sufficient experience as to the type of deposit and style of mining in Padcal mine. He is a licensed mining engineer with PRC Registration No. 0002513 and CP Accreditation No. EM 0002513-021/13. He has given his consent to the Public Reporting of this statement concerning Mineral Reserve Estimation.

North Midway Project

The North Midway prospect lies three kilometers from the Sto. Tomas II ore body. Scout drilling commenced in May 2017 and ended on January 22, 2018. Four holes with an aggregate depth of 2,538 meters were drilled in 2017. A review of the next phase of follow-up drilling is ongoing.

Oliva Project

The Oliva prospect lies two kilometers south of the Sto. Tomas II ore body. The two drill holes yielded negative of mineralization and alteration. As such, no further exploration was conducted.

Support to Operations

Underground mapping and sampling was accomplished through 2,208 samples collected over 6,624 meters of horizontal and vertical tunnel advance.

In addition, the Mine Geology team also provided geotechnical assistance to mine operations through the following:

a. **Hydrogeology study of Padcal mine.** The activity was conducted for the possible dewatering program of the Padcal mine, should mining proceed below 800ML, where

substantial mineral resources occur. A total of 1,922.20 meters of core samples were logged for this study. The team worked closely with a consultant.

b. **Geotechnical drilling in the TSF-3 spillway.** The team conducted geomechanical core logging of the last five drill holes in close coordination with the geotechnical consultant, Golders Associate.



c. **Annual assessment of the stability of the subsidence area.** Fifteen survey lines of 5.5 line-kilometers were surveyed over the subsidence floor over three months, utilizing the in-house induced polarization (IP) geophysical instrument.

A consultant processed and interpreted the raw data in the memorandum report titled “Electric Resistivity Survey to Map Groundwater Distribution in the Subsidence Area”. Furthermore, a report titled “Hydrology and Drainage of the Subsidence Area” was also released by the consulting firm last January 2018.

- d. **Geo-hazard assessment.** The program was conducted along Philex-Kias provincial road and other road networks within and around the mine site to evaluate potential hazards.

The Mine Geology team also extended technical support to mill operations through petrographic analyses of mill-stream samples, such as filter cake, copper middling, and final flotation tail samples, to monitor mineralogical changes.

Silangan Project

The Silangan project, located in Surigao del Norte, consists of two deposits: the wholly-owned Boyongan and Bayugo is further divided into two sections, one is wholly-owned by PMC and the other portion is the subject of a joint venture agreement with Manila Mining Corporation. The Boyongan and Bayugo deposits and sites for the proposed waste and storage facilities are located within the tenement areas covered by MPSA 149-99-XIII and EXP 000013-XIII. To date, all mineral rights held by SMMCI with respect to the Silangan project area are valid and subsisting.

SMMCI is registered with the Board of Investments (BOI) as a non-pioneer project entitled to four years of income tax holiday beginning 2017, extendable for another two years subject to certain conditions. In October 2016, SMMCI filed a request with the BOI on the movement of the start of the income tax holiday

to the beginning of 2021. To date, the approval of this request is still pending with the BOI.

In July 2016, MPSA 149-99-XIII was reduced to 2,202 hectares after relinquishing 677 hectares that are outside the existing mine development and maintenance plan. It also relinquished 6,934 hectares from its EXP XIII-013 as part of the government-prescribed requirement for exploration permit renewal. EXP XIII-013 is now reduced to 5,000 hectares from the previous

11,934 hectares. These two tenements, which are held by SMMCI, are surrounded by other PMC tenements and applications within Surigao del Norte, as listed below:

Tenements	Area (in Hectares)
MPSA 149-9-XIII	2,202
MPSA 034-95-X	405
EP XIII-013, Lot A & B	5,000
EPA XIII-012	2,330
EPA 000039-XIII	6,683

As of August 5, 2011, the reported resources for Boyongan and Bayugo were as follows:

	Tonnes (in million)	Copper %	Gold g/t	Contained Metals	
				Copper (in million lbs.)	Gold ('000 ozs.)
BOYONGAN					
Measured	201	0.54	0.7	2,400	5,000
Indicated	72	0.46	0.57	720	1,300
Measured + Indicated	273	0.52	0.72	3,120	6,300
Inferred	26	0.41	0.49	240	400
BAYUGO					
Measured	99	0.64	0.65	1,390	2,100
Indicated	26	0.76	0.69	430	600
Measured + Indicated	125	0.66	0.66	1,820	2,700
Inferred	7	0.77	0.60	120	100
TOTAL (Measured + Indicated)	398	0.56	0.70	4,940	9,000

Mr. Noel C. Oliveros, Exploration Division Manager and Head of the Exploration and Resource Estimation Group of Philex Mining Corporation, has given his consent to the release of this resource estimate. The resource estimate is compliant with the rules and guidelines set forth by the Philippine Mineral Reporting Code (PMRC). Mr. Oliveros has sufficient experience in resource evaluation relevant to the style of mineralization in the Surigao mineral district. Mr. Oliveros is a Competent Person for Exploration and Mineral Resource Estimation under the definition of the PMRC. He has given his consent to the public reporting of this estimate following the PMRC guidelines concerning Mineral Resource Estimation.

Boyongan and Bayugo Deposits

In November 2010, as part of the project's pre-feasibility study, SRK Consulting, an independent leading international mining engineering consulting firm based in Canada, was engaged by SMMCI to make an independent evaluation of the project. SRK recommended the construction of an exploration decline or ramp to the bottom of the Boyongan deposit as part of a geotechnical investigation to provide more reliable and specific information on the area's ground condition for the purposes of mine planning and design, as well as to obtain bulk samples from the ore body.

The development of the decline started in April 2011 and advanced until January 2015, reaching a distance of 1,415 meters from the portal, with an area of five by five meters. The center of the Boyongan deposit's eastern high-grade zone was mapped and bulk-sampled via a crosscut, called the Ore Characterization Drive (OCD), approximately 800 meters from the decline. Another bulk sampling program was conducted from the surface using large diameter bore holes from May to December 2014.

Under the supervision of Brisbane-based lead consultant AECOM, more than 100 tons of bulk ore samples were prepared and shipped to various laboratories in Perth, Australia for bench and pilot metallurgical tests from March to June 2015. This would be used for the development of the pilot plant. Meanwhile, the process flow design of the pilot plant, which produced copper cathodes, was also completed in September 2015 and would be a significant input to the Definitive Feasibility Study (DFS).

Value-engineering studies on the project are being undertaken by AUSENCO, an independent engineering firm also based in Brisbane, Australia, since 2016 that will meet the present

regulatory, financial, technical, and environmental requirements of the government.

The project's amended ECC for the surface mining method was approved in May 2016 following the approval of the amended Mining Project Feasibility Study in connection with the approved Declaration of Mining Project Feasibility. This was on top of the Tree Cutting Permit secured from the DENR and the endorsement of 11 barangays and four municipalities hosting the Project.

The total expenditure related to the project as of December 31, 2017 amounted to P17.485 billion, including the P1.438 billion incurred prior to 2009, when the project was still under Anglo. The figure does not include the fair value adjustment amounting to P5.552 billion booked in 2009.

Kalayaan Project

In May 2011, the Company executed a Farm-In Agreement with Manila Mining Corporation (MMC), which involved the purchase of a 5% equity interest in Kalayaan Gold-Copper Resources, Inc. (KGCRI), a subsidiary of MMC that assigns the right to explore the Kalayaan properties covering 286 hectares under EP XIII-014B. This area is adjacent to EP XIII-013 and contains the Bayugo deposit.

Under the agreement, the Company was to conduct exploration activities in the property for three years, but was extended for an additional three years. Exploration of the area is currently on hold pending the approval of the third renewal of the exploration period. In the event that the Company declares the commercial feasibility of the area within the period, it will have the right to increase its holdings in KGCRI to 60% by subscribing to an additional 55% of KGCRI's outstanding capital stock for

a minimal amount, and it will become an integral part of the Silangan project.

The Company commenced drilling in December 2011 after ground preparations, environmental mitigation measures, and community relations initiatives had been conducted. This transpired for about seven months after the signing of the Farm-In Agreement. By September 2013, a total of 73,520 meters had been drilled, 66,486 meters of which were for resource definition and 7,034 meters of which were for scout drilling.

In 2014, the detailed logging of 57 definition drill holes of East and West Bayugo, totaling 26,104.64 meters, was completed. This activity increased confidence in the understanding of the mineralization. In addition, magnetotellurics (MT) survey from the surface was conducted, which provided preliminary data on the hydrologic model of the Boyongan and Bayugo deposits.

Other Significant Projects

During the course of the year, the Company's Exploration Group also evaluated proposals for possible joint ventures and/or operating agreements. However, insufficient data and the overall challenging regulatory climate prevented the Company from pursuing the offers further.

The Company focused on more advanced exploration projects such as the Silangan project and areas within the Padcal vicinity. As a result, exploration activities in each of the Company's various Mineral Production Sharing Agreements (MPSAs) located in Negros Occidental, Surigao del Norte, and Zamboanga Del Norte have not been prioritized.

ENVIRONMENTAL STEWARDSHIP

ENVIRONMENTAL COMPLIANCE

In compliance with the DENR environmental regulations, PMC and its subsidiaries has:

- implemented environmental management measures;
- installed pollution control measures or devices for identified sources of air, water, and toxic pollution; and
- regularly reported the results of its inspection and monitoring to the Environmental Management Bureau (EMB) of the DENR.

The following environmental policies are complied with:

Presidential Decree (PD) No. 1586: Establishing an Environmental Impact Statement System, including other environmental management related measures and for other purposes. No person, partnership or corporation shall undertake or operate any declared environmentally critical project or area without first securing an ECC.

Republic Act (RA) No. 6969: Toxic, Hazardous, and Nuclear Waste Act. Is the Act regulating the handling, treatment and disposal of generated chemical wastes and other toxic and hazardous substances.

RA No. 8749: Philippine Clean Air Act. The Act that provides for the management of point and nonpoint sources of pollution,



and for the quarterly monitoring and testing of pollution source device or facility.

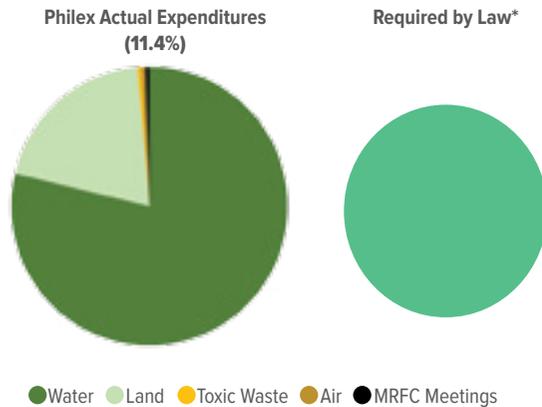
RA No. 9275: Philippine Clean Water Act. The environmental law regulating discharges of effluent from processing and other operations of the company.

In addition, an Environmental Protection and Enhancement Program (EPEP) is required to provide the operational link

between the mining company's environmental protection and enhancement commitments under the DENR Administrative Order (DAO) No. 2010-21, as well as those stipulated in the Environmental Compliance Certificate (ECC) under PD NO. 1586 and the mining company's plan of operations. As mandated, and pursuant to RA No. 7942, the minimum required budget for the annual EPEP ranges from 3-5% of the direct mining and milling costs of the company.

In 2017, the Company spent 11.4% of its direct mining and milling costs for the EPEP, with the breakdown shown in the chart below.

Environmental Protection and Enhancement Program



*3-5% of direct mining and milling costs.

Being a right and principled mining advocate, PMC is committed to manage and rehabilitate the physical environment within and around its areas of operations through the EPEP. PMC ensures that the impacts of its activities are mitigated and measures are in place to certify compliance with existing laws, rules and regulations.

The EPEP is a congregation of well-thought plans and long-term programs, primarily in the areas of reforestation and rehabilitation, air, land, and water quality monitoring as well as waste management, among others, that will safeguard the well-being of future generations. The 2017 Annual Sustainability Report bears more detailed information on the Company's environmental preservation initiatives.

LAND RESOURCE MANAGEMENT

As early as the exploration phase, PMC prepares and implements an Environmental Work Program (EWP) that addresses the potential environmental impacts of operations and ensures progressive rehabilitation of affected lands.

The table on the right summarizes the results of PMC's planting and reforestation program, which have so far reached more than ten (10) million trees as of end December 2017, across the Company's operating mine and other projects.

Padcal

In 2017, 200,000 seedlings were propagated at the Philex Padcal nursery. This is on top of caring and maintaining over 2,765 hectares of reforested land and the maintenance and protection of 25 hectares of bamboo plantation located at Tailings Storage Facility (TSF) #1.

Other land resource management activities in 2017 included subsidence backfilling operations totaling 2.5 million metric tons of materials, deepening of the Albion Creek (with a depth of 9 meters x 10 meters wide x 80 meters long) and daily garbage hauling, resulting in a total volume of 1,200 tons of waste collected.

Silangan

In Silangan, despite being under care and maintenance, seed- and tree-planting activities continued. As of December 2017, 282,000 fresh seedlings of various species were sown, together with 30,000 trees replanted. These yielded 251,000 surviving trees as of the end last year or a survival rate of 89%.

As part of erosion control measures, Silangan provided vegetative cover on open and sloping areas as a primary strategy. In areas

PMC Reforestation Program

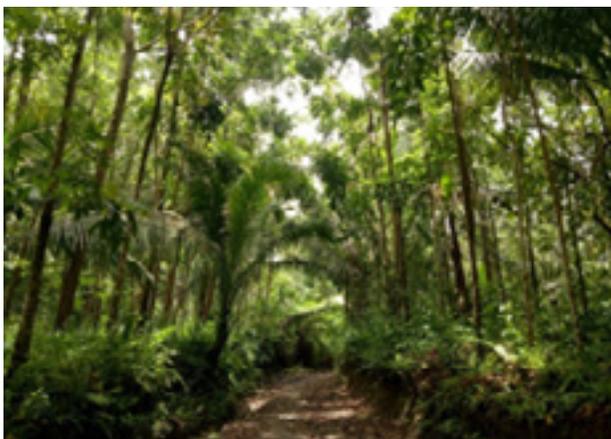
Name of Project	Area disturbed (hectares)	Area reforested (hectares)	Estimated Number of Trees Planted (thousands)	Type of species planted
Padcal Mine	580	2,850	8,762	Calliandra, Benguet Pine, Gmelina, Kupang, Alnus, Antsoan Dilau, Eucalyptus, Agoho, Narra, Teak, Coffee, Mango, Avocado, Bougainvillea, Dapdap, Guava, Jackfruit, etc.
Bulawan	146	821*	1,263	Mangium, Auri, Mahogany, Gmelina, Rain tree, Coffee
Sibutad	38	179	275	Mangium and Auri
		38	58	Bakauan (Rhizophora Mucrunata)
Lascogon	37	5	8	Falcata, Narra, Mangium, Coffee
Silangan	24	79	251	Mahogany, Mangium, Falcata, Narra, Cacao, Coffee, Palawan Cherry, Lanzones, Marang, Rambutan, etc.
TOTAL	825	3,972	10,618	

*includes areas under Assisted Natural Regeneration (ANR)

were grass or tree planting was not feasible, installation of gabion mesh were implemented instead.

Other areas (Bulawan, Sibutad, Vista Alegre, and Cayas Projects)

In other sites, planting of coffee, mahogany, fruit trees, yakal, cacao, falcate, and other species continued, together with the implementation of other transformational projects in the rehabilitated areas. These included aqua culture (tilapia), organic rice production, and organic vegetable gardening,



which produces growing tomatoes, eggplant, pumpkin, bell pepper, cucumber, watermelon, string beans, carrots, cabbage and zucchini.

Meanwhile, the maintenance of mangrove plantations over an area of 1.5 hectares and planting of seedlings across 2,600 square meters of land was sustained in Sibutad.

WATER RESOURCE MANAGEMENT

PMC constantly monitors water quality and provides treatment, when necessary, in accordance with regulatory requirements, and with due consideration to the aquatic environment and the effect to downstream users. All the results showed that PMC exceeded the standards set by the government across different criteria.

Padcal

In Padcal, different parties conducted weekly water sampling, which are then collected for effluent content testing, in compliance with Water Quality Standards. In addition to



self-monitoring, regular independent water sampling of ambient water and effluents was performed, in accordance with the DENR standards No. 34 (Revised Water Usage and Classification/Water Quality Criteria series of 1990) and DAO 2016-08 (Water Quality Guidelines & General Effluent Standards of 2016).

Apart from these, stages 1 and 2 of the TSF3 spillway raising was completed last year, further strengthening the structure's pollution-control mechanism. In addition, offset dike maintenance, land bridge raising, and beaching were also conducted during the period.

At TSF2, sanitary landfill operations, concreting of the diversion tunnel invert, and grass cutting were performed to maintain the site while construction of overland channel (Phase 4) and concreting of canals were done at TSF1.

Silangan

While still under care and maintenance, no wastewater was generated, from either operations or construction of mine facilities. As such, regular sampling from and monitoring

of creeks and rivers in 58 sampling stations around the project site were undertaken to ensure water quality meets government standards.

In support of the DENR-EMB's "Adopt-an-Estero/Water Body Program" to promote the nationwide rehabilitation of rivers and creeks, Silangan adopted two (2) water bodies, namely the Cagaasan – Paragayo-Timamana River and the Belwang–Hilaw-An Creek-Payao River, where regular monitoring, clean-up activities, and river bank stabilization measures were performed.

Other Areas

Outside Padcal and Silangan, assigned personnel in different sites regularly conducted water quality monitoring in rehabilitated tailings ponds to ensure levels are acceptable for recreation, fisheries, and aqua-marine habitation.

AIR QUALITY MONITORING

PMC also manages changes in atmospheric air quality, particularly focusing on managing GHG emissions and dust and air pollution. The activities include regular air quality monitoring, installation of dust blowers, dust collectors, and ventilation systems within the mine site, provision of used oil depository area, and installation of dynamo fume hood, among others, to ensure constant compliance with RA 8749 or the Clean Air Act. The results of regular monitoring revealed PMC's above compliance with RA 8749.

Padcal

In Padcal, the air sampler device was upgraded to measure particulate matter of 2.5 microns in size (PM2.5) from PM 10 previously to improve air quality monitoring and testing. Other

activities included the maintenance of dust-collector equipment at the assay/metallurgical and exploration Laboratories to minimize dust and impurities from contaminating samples and assays.

Silangan

The site employs the Environmental Beta Attenuation Monitoring (E-BAM) equipment, capable of measuring PM10 air particles, for ambient air quality monitoring within the site. In addition, Silangan facilitated Berkman Systems, Inc.'s, a DENR-accredited sampler, emission testing and sampling from three (3) units of diesel-fed generators last May 2017 to ensure safe air quality.



SOLID WASTE MANAGEMENT

PMC strictly prohibits harmful and unlawful discharge of solid and hazardous waste around its areas of operations and existing sites.

In Padcal, the sanitary landfill at TSF#2 in Padcal undergoes periodic maintenance to ensure that it operates in accordance with its Environmental Compliance Certificate (ECC). In addition, waste drums are provided in all working areas around the site to encourage proper waste disposal.

Meanwhile, various operations produce oil and lubricants that require proper disposal, in accordance with RA 6969: Toxic Substances and Hazardous and Nuclear Wastes Control and RA 9003: Ecological Solid Waste Management Act. In connection with this, 20 samples of Transformer Oil were submitted for analyses and for proper handling afterwards.

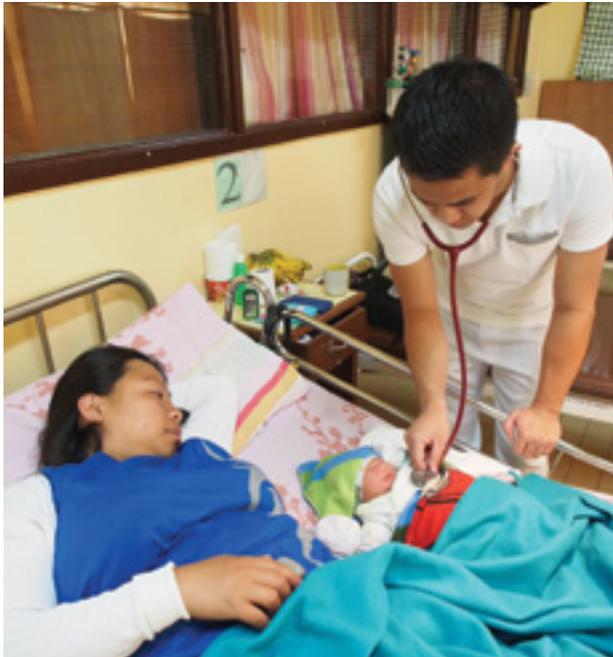


In Silangan, different hazardous wastes generated from operations are identified, collected, and stored in separate storage facilities, subject to regular monitoring. A DENR-accredited transporter and handler then processes the treatment or disposal, with the necessary documents secured before the activity.

More details of the Company's environmental stewardship initiatives are available in the 2017 Sustainability Report.

SOCIAL DEVELOPMENT

To promote the Development of Host and Neighboring Communities (DHNC), the Company spent 1.9% of its total operating expenses in 2017 to fund its DHNC programs versus the mandated 1.5% under the law. Under DHNC, Social Development Management Program (SDMP) comprised the biggest share, which included activities geared towards Health and Sanitation, Education, Livelihood and Skills Development, and Public Infrastructure Support.



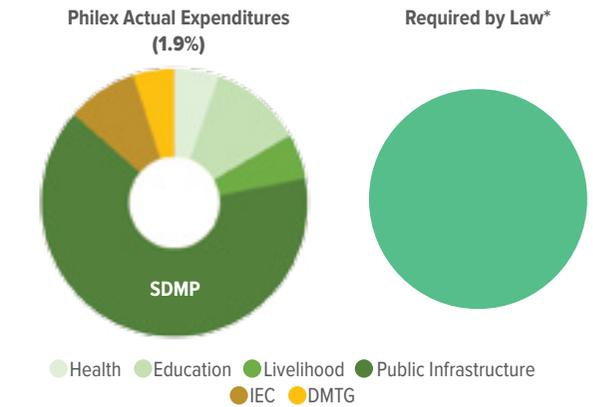
PADCAL MINE

Health and Sanitation

The Padcal mine's Sto. Niño Hospital caters to 6,000 patients annually, mostly employees, their families, and our host and neighbouring communities (HNCs). On average, the hospital receives 350 outpatients daily, all of whom are attended with free medical consultations and treatment and provided with the necessary medicine. Our health program also covers medical and dental missions, which likewise offer free consultations and provide free medicine.



Development of Host and Neighboring Communities



*1.5% of total operating expenses



Under this initiative, the Company also provided health insurance to 551 indigents from the HNCs through the Philippine Health Insurance Corporation (PhilHealth). To promote self-reliance, the Company also equipped other health clinics in the neighboring communities with appropriate devices and medical apparatus to advance their accreditation as lying-in centers.

Education

Pusong Philex, the Company's anchor educational assistance program, supports and subsidizes elementary and high school students from within the camp and from the HNCs.

On top of the 2000 enrollees annually, almost 800 students across different levels received educational subsidies in various scholastic institutions in Baguio City and La Trinidad, including at our very own Philex Mines Elementary School and St. Louis High School-Philex, under our SDMP's educational component in 2017.

In addition, 54 students from the University of Asia and the Pacific, the University of the Philippines, and St. Louis University of Baguio were granted scholarships through the Company's voluntary donations and educational funds.

To date, these programs have produced hundreds of professionals—doctors, lawyers, engineers, accounting firm partners, and the likes—who now raise and support their own families.

Livelihood and Skills Development

In 2017, Philex continued to support its local farmers and entrepreneurs through various projects and financial assistance for small and medium enterprises (SMEs), aimed at enhancing opportunities for successful and profitable livelihood.

This included providing seed capital for iodized salt retailing and purchasing equipment for a water refilling station. Other initiatives involved the provision of financial and technical



support for hog and poultry raising, as well as the improvement of existing irrigation facilities.

Public Infrastructure Support

The provision of public infrastructure promotes safe and convenient access to basic services. The Company sustained this campaign within the campsite and around the HNCs through the following projects:

- i. Provision of infrastructure support to health and education programs;
- ii. Construction and improvement of buildings and facilities for livelihood development;
- iii. Development and continuous improvement of farm-to-market and access roads, such as the Philex-Kias Provincial Road; and
- iv. Extension of secondary power lines, electric wiring, and installation of power outlets.

In addition, Philex also prioritized the construction and improvement of water systems and the delivery of water analysis equipment to ensure that the HNCs have access to potable water.

SILANGAN PROJECT

In lieu of its Community Development Plan (CDP), the Silangan Mindanao Mining Company, Inc. (SMMCI or Silangan) implemented a corporate social responsibility (CSR) program for 2017. Through its CSR program, Silangan continued its commitment to create positive impact to its HNCs through the implementation of strategic and responsive community projects, despite being under care and maintenance.

Health

Silangan completed the donation of emergency kits and critical medical equipment to three earthquake-hit barangays in Sison, Surigao del Norte. The recipient barangays welcomed the packages and, being located in far-flung areas, acknowledged that these will be very essential during disasters.

Education

For school year 2017-2018, Silangan donated school bags and school supplies to 5,173 students from 33 public schools in four HNCs.

In addition, under Silangan's Work Immersion Program, 27 K-12 students from the Toledo S. Pantilo Sr. Memorial National High School in Sison, Surigao del Norte completed their immersion at Silangan. The initiative aims to enrich and reinforce student skills for a brighter future.



Livelihood

Establishment of Bansiwag Corporation

To sustain and further strengthen the sustainable livelihood of HNCs, Silangan established the Bansiwag Corporation,

a community-based corporation composed of 12 people's organizations within Silangan's HNCs. Bansiwag Corporation currently supplies and provided the following services to Silangan:

- i. Kitchen and catering;
- ii. Laundry services;
- iii. Housekeeping services;
- iv. Carpentry and electrical services; and
- v. Seedlings production for the SMMCI nursery.

Public Infrastructure Support and Others

Silangan completed the construction of the Hinapuyan Chapel in Carmen, Surigao del Norte to complement the existing socio-economic infrastructure to support and promote religious activities among HNCs. Silangan also facilitated an internal donation drive to collect old clothes, school supplies, toys, and milk to help victims of the Marawi crisis.



More details on the Company's social development initiatives are available in the 2017 Sustainability Report.

CORPORATE SOCIAL RESPONSIBILITY

The Company's corporate social responsibility (CSR) initiatives in Padcal are housed mainly under Philex Group Foundation, Inc. (PGFI). PGFI's primary mandate is to empower its partner-communities to become socio-economically independent, which is an offshoot of PMC's commitment to its host and neighboring communities.

The Padcal mine has been in operation for the past six decades, and the Company intends to ensure that the communities left behind will continue to have a sustainable source of income and livelihood once the mine life has ended. With this in mind, the implementation of PGFI's main programs came hand-in-hand with the establishment of a social enterprise to provide a market for their partners in their entrepreneurial endeavors.

Organic Vegetable Farming

In 2017, PGFI's organic vegetable farming program continued to expand, with eight new farmers joining the program. In addition to this, Ligay Elementary School and Torre Elementary School also set up vegetable gardens in their respective campuses, in compliance with the requirements of the Department of Education (DepEd).

The new partner-farmers and the two elementary schools showed a good collective performance in 2017, with average weekly production approximated at 100 kilograms. Likewise, the core partner-farmers trained the newly-joined farmers on organic farming, and showed them how to be trainers as well.



As a result, in 2017, the harvest of organic vegetables of our core partner-farmers at Balayan, Makabeng, and Torre increased by 54% to 3,823 kilograms, while corresponding incomes grew by 66%.

To provide continued support, PGFI's social enterprise unit, Px Community Foods and Marketing, Inc. (PxCFMI), has renewed its certification from the Organic Certification Center of the Philippines (OCCP) for all its partner-farms.

KapeBuhayan: Coffee Farming and Roasting

In 2017, PGFI received a grant from the Metrobank Foundation, Inc. for the expansion of its KapeBuhayan coffee farming



program. The donation targets four host and neighboring communities around the Padcal mine, and the program involves farm-based training and actual farm rehabilitation. The training will be conducted by trained core partner-farmers, and will be kicked off by the four targeted community farms located in Benguet in 2018.

Scholarship Grants

The Company provides free and subsidized education to approximately 2,000 students, most of whom are the school-age children of PMC employees and the youth residing in the host and neighboring communities around Padcal mine.

The Company, through the Yamang Mag-aaral program, also grants scholarships to college students in the University of the Philippines (UP), St. Louis University (SLU) in Baguio City, and the University of Asia and the Pacific (UA&P). As of 2017, PMC has 54 scholars enrolled in the following schools: :

- University of the Philippines – 12
- University of Asia & the Pacific – 8
- St. Louis University, Baguio City – 34

As a conscientious corporate citizen, the Company donated to the “Tulong Kapatid Para sa mga Bayani ng Marawi”, a joint effort between the MVP Group and the DU30 Cabinet Spouses Association, Inc. to give financial aid to the families of fallen soldiers who served in Marawi. Through the Tulong Kapatid Drive of the Alagang Kapatid Foundation, the Company also extended a hand to those affected by the Mayon volcano eruption.



FINANCIAL AND OPERATING PERFORMANCE



RESULTS OF OPERATIONS

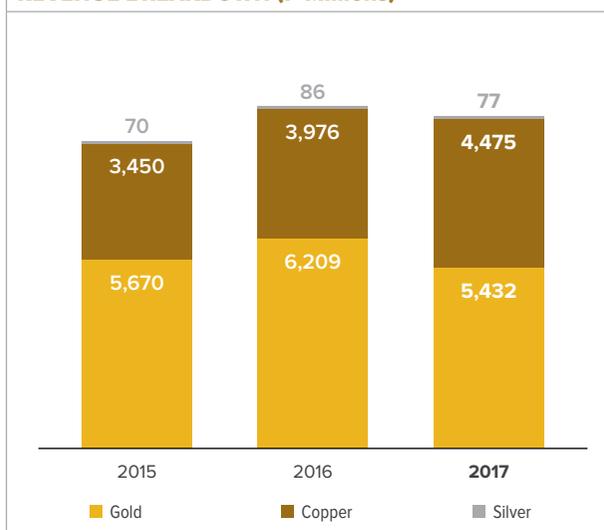
On June 23, 2016, the Philippine Securities and Exchange Commission (SEC) approved the Company's property dividend declaration, for the distribution to Company shareholders of 17 PXP Energy Corporation (PXP) shares for every 100 Philex Mining shares held at record date. Following the distribution of the property dividend on July 15, 2016, which reduced the Company's interest in PXP from 64.7% to 19.8%, the Company deconsolidated PXP and presented it as investment in an associate accounted under equity method.

Total operating revenues for the year 2017 amounted to P9.985 billion, compared with P10.272 billion in 2016 and P9.189 billion in 2015.

Gold production reached 84,638 ounces in 2017 from 103,304 ounces in 2016 and 107,887 ounces in 2015, due to lower ore grade, which is primarily a result of declining ore grades at 908 meter level (ML) and 840 ML as ore sources get depleted. Following gold output performance, gold revenues, which made up 54% of the total in 2017, amounted to P5.432 billion in 2017 from P6.209 billion in 2016 and P5.670 billion in 2015, mainly due to lower metal production, which was partially offset by favorable gold prices and foreign exchange rate.

Copper production totaled 30,118,206 pounds in 2017 from 34,961,062 pounds in 2016 and 34,104,049 pounds in 2015,

REVENUE BREAKDOWN (P Millions)



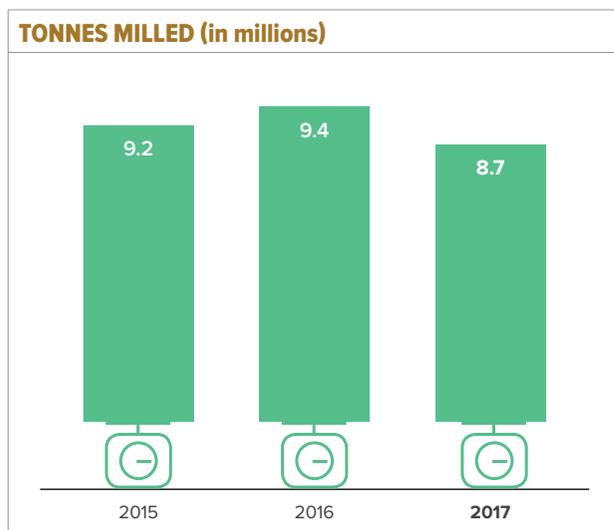
due to lower tonnage, ore grades, and recovery. However, favorable copper prices and foreign exchange rates resulted in higher copper revenues to P4.475 billion in 2017—accounting for 45% of the total in 2017—from P3.976 billion in 2016 and P3.450 billion in 2015.

Realized gold prices for the years ended December 31, 2017, 2016, and 2015 were USD1,273.00 per ounce, USD1,254.00 per ounce, and USD1,147.00 per ounce, respectively. The further recovery in realized gold price in 2017 was due to

REVENUES

	For the Years Ended December 31		
	2017	2016	2015
Gold			
Revenue (P Millions)	P5,432	P6,209	P5,670
Ounces produced	84,638	103,304	107,887
Average realized price	\$1,273	\$1,254	\$1,147
Copper			
Revenue (P Millions)	P4,475	P3,976	P3,450
Pounds produced	30,118,206	34,961,062	34,104,049
Average realized price	\$2.96	\$2.35	\$2.29
Other revenues (P Millions)	P77	P86	P70
TOTAL REVENUES (P Millions)	P9,985	P10,272	P9,189

perceived geopolitical risk between the United States and North Korea, and unexpected weakness in the U.S. dollar prior to any Federal Reserve rate hikes. Similarly, realized copper prices in 2017 recovered at an average of USD2.96 per pound from USD2.35 per pound in 2016 as a result of strong demand outlook from China. In 2016, copper prices improved from USD2.29 per pound in 2015 due to supply side constraints from the temporary closure of major copper producing mines.



Other revenues, which came from the sales of silver, made up the remaining 1% of the Company's total revenue in 2017. Revenue from silver in 2017 amounted to P77.2 million, compared with P86.5 million in 2016 and P69.7 million in 2015. Metal production and silver prices were lower in 2017.

To protect part of its revenues from unfavorable metal price fluctuations, the Company continues to evaluate entering into metal hedging contracts in the form of forwards, purchased put options, and sold call options. The gains or losses from these transactions are reflected in revenue as an addition or deduction in deriving the realized metal prices for the Company's metal production during the respective reporting periods. As the hedge contracts entered into by the Company are those qualifying under Hedge Accounting and are designated as cash flow hedges, the unrealized mark-to-market (MTM) gains or losses on the outstanding hedges are recorded under equity with the recognition of potential derivative asset or liability. MTM gains or losses are reversed and actual gains or losses, if

any, are realized and recorded through revenue upon maturity of the hedge.

At the start of 2017, the Company expected the behavior of metal prices to favor the Company's position; thus, no hedges

were entered into for the early part of 2017. In September and October 2017, however, the Company entered into collar hedging contracts for gold and copper, respectively, with breakdown as follows:

GOLD COLLAR HEDGE 2017

Deal Date	Quantity (in Ounces)	Gold Prices - US\$ per Ounce			Period Covered	Settlement Date	Realized Gain (P ¹ Million)
		Put	Call	Settlement			
09/06/17	2,300	1,300	1,395	1,316	Sept. 2017	10/02/17	2.4
09/06/17	2,300	1,300	1,395	1,280	Oct. 2017	11/02/17	2.0
09/06/17	2,300	1,300	1,395	1,283	Nov. 2017	12/02/17	4.3
09/06/17	2,300	1,300	1,395	1,263	Dec. 2017	01/02/18	-
	9,200						8.7

COPPER COLLAR HEDGE 2017

Deal Date	Quantity (in Pound)	Copper Prices - US\$ per Pound			Period Covered	Settlement Date	Realized Gain (P ¹ Million)
		Put	Call	Settlement			
10/20/17	727,525	3.00	3.40	3.10	Nov. 2017	12/05/17	-
10/20/17	727,525	3.00	3.40	3.03	Dec. 2017	01/05/18	-
10/20/17	727,525	3.00	3.40	3.18	Jan. 2018	02/05/18	-

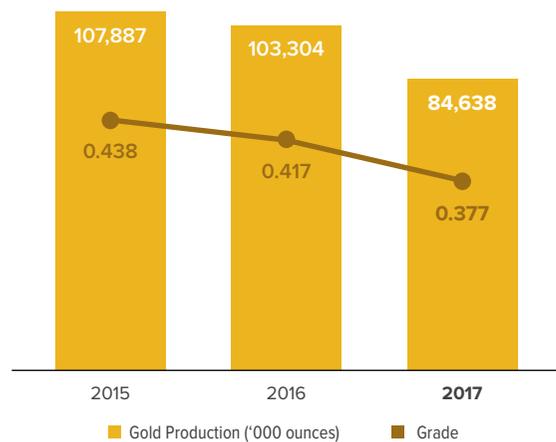
The net realized MTM gain on these gold hedges amounted to P8.7 million, while no gains or losses were realized on the copper hedges that matured within 2017. For the outstanding copper hedge as of December 31, 2017, no unrealized gain or loss was also recorded.

Net realized gain recognized for the year 2016 amounted to P14.7 million, against P29.1 million in 2015. As of December 31, 2016 and 2015, there were no outstanding gold hedging contracts; thus, no unrealized MTM gains or losses were recognized.

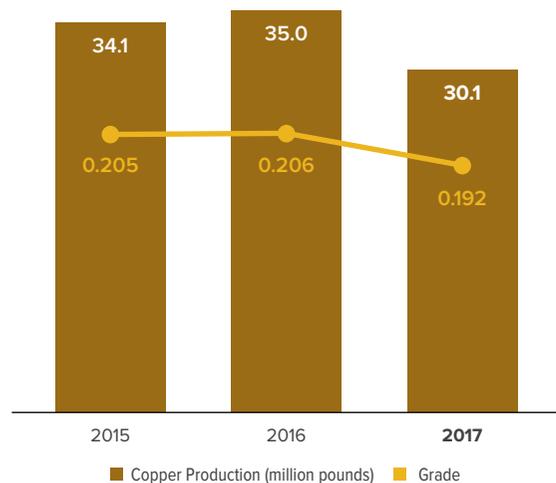
Gold production reached 84,638 ounces in 2017, compared with 103,304 ounces in 2016 and 107,887 ounces in 2015. Gold production performance in 2017 was mainly due to the lower tonnage and ore grade by 7% and 10%, respectively. Tonnage in 2017 reached 8.673 million, from 9.359 million in 2016 and 9.199 million in 2015.

Similarly, copper production, totaled 30,118,206 pounds in 2017 from 34,961,062 pounds in 2016 and 34,104,049 ounces in 2015. The tonnage performance, coupled with lower average copper head grade, resulted in reduced copper production in 2017 against 2016. In 2016, better tonnage and copper head grade resulted in higher copper production versus 2015.

GOLD PRODUCTION AND GRADE



COPPER PRODUCTION AND GRADE



Similar to gold production, lower copper grades are expected and are covered under the mine's development plan.

Total tonnes milled from the Company's Padcal mine for the year ended December 31, 2017 reached 8.67 million tonnes, compared with 9.36 million tonnes in 2016 and 9.20 million tonnes in 2015, mainly due to low mine delivery brought about by equipment availability issues, limited flexibility related to ore handling, and persistent bouldery ore at the earlier part of the year.

OPERATIONAL OVERVIEW

	For the Year Ended December 31		
	2017	2016	2015
Tonnes milled	8,673,474	9,359,161	9,198,540
Copper concentrates	64,710	73,107	69,987
Gold			
Ounces	84,638	103,304	107,887
Head grade - grams/tonne	0.377	0.417	0.438
Recovery - %	81	82	83
Copper			
Pounds	30,118,206	34,961,062	34,104,049
Head grade - %	0.192	0.206	0.205
Recovery - %	82	82	82

Operating Costs and Expenses

The Company's total operating costs and expenses, including General and Administrative Expenses (GAE), decreased by 2% to P6.778 billion in 2017, from P6.900 billion in 2016 and P7.011 billion in 2015, due mainly to the Company's continuing cost management and expense reduction programs.

Total production costs, consisting of cash production costs and depreciation, depletion, and amortization, amounted to P5.962 billion in 2017, 2% lower than P6.075 billion in 2016, which was 1% lower than P6.160 billion in 2015. Cash production costs substantially declined to P4.412 billion in 2017, which was P202.7 million lower than P4.614 billion in 2016 and almost the same as P4.615 billion in 2015.

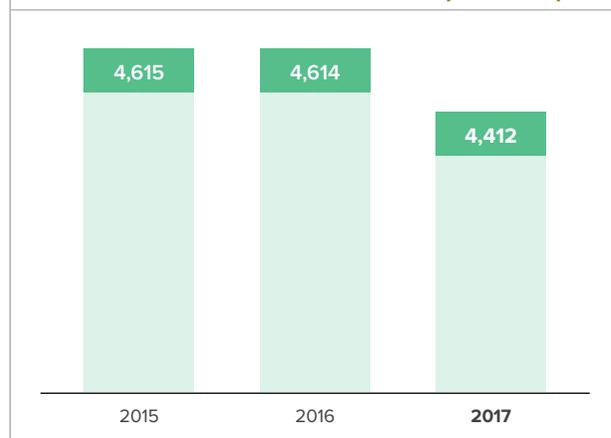
Depreciation, depletion, and amortization, however, was higher by 6% at P1.551 billion against P1.460 billion in 2016, and 6% lower than P1.546 billion in 2015, due to lower block amortization cost in 2016 on account of fully-amortized drawpoints compared with some newly commissioned and higher-cost drawpoints in 2017.

DECLINING OVERHEAD EXPENSES (P Millions)



GAE continued to drop in 2017, with a 3% reduction to P363.1 million from P373.1 million in 2016, which was 10% lower than P414.3 million in 2015, due to the continuous management of overhead expenses at the Philex Head Office, Silangan, and across the entire organization.

DECLINING CASH PRODUCTION COSTS (P Millions)



Excise tax and royalties remained at P452.4 million in 2017 and 2016, but was 4% higher than in 2015.

Despite lower total production costs, the production cost per tonne in 2017 rose to P687, compared with P649.00 per tonne in 2016 and P670 per tonne in 2015, due to higher block amortization and lower tonnage output, which represented a lower denominator and translated to an increase in the unit production cost. The decrease in production cost per tonne in 2016 against 2015 was due primarily to higher tonnage and lower power rate in 2016.

Operating cost per tonne, including smelting charges, similarly went up to P837.00 per tonne in 2017, from P793.00 per tonne in 2016 and P808.00 per tonne in 2015. The increase in

COSTS PER TONNE / PER OUNCE / PER POUND

Padcal Mine	For the Year Ended December 31			% Change	
	2017	2016	2015	2017 vs 2016	2016 vs 2015
Cash Production cost	4,412	4,614	4,615	(4)	(0)
Depreciation, Depletion & Amortization	1,551	1,460	1,546	6	(6)
Total Production Cost	5,962	6,075	6,160	(2)	(1)
Excise tax & Royalties	452	452	437	(0)	4
Smelting Charges	842	893	837	(6)	7
Total Operating cost (P million)	7,257	7,421	7,434	(2)	(0)
Production cost per tonne	P 687	P 649	P 670	6	(3)
Operating cost per tonne	P 837	P 793	P 808	6	(2)
Operating cost per ounce of Gold	\$ 929	\$ 919	\$ 933	1	(2)
Operating cost per pound of Copper	\$ 2.16	\$ 1.72	\$ 1.86	25	(7)

operating cost per tonne was attributed mainly to the higher block amortization cost and lower tonnage in 2017, while the lower operating cost per tonne in 2016 versus 2015 was also realized from higher tonnage and lower power rates.

Despite lower total smelting charges, excise tax, and royalties, operating cost on a per tonne basis increased due to a lower denominator as a result of lower tonnage. Smelting charges were lower in 2017 due to lower production of copper concentrates and pounds of copper, as well as lower average treatment and refining charges (TC/RC) following the decrease in rates for the period from April 2016 to March 2018. Smelting charge and TC/RC rates were lower by USD4.85 per dry metric ton (DMT) of copper concentrate and USD0.485 cents per pound copper, respectively, which normally follow the trend of TC/RC rates based on the Japanese benchmark. Total smelting charges amounted to P842.3 million in 2017, lower by 6% than P893.3 million in 2016, which is 7% higher than P836.6 million in 2015.

Using a co-production method, operating cost per ounce of gold and per pound of copper were USD929.00 per ounce and USD2.16 per pound in 2017, both higher than the 2016 levels as a result of lower gold and copper output. In 2016, operating cost per ounce and per pound were lower compared with 2015, mainly due to the higher tonnage and lower power cost.

NET OTHER INCOME (CHARGES)

(P Millions)	For the Year Ended December 31		
	2017	2016	2015
Share in net losses of associates	(40)	(45)	(13)
Foreign exchange losses-net	(39)	(145)	(159)
Gain on disposal of AFS financial assets	22	-	107
Interest income	2	2	4
Others	58	(14)	6
	2	(202)	(55)

Net other income in 2017 amounted to P2.0 million from net other charges of P202.1 million in 2016 and P55.1 million in 2015. The 2017 net other income included gains on sale of available-for-sale (AFS) financial assets and sale of property, plant, and equipment; net of share in net losses of associates; and foreign exchange losses.

In 2017, the Company recognized its share in the combined net losses of Lepanto Consolidated Mining Corporation (Lepanto) and PXP amounting to P40.3 million, slightly lower than P44.6 million in 2016 and higher than P13.2 million in 2015 for share in net losses of Lepanto only. The Company started the recognition of losses of PXP following the reclassification of PXP from a subsidiary to an associate in July 2016.

The foreign exchange losses, primarily on the restatement of dollar-denominated liabilities in 2017, amounted to P39.5 million, a decrease from P145.2 million in 2016 and P158.7 million in 2015. This is partly due to the continuous reduction of loan balances and the lower foreign exchange rate differentials between December 31, 2017 and 2016. The Company recognized unrealized foreign exchange losses based on the year-end closing rates of P49.93 in 2017, P49.72 in 2016, and P47.06 in 2015.

In 2017, a gain of P21.8 million was recorded on the sale of shares in Phil. Realty & Holdings Corp. (PhilRealty) and Philodrill Corporation (Philodrill) against nil in 2016 and P107.1 million in 2015, which the Company recognized from the sale of its holdings in Indophil Resources NL (Indophil) under an acquisition scheme offered by Indophil's major shareholder, Alsons Prime Investments Corporation, to Indophil's other shareholders, where AUD0.30 was offered for every share held.

The Company realized interest income of P1.9 million, P2.1 million, and P4.1 million in 2017, 2016, and 2015, respectively, mostly coming from short-term money market placements. Interest rates ranged from 1.0% to 2.0% for the past three years.

In 2017, other items resulted in a net other income of P58.1 million against net charges of P14.4 million in 2016 and net other income of P5.6 million in 2015, which consisted mainly of gains on disposal of various assets.

Provisions for Impairment Losses

The Company continues to assess the viability of its existing mine exploration projects and other investments. The 2017 assessment resulted in a conclusion that previous impairment made were more than sufficient to comply with the required yearly impairment test. In 2016, provision for impairment losses was recognized amounting to P2.505 billion from nil in 2015.

Income (Loss) on Deconsolidated Subsidiary Group

In 2016, the result from the deconsolidation of PXP was shown as a separate line item under 'Income (Loss) on Deconsolidated Subsidiary Group' as required by the PFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) following the SEC's approval of declaration of PXP shares as property dividend. The Income on Deconsolidated Subsidiary Group amounted to P2.494 billion, consisting of the non-recurring gain from the loss of control over PXP of P2.523 billion and share of the operating loss of PXP of P29.1 million up to June 2016, while comparative amount in 2015 posted a share of operating loss of P144.0 million. Starting third quarter of 2016, the Company's share in the earnings or losses of PXP is recognized under share in net losses of associates.

Core and Reported Net Income

Net income attributable to the equity holders of the Company in 2017 increased to P1.658 billion, compared with P1.589 billion in 2016 and P896.2 billion in 2015. The 2017 net income reflected the impact of higher realized metal prices and foreign exchange rate, as well as lower cash cost and other charges. Similarly, the 2016 net income was largely driven by higher metal prices and foreign exchange rate, while unfavorable metal prices in the prior year caused a lower net income in 2015. The Company's results of operations resulted in a consolidated net income of P1.658 billion, 6% higher than the P1.567 billion in 2016, which is more than two times that of the P775.6 million in 2015, due to favorable metal prices

RECONCILIATION OF CORE NET INCOME TO CONSOLIDATED NET INCOME

(P Millions)	For the Year Ended December 31		
	2017	2016	2015
Core net income	1,686	1,657	905
Non-recurring gains (losses):			
Foreign exchange losses	(39)	(145)	(144)
Gain on sale of assets / AFS financial assets	-	-	107
Net Provision for write-down of asset	-	-	(2)
Provisions for impairment of assets	-	(2,505)	-
Gain from loss of control over a subsidiary group	-	2,538	-
Others	-	-	(13)
Net tax effect of aforementioned adjustments	12	44	43
Net income attributable to equity holders of the Parent Company	1,658	1,589	896
Net income attributable to NCI	-	(22)	(121)
Consolidated net income	1,658	1,567	776

and foreign exchange rate coupled with lower cash costs and other charges.

The Company's core net income was P1.686 billion in 2017, slightly higher than the P1.657 billion in 2016, which was 83% higher than P905.2 million in 2015, due primarily to the sustained improvement of metal prices and foreign exchange rates from 2016 to 2017.

In 2017, earnings before interest, taxes, depreciation, and amortization (EBITDA) amounted to P3.977 billion, higher compared with P3.854 billion in 2016 and P2.779 billion in 2015. The Company's EBITDA, similar to core net income, excludes non-recurring transactions to clearly provide results based on normal operating parameters of the business. The core net income reflects the Company's overall operating performance without the net effect of non-recurring transactions.

CAPITAL EXPENDITURES

Capital expenditures in 2017 amounted to P2.438 billion from P2.360 billion in 2016 and P3.879 billion in 2015, as the Company focused on the Silangan project and mining projects within the vicinity of Padcal. The Company, however, continues to invest in new technologies to expand capacities, improve efficiencies, and accelerate the development of the Silangan project.

Padcal operations accounted for 72% of capital outlays in 2017 at P1.749 billion compared with P1.636 billion in 2016 and P1.524 billion in 2015. Cost incurred in raising the spillway at TSF3 for 2017 amounted to P320 million, compared with P342.3 million in 2016 and P258.1 million in 2015.

CAPITAL EXPENDITURES AND EXPLORATION COSTS¹

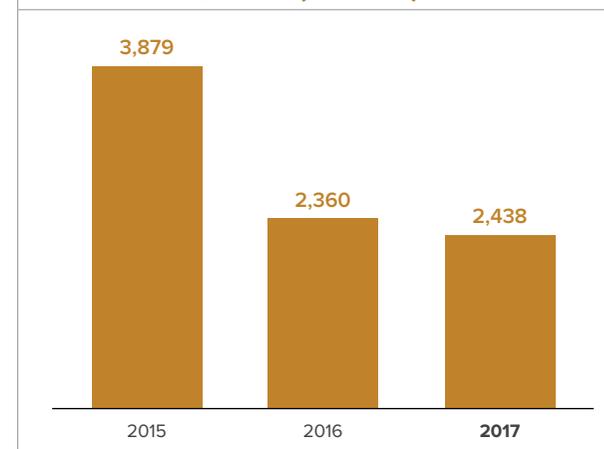
(P Millions)	For the Year Ended December 31		
	2017	2016	2015
<i>By Project:</i>			
Padcal and Others			
Mine Development	694	601	623
Tailings Pond Structures	320	342	258
Machinery & Equipment	735	693	643
	1,749	1,636	1,524
Silangan and Kalayaan Project			
Deferred Exploration	497	415	2,380
Machinery & Equipment, net of asset disposal and reclassification	(3)	99	(134)
	495	514	2,246
Mine Exploration Projects	194	210	108
	2,438	2,360	3,879
By Recording			
Deferred Exploration costs	691	625	2,488
Property, plant and equipment	1,747	1,735	1,390
	2,438	2,360	3,879

¹ Excluded the Company's energy and hydrocarbon business capex in 2015 amounting to P181.8 million. No capex reflected in 2017 and 2016 following the deconsolidation of investment in PXP in 2016.

Upgrade of equipment and machinery continued as well, with outlays amounting to P735.2 million in 2017, compared with P693.4 million in 2016 and P643.4 million in 2015.

Investments in exploration projects, meanwhile, amounted to P194.0 million in 2017, from P210.1 million in 2016 and P108.0 million in 2015. These projects are for extensive exploration within the Padcal vicinity to further extend Padcal mine life.

CAPITAL EXPENDITURES (P Millions)



Expenditures for the Silangan project accounted for the second largest chunk of capital investments, at 20% of capital outlays in 2017 at P494.7 million compared with P513.9 million in 2016 and P2.246 billion in 2015. Deferred exploration costs amounted to P497.3 million in 2017 against P415.2 million and P2.380 billion in 2016 and 2015, respectively.

Following the issuance of DENR DAO No. 2017-10 banning the use of open-pit mining, the Company focused on completing additional studies for the Silangan project to identify and present the best option that would be acceptable to all stakeholders. Part of this program was the evaluation of the usefulness of assets, which resulted in the disposal of machinery and equipment, reducing the Property, Plant, and Equipment (PPE) account by P15.1 million in 2017, P134.1 million in 2016, and P39.8 million in 2015.

Deferred Exploration Costs

Deferred Exploration Costs amounted to P24.361 billion as of 2017, 6% higher compared with P23.072 billion in 2016 following a 6% decrease from P28.963 billion in 2015. The 2017 and 2016 balances consisted solely of exploration costs covering mining projects, while the 2015 balances still included oil exploration projects under PXP. The latter was subsequently derecognized as a result of the Company's loss of control over PXP in 2016. Additions in the balances were mainly on account of the on-going pre-development activities in the Silangan project and other exploration activities.

The Company provided impairment losses of P2.285 billion in 2016 on various mine exploration projects of the Company and PGPI, which were nil in 2017 and 2015.

In 2015, under the energy and hydrocarbon business of PPC, the Company recorded impairment losses of P41.2 million for SC 53 and Peru Block XXVII, net of reversal for SC 40.

DEFERRED EXPLORATION COSTS

(P Millions)	2017	2016	2015
Silangan Project	23,234	21,139	19,701
Kalayaan Project	2,742	2,731	2,706
Bulawan and Vista Alegre Projects	632	632	630
Lascogon Project	289	299	300
Sibutad Project	235	235	231
Bumolo Project	209	208	77
Clifton Project	134	133	110
Southwest Prospect	100	100	100
Sanfran/Tambis Project	92	92	92
Other exploration costs	472	1,281	1,536
Total	28,139	26,850	25,483
Less: Impairment Losses	(3,778)	(3,778)	(1,493)
Deferred mine exploration costs - net	24,361	23,072	23,990
Deferred oil exploration costs - net	-	-	4974
Total Deferred exploration costs - net	24,361	23,072	28,963

FINANCIAL CONDITION REVIEW

(P Millions, except ratios)	As of December 31		
	2017	2016	2015
Cash and Cash equivalents	584	458	1,009
Current assets excluding cash and cash equivalents	5,683	6,035	3,820
Non-current assets	33,412	32,169	38,699
Total Assets	39,679	38,662	43,527
Short-term loans	2,447	3,083	3,318
Current liabilities excluding short-term loans	2,410	2,495	2,397
Non-current liabilities	10,090	9,685	10,528
Equity attributable to Equity Holders of the Parent Company	24,732	23,400	24,563
Non-Controlling interests	(0.3)	(0.3)	2,721
Total Equity	24,732	23,399	27,284
Current/Liquidity ratios			
Current ratio	1.29	1.16	0.84
Quick ratio	0.32	0.17	0.33
Solvency ratios and debt to equity ratios			
Debt-to-equity ratio	0.60	0.65	0.60
Solvency ratio	0.22	0.20	0.14
Financial leverage ratios			
Asset-to equity ratio	1.6	1.65	1.60
Profitability ratios			
Return on assets	4.23%	3.81%	1.76%
Return on equity	6.89%	6.18%	2.86%
Net profit margin	18.14%	16.71%	9.29%

“The Company’s operations in 2017 resulted in a consolidated net income of P1.66 billion, 6% higher than the P1.57 billion in 2016.”

**JOINT AUDIT AND BOARD RISK COMMITTEES STATEMENT
ON ADEQUACY OF THE COMPANY'S INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM**

In compliance with the Audit and Risk Committees' Charters, we confirm that:

1. an Independent Director (ID) chairs the Audit and Risk Committees, and that the Committees have two IDs as members;
2. the Audit and Risk Committees held five and three meetings, respectively, in 2017;
3. the Audit Committee reviewed and approved all audit services provided by SGV & Co. to the Philex Group, and all related fees for such services;
4. the Audit Committee discussed with Philex's Internal Audit Group and SGV & Co. the overall scope and plans for their respective audits, as well as the results of their examinations, evaluation of the internal controls of the Philex Mining Corporation (PMC) and its subsidiaries, and the overall quality of the Philex Group's financial reporting;
5. the Audit Committee deliberated with SGV & Co. on matters required under the prevailing applicable Auditing Standards, and received written disclosures and letters from SGV & Co. required under prevailing Independence Standards (Statement of Independence) declaring its independence from the Philex Group and the Philex Group management;
6. the Audit and Risk Committees conducted a review of the effectiveness of the Company's internal control and risk management systems. Based on the Audit and Risk Committees' review, in conjunction with the Internal Auditor's report, the Audit Committee confirmed that the internal controls and enterprise risk management of PMC are adequate and effective;
7. in the performance of the Audit Committee's oversight responsibilities, the Audit and Risk Committees reviewed and discussed the audited financial statements of the Philex Group, as of and for the year ended December 31, 2017, with the Philex Group's management, who has the primary responsibility for the financial statements, and SGV & Co., the Philex Group's independent auditor, who is responsible for expressing an opinion on the conformity of the Philex Group's audited financial statements with the Philippine Financial Reporting Standards (PFRS);
8. based on the reviews and discussions referred to above, in concurrence with the Philex Group's management and SGV & Co., and subject to the limitation of its roles and responsibilities, the Audit Committee recommended to the Board of Directors the inclusion of the Company's consolidated financial statements, as of and for the year ended December 31, 2017, in the Company's Annual Report to the stockholders and report to the Philippine Securities and Exchange Commission (SEC) via SEC Form 17-A; and
9. based on the review of SGV & Co.'s performance and qualifications, with due consideration of the management's recommendation, the Audit Committee recommended to the Board the appointment of SGV & Co. as Philex Group's independent external auditor for the year 2018.

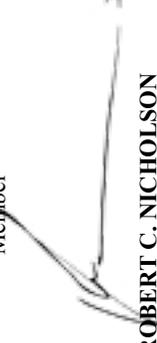
Respectfully submitted,

Signed:


OSCAR J. HILADO
Committee Chair-Independent


WILFREDO A. PARAS
Member


MARILYN A. VICTORIO-AQUINO
Member


ROBERT C. NICHOLSON
Member


MICHAEL G. REGINO
Member



STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
Roxas Boulevard, Pasay City

The management of Philex Mining Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error,

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

A handwritten signature in black ink, appearing to read "Manuel V. Pangilinan".

MANUEL V. PANGILINAN
Chairman of the Board

A handwritten signature in black ink, appearing to read "Eulaljo B. Austin, Jr.".

EULALJO B. AUSTIN, JR.
President & Chief Executive Officer

A handwritten signature in black ink, appearing to read "Danny Y. Yu".

DANNY Y. YU
Chief Financial Officer & Senior Vice President Finance



SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philex Mining Corporation

Opinion

We have audited the consolidated financial statements of Philex Mining Corporation and its subsidiaries (the Group) which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017, in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the consolidated financial statements.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Deferred Exploration Costs

As at December 31, 2017, the carrying value of the Group's deferred exploration costs amounted to ₪24.36 billion. Under PFRS 6, Exploration for and Evaluation of Mineral Resources, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment.

The Group's disclosures about deferred exploration cost are included in Note 13 to the consolidated financial statements.

Audit response

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We reviewed the summary of the status of each exploration project as of December 31, 2017. We reviewed contracts and agreements, and budget for exploration and development costs. We inspected the licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Estimation of Ore Reserves

Reserves are key inputs to depletion, amortization and decommissioning provisions. The Group's mining properties, amounting to ₪3.69 billion as of December 31, 2017, are amortized using the units of production method. Under the units of production method, cost is amortized based on the ratio of the volume of actual ore extracted during the year over the estimated volume of mineable ore reserves for remaining life of the mine. This matter is significant to our audit because estimation of ore reserves is affected by various factors such as market price of metals and the production costs, among others.

The disclosures in relation to mining properties are included in Note 10 to the consolidated financial statements.

Audit response

We evaluated the competence, capabilities and objectivity of the Group's mining engineer who performed a technical assessment of its ore reserves by considering their qualifications, experience and reporting responsibilities. We reviewed the summary of remaining proved ore reserves report and obtained an understanding of the nature, scope and objectives of their work and basis of the estimates including any changes in the reserves during the year. In addition, we tested the reserves estimates applied to the





relevant areas of the consolidated financial statements including depletion, amortization and decommissioning provisions.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.





From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alexis Benjamin C. Zaragoza III.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza III
Partner

CPA Certificate No. 109217

SEC Accreditation No. 1627-A (Group A),

April 4, 2017, valid until April 3, 2020

Tax Identification No. 246-663-780

BIR Accreditation No. 08-001998-129-2017,

February 9, 2017, valid until February 8, 2020

PTR No. 6621351, January 9, 2018, Makati City

February 27, 2018



PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands, Except Par Value Per Share)

	2017	December 31 2016
ASSETS		
Current Assets		
Cash and cash equivalents	P583,538	P457,937
Accounts receivable - net	990,604	486,497
Inventories - net	1,517,097	2,318,850
Advances to a related party	2,168,632	2,193,829
Other current assets - net	1,007,000	1,035,718
Total Current Assets	6,266,871	6,492,831
Noncurrent Assets		
Property, plant and equipment - net	6,721,022	6,735,578
Available-for-sale (AFS) financial assets	76,036	104,615
Investment in associates - net	1,415,604	1,455,876
Deferred exploration costs	24,360,954	23,072,040
Pension asset - net	373,849	312,570
Other noncurrent assets	464,458	488,319
Total Noncurrent Assets	33,411,923	32,168,998
TOTAL ASSETS	P39,678,794	P38,661,829
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable	P2,446,570	P3,082,640
Accounts payable and accrued liabilities	1,651,710	1,832,661
Income tax payable	229,679	164,265
Dividends payable	528,836	498,129
Total Current Liabilities	4,856,795	5,577,695
Noncurrent Liabilities		
Deferred tax liabilities - net	3,004,830	2,957,896
Loans and bonds payable	6,950,306	6,592,854
Provision for losses and mine rehabilitation costs	135,086	134,124
Total Noncurrent Liabilities	10,090,222	9,684,874
Total Liabilities	14,947,017	15,262,569
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - P1 par value	4,940,399	4,940,399
Additional paid-in capital	1,143,981	1,143,981
Retained earnings		
Unappropriated	5,271,302	4,442,436
Appropriated	10,500,000	10,000,000
Net unrealized gain (loss) on AFS financial assets	558	(3,094)
Equity conversion option	1,225,518	1,225,518
Net revaluation surplus	1,572,385	1,572,385
Effect of transactions with non-controlling interests	77,892	77,892
Non-controlling interests	24,732,035	23,399,517
	(258)	(257)
Total Equity	24,731,777	23,399,260
TOTAL LIABILITIES AND EQUITY	P39,678,794	P38,661,829



PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2017	2016	2015
REVENUE			
Gold	P5,432,429	P6,209,006	P5,669,860
Copper	4,475,177	3,976,184	3,449,799
Silver and others	77,187	86,475	69,723
Less smelting charges	9,984,793	10,271,665	9,189,382
	842,333	893,278	836,597
	9,142,460	9,378,387	8,352,785
COSTS AND EXPENSES			
Production costs (including depletion and depreciation)	5,962,224	6,074,862	6,160,352
General and administrative expenses	363,071	373,123	414,255
Excise taxes and royalties	452,407	452,415	436,856
	6,777,702	6,900,400	7,011,463
OTHER INCOME (CHARGES)			
Share in net losses of associates	(40,272)	(44,572)	(13,200)
Foreign exchange losses - net	(39,451)	(145,213)	(158,697)
Gain on disposal of AFS financial assets	21,773	-	107,088
Interest income	1,861	2,081	4,085
Others - net	58,117	(14,439)	5,642
	2,028	(202,143)	(55,082)
INCOME BEFORE PROVISIONS FOR IMPAIRMENT			
LOSSES	2,366,786	2,275,844	1,286,240
PROVISIONS FOR IMPAIRMENT			
LOSSES - NET	-	(2,504,850)	-
INCOME (LOSS) BEFORE INCOME TAX	2,366,786	(229,006)	1,286,240
PROVISION FOR INCOME TAX			
Current	664,806	586,483	245,550
Deferred	43,894	110,742	121,030
	708,700	697,225	366,580
	1,658,086	(926,231)	919,660
INCOME (LOSS) ON DECONSOLIDATED SUBSIDIARY			
GROUP, NET OF TAX			
Loss from deconsolidated subsidiary group	-	(29,102)	(144,025)
Gain from loss of control over a subsidiary group	-	2,522,704	-
	-	2,493,602	(144,025)
NET INCOME	P1,658,086	P1,567,371	P775,635
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	P1,658,087	P1,589,045	P896,181
Non-controlling interests	(1)	(21,674)	(120,546)
	P1,658,086	P1,567,371	P775,635
Basic Earnings Per Share	P0.336	P0.322	P0.181
Diluted Earnings Per Share	P0.336	P0.322	P0.181



PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax from continuing operations	P2,366,786	(P229,006)
Income (loss) before income tax from discontinued operations	-	(144,009)
Income before income tax	2,366,786	1,142,231
Adjustments for:		
Depletion and depreciation	1,572,311	1,481,405
Unrealized foreign exchange losses and others - net	107,584	268,353
Movement in pension assets - net	(61,279)	(48,703)
Share in net losses of associates	40,272	44,572
Gain on disposal of AFS financial assets	(21,773)	-
Interest income	(1,861)	(3,980)
Gain on loss of control over a subsidiary group	-	(2,522,704)
Impairment losses on deferred exploration costs and other assets - net	-	2,504,850
Share-based compensation expense	-	1,259
Operating income before working capital changes	4,002,040	3,960,110
Decrease (increase) in:		
Accounts receivable - net	(504,107)	295,002
Inventories - net	801,753	(441,350)
Other current assets - net	28,718	50,760
Advances to a related party	25,197	-
Decrease in accounts payable and accrued liabilities	(180,951)	(55,086)
Cash generated from operations	4,172,650	3,809,436
Income taxes paid	(599,392)	(435,232)
Interest paid	(121,341)	(631,374)
Interest received	1,861	3,973
Net cash flows from operating activities	3,453,778	2,746,803
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,746,712)	(1,735,034)
Increase in deferred exploration costs and other noncurrent assets	(608,430)	(356,576)
Net proceeds from sale of:		
AFS financial assets	32,231	-
Property, plant and equipment	12,089	33,287
Cash from deconsolidated subsidiary group	-	(606,585)
Share buyback of Pitkin	-	-
Net cash flows used in investing activities	(2,310,822)	(2,664,908)
		(4,482,890)
		1,286,240



- 2 -

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of short-term loans	P50,240	P236,190	P3,015,505
Payments of:			
Short-term bank loans	(705,230)	(638,518)	(4,191,825)
Dividends	(364,525)	(235,139)	(107,994)
Net cash flows used in financing activities	(1,019,515)	(637,467)	(1,284,314)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,160	4,823	3,384
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	125,601	(550,749)	(4,223,206)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	457,937	1,008,686	5,231,892
CASH AND CASH EQUIVALENTS AT END OF YEAR	P583,538	P457,937	P1,008,686



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CONFIRMATION STATEMENT

As a publicly-listed Philippine corporation, Philex Mining Corporation (PMC) conforms to the corporate governance rules, requirements, and regulations of the Philippine Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). The Company is committed to the highest standards of corporate governance and continues to benchmark its procedures against recognized international best practices. To ensure constant improvement, PMC monitors developments in corporate governance to elevate the Company's corporate governance structures, processes, and practices to global standards. The Company also advocates an ethical corporate culture guided by its core values of integrity, teamwork, respect for individuals, work excellence, and corporate social and environmental responsibility.

In relation to this, PMC has developed a Revised Manual on Corporate Governance (RMCG), which was completed and approved by the Board on May 30, 2017, substantially adopting the SEC-issued Code of Corporate Governance for Publicly-Listed Companies ("Corporate Governance Code").

A. RIGHTS OF SHAREHOLDERS

The Company respects the rights of all shareholders, in accordance with the Corporation Code of the Philippines, the Company's Articles of Incorporation, By-Laws, and RMCG.

A.1. Basic Shareholders Right

Dividend Policy

Beginning 2010, the Company's Board of Directors has adopted a policy to declare cash dividend of up to 25% of the Company's core net income should the circumstances allow for its declaration. In August 2014, the Company has adopted a policy on the timing of cash dividend payment, which should be within 30 calendar days from the date of declaration.

In 2017, the Company declared and paid out cash dividends that satisfy both these best practices in corporate governance.

Cash Dividends

Date of Declaration	Payment Date	Amount
February 27, 2018	March 26, 2018	P0.04/share
November 7, 2017	December 6, 2017	P0.04/share
February 28, 2017	March 27, 2017	P0.04/share

A.2. Right to Participate in Decisions

The Company's shareholders have the right to participate in decisions concerning fundamental corporate changes. The following corporate actions require the vote of shareholders holding at least 66.67 of the Company's outstanding capital stocks:

1. Amendment to the Articles of Incorporation;
2. Increase in capital stock;

3. Sale or disposition, including the constitution of a mortgage or a pledge, of all or substantially all of the Company's assets;
4. Investment of corporation funds for a purpose other than the Company's primary purpose;
5. Waiver of pre-emptive rights for specific transactions; and
6. Mergers and consolidations.

During the Annual General Stockholders' Meeting (AGSM) held on June 28, 2017, shareholders exercised these rights via personal casting of votes or online voting, the results of which were disclosed immediately after the Stockholders Meeting in the Company's website under <https://bit.ly/2lctzj>, and included in the minutes of meeting disclosed on July 4, 2017 in the Company website under <https://bit.ly/2JgKu2c>.

A.3. Right to Participate Effectively and Vote

PMC shareholders have the right to participate and vote in the general shareholders' meetings. The Company ensures that shareholders are informed of the rules, including the voting procedures that govern the general shareholders' meetings. Shareholders have the opportunity to approve remuneration, in terms of profit sharing, which is contained in the Company's By-Laws. Any amendment to the By-Laws will require a vote of a majority of the total outstanding capital stock.

PMC also respects and recognizes the right of minority shareholders to nominate directors. This right is corollary to

the right to vote, which is guaranteed under the Corporation Code of the Philippines and recognized in the Company's By-Laws and RMCG. Under the Company's By-Laws, shareholders may submit nominations to the Board of Directors' Nominations Committee. The deadline for submission of nominations is on the 30th day of April of each year, or such other date as may be determined by the Board of Directors.

In 2017, deadline for nominations was set on April 21, 2017 as approved by the Board and disclosed to the PSE on February 28, 2017. Nominations were submitted to the PSE on May 15, 2017; the election, in turn, was conducted during the AGSM for personal voting, or from May 16 to June 27, 2017 for online voting.

For 2018, deadline was set on April 16, 2018, which was approved by the Board and disclosed on February 27, 2018.

All shareholders have the right to vote each year for the following:

1. Election of directors;
2. Approval of the minutes of shareholders' meetings held in the previous year;
3. Approval of the annual report and the audited financial statements;
4. Selection of election inspectors for the ensuing year;
5. Selection of the external auditors; and
6. Ratification and approval of the acts of the Board of Directors and executive officers

Voting Procedures

Voting is done by balloting and shareholders are entitled to vote either in person or by proxy. Shareholders who are present and did not submit proxies before the meeting are given ballots upon registration. In the case of proxies submitted

prior to the meeting, the proxy designated by the shareholder to represent them at the shareholders' meeting is provided with ballots for casting in accordance with the shareholders' instructions, as indicated in the proxy. Proxies and ballots will be tabulated by the Company's stock transfer agent, the Stock Transfer Services, Inc. (STSI), and the results of the tabulation will be announced for the relevant items on the agenda during Stockholders' Meeting and will be disclosed at the Company's website right after the meeting.

An independent party, SGV & Co., assisted in the tabulation of the proxies and the ballots. The voting and tabulation procedures are further explained in the Company's Notice of Annual Shareholders' Meeting (ASM). The Corporate Secretary will likewise explain the voting procedures at the start of the meeting that will form part of the minutes of the ASM which will be posted in the Company's website.

The Company has also initiated an online voting mechanism for certificated shareholders since 2016 to allow voting in absentia. The procedures for online voting are disclosed in the Notice to Annual Stockholders' Meeting – Definitive Information Statement (DIS) sent to shareholders 30 days before the scheduled ASM.

In 2017, online voting mechanism was made available from May 16 to June 27, 2017.

Stockholders' Meeting

The Company recognizes the right of all shareholders to attend all scheduled shareholders' meetings. Regular shareholders' meetings are held annually in June in accordance with the Company's By-Laws. It also serves as a venue to ask questions and raise relevant issues or concerns. On the other hand, special meetings, as needed, shall be held at any time and for

any purpose. The 2017 AGSM was held on June 28, 2017 at the Marco Polo Hotel in Ortigas, Pasig City.

The minutes of the ASM are posted in the Company's website within five business days from the date of the meeting. The minutes consist of the open forum during the ASM, voting results per agenda, the resolutions taken up during the ASM, and the attendance of directors and key officers. As a matter of practice, the members of the Board, the Chairman, the President and Chief Executive Officer (CEO), Audit Committee Chairman, Risk Committee Chairman, Corporate Governance Officer, Internal Relations Officer, representatives of the external auditors, and other key officers and employees are present during the scheduled meetings of the shareholders. They shall have the opportunity to make a statement, should they desire to do so, and will be available to respond to appropriate questions. Minutes of the 2017 AGSM were posted in the Company website on July 3, 2017.

Disclosure and Release of Notice of ASM to Shareholders

The Company disclosed to the PSE the Company's SEC Form 2016 Definitive Information Statement (DIS) on May 15, 2017. The Company likewise sent out the Notice of AGSM, which states the date, time, and place of meeting, including the rationale and explanation for each item in the agenda that requires shareholders' approval, to shareholders on May 26, 2017, which is 30 days prior to June 28, 2017, the date of the actual meeting.

The ASM was announced months before the actual date of the meeting and was published in at least two major newspapers of general circulation. For 2017, the Notice of AGSM was published in BusinessWorld and The Philippine Star on June 14, 2017.

A.4. Markets for Corporate Control

In cases of mergers, acquisitions, and/or takeovers requiring shareholders' approval, the Board, as a matter of practice, appoints an independent party to evaluate the fairness of the terms and conditions of such transactions.

Furthermore, in cases of mergers and acquisitions, the CEO and the Chief Finance Officer (CFO), together with external financial and technical consultants, prepare a detailed recommendation for consideration by the Board. An independent consultant or independent financial advisor and legal counsel is retained to review the terms and conditions of contracts and to evaluate the merits of each specific transaction. In 2017, there were no cases of mergers, acquisitions, and/or takeovers that required shareholders' approval.

A.5. Institutional Investors

The exercise of ownership rights by all shareholders, including institutional investors, is recognized by PMC. The Philippine Social Security System (SSS with a 20.10% shareholdings) is the only institutional investor with a share ownership greater than 5% as of March 31, 2018. The Company does not have any shareholders owning more than 50%.

B. EQUITABLE TREATMENT OF SHAREHOLDERS

B.1. Shares and Voting Rights

PMC has only one class of common shares, each entitled to one vote. Cumulative voting, which enhances the ability of minority shareholders in voting for the election of directors, is allowed.

B.2. Notice of ASM (Definitive Information Statement)

The Notice of ASM contains the resolutions to be passed by shareholders for each item on the agenda at the ASM. There is no bundling of several items into the same resolution. For wider

appreciation, all Company notices and circulars are written and published in English. The Notice of ASM also provides the following information:

1. The profiles of each director seeking election or reelection, which includes details such as age, academic qualification, date of first appointment, experience, and directorships in other listed companies;
2. External auditors seeking appointment or reappointment are clearly identified;
3. Dividend policy;
4. Amount of dividends paid and any dividends payable; and
5. Readily available proxy statements.

The Notice of the 2017 AGSM was published in BusinessWorld and The Philippine Star on June 14, 2016, and was also available in the Company's website through the following link: <https://bit.ly/2xFubXj>

B.3. Insider Trading and Abusive Self-Dealing Policies Trading Blackouts

The Company strictly enforces and monitors compliance with its policy on insider trading, which prohibits the trading of Company securities during prescribed periods by the following covered persons:

1. Members of the Board of Directors;
2. Members of the Management Teams; and
3. Employees who have been made aware of undisclosed material information with respect to the Company and its operations.

The blackout period begins 30 calendar days prior to the disclosure of the annual financial results until two full trading days thereafter. For the quarterly results, the blackout period begins 15 calendar days before the structured disclosure until two full trading days after the date of the disclosure. In cases

of non-structured disclosures of other material information, employees in possession of price-sensitive information are reminded not to trade in the Company's shares from the time they come into possession of any material information and up to two full trading days after the information is disclosed to the public. Below is the schedule of the Company's blackout period vis-a-vis the date of disclosures.

In 2017, there were no cases of Insider Trading and Abusive Dealing during Trading Blackouts that were reported nor received by the Company.

Policy on Dealings in Company Shares of Stocks

The Company's revised Policy on Dealings in Company Shares of Stocks is available in the following link in the Company website: <https://bit.ly/2J9HDYT>.

Blackout Period

Nature of Report	Date of Disclosure	Blackout Period
FY 2016 Financial and Operating Results	February 24, 2017	January 24 - February 28, 2017
1Q 2017 Results	April 26, 2017	April 11 - April 28, 2017
1H 2017 Results	July 26, 2017	July 11 - July 28, 2017
9M 2017 Results	October 25, 2017	October 10 - October 27, 2017
FY 2017 Financial and Operating Results	February 27, 2018	January 26 - March 1, 2018

This prohibits directors and employees from benefiting from any knowledge which is not generally available to the market.

Under the Revised Policy on Dealings in Company Shares of Stock, approved on June 25, 2014, all concerned directors, officers, and/or employees are required to report to the Chief Compliance Officer all respective dealings in Company shares within two business days, and for the Company to

disclose the same within three business days from the date of the transaction.

In 2017, there were no reported violations of the Company's Policy on Dealings in Company Shares of Stocks.

B.4. Related Party Transactions by Directors and Key Executives

The Company strictly adheres to the guidelines covering security dealings to comply with existing government regulations and to promote fairness. Changes in the personal shareholdings of directors and key company officers resulting from open-market transactions, or the grant of shares from incentive-based schemes implemented by the Company, are reported to the SEC and the PSE within the specified deadlines.

In 2017, there were no changes in the shareholdings of the Directors and Key Executive Officers that prompted disclosure.

On April 26, 2017, the Board approved the creation of a Related Party Transaction (RPT) Committee and its Charter. The RPT Committee is chaired by Mr. Wilfredo A. Paras, an Independent Director.

The Board likewise approved the amendment in the RPT policy, which requires the RPT Committee to review RPT transactions, instead of the CG Committee, and to revise the RPT definition.

For purposes of this Policy, a Material and/or Significant RPT is defined as those transactions with a Related Party which involve an aggregate amount or value equal to or greater than Fifty Million Pesos (P50Million) over a twelve (12) month calendar year period ("Material and/or Significant RPT").



All material and/or significant (RPT) are subject to the review and endorsement of the RPT Committee with the concurrence of all Independent Directors prior to the approval of the Board to ensure that they are in the best interests of the Company and its shareholders in accordance with the Company's RPT policy.

For 2017, there were no significant RPT that was subjected to the review and endorsement of the RPT Committee.

Conflict of Interest Policy

Adopted on February 26, 2014, the Conflict of Interest Policy is available in the following link in the Company website: <https://bit.ly/2sFQjer>.

The directors, employees, or consultants concerned shall inhibit themselves from any direct or indirect participation or involvement at any stage of the transactional process flow where they are conflicted. These persons are also not allowed to sign any paper or document related to the transaction.

The Company shall not, directly or indirectly through any subsidiary or affiliate, grant or arrange for any credit, or extensions thereof, in the form of personal loans to any directors or officers, unless allowed by applicable laws and regulations.

In 2017, there were no violations of the Conflict of Interest Policy reported by Company directors, employees, and consultants.

B.5. Protecting Minority Shareholders from Abusive Actions

PMC respects the rights of minority shareholders and develops policies towards ensuring that the Board, in all cases, shall consider corporate interest above all, as a whole. The key guidelines include:

1. Emphasis on the fiduciary responsibilities of the Board, the officers of the Company and its shareholders, as well as the duties of care and exercise of prudence;
2. Avoidance of conflicts of interest and prompt disclosure of potential conflict;
3. Prompt, full, and fair disclosure of material information;
4. Formulation of other policies towards prevention of actions that will favor the controlling interest or major

shareholders at the expense of the minority shareholders; and

5. Adoption of policies on RPTs which ensures that:
 - RPTs, that can be classified as financial assistance to entities that are considered as the Company's subsidiaries, are all disclosed in the Company's financial statements; and
 - RPTs should be conducted in a way that ensures fair and at-arm's-length dealings.

In 2017, the Company complied with all the key guidelines discussed above.

C. ROLE OF STAKEHOLDERS

C.1. Respecting Rights of Stakeholders

Customers

Customer health and safety is important for all businesses and remains the utmost priority of PMC. In line with PMC's Code of Business Conduct and Ethics issued on February 26, 2014, the Company upholds fair and transparent dealings with its customers. All transactions and business relationships with customers are covered by contracts and comply with existing laws and regulations in the country.

As part of the Company's commitment to the welfare of its customers, company representatives and its customers meet annually to review and discuss the terms of the new or existing contract, as well as to identify areas for improvement in the delivery of goods and other related aspects. The following are the activities conducted to ensure the health and safety of the Company's customers:

1. Product Safety

Prior to shipment, concentrates (the product) undergo a thorough chemical analysis required by the customers (Pan Pacific Copper Co., Ltd. and Louis Dreyfus Commodities Metals Suisse SA) to ensure that these are free from foreign materials and impurities that may be deleterious to customers' health and operations.

The Company insures the product at 110% of its value with an internationally-recognized insurance company, in favor of the customers, and shall provide the customers with a certificate signed by the insurance company indicating the details of the coverage.

The Company ensures that the quality of concentrates for shipment to the customers is suitable for ocean transportation in bulk and meets the requirements of the International Maritime Organization Code of Safe Practice for Solid Bulk Cargoes.

In 2017, the Company satisfied the conditions for the 14 shipments of copper concentrates to Pan Pacific Copper Co., Ltd. and Louis Dreyfus Commodities Metals Suisse SA.

2. Shipment Safety

PMC assumes the obligation of providing the vessels suitable for the shipment of the concentrates, with the following specifications and conditions:

- Single deck bulk carrier, seaworthy in all respects;
- With clear holds and hatchway suitable for normal grab discharge;
- Classified as 100A at Lloyd's of London or equivalent;
- Compliant with the ISM code;

- No more than 20 years of age; and
- Able to meet berth accommodation restrictions.

The Company shall notify the buyer of the date of the actual shipment, which includes confirming the name of the vessel, weight of concentrates loaded, stowage plan, and estimated time of arrival at the port of unloading, with due consideration to the suitability of weather conditions for a safe travel.

In 2017, all of the Company's 14 shipments of concentrates followed and complied with the guidelines cited above.

3. Customer Safety

The Company ensures that it follows the International Maritime Solid Bulk Cargoes Code on the Transportable Moisture Limit of the Company's Copper Concentrate.

Aside from the Company's Assay Analysis Report and Certification for Non-Dangerous/Non-Hazardous Goods of the Philex Copper Concentrate, the Company also provides the Material Safety Data Sheet which the Customer demands before any shipment is made.

The Company also commissions a third-party consultant to test the aggregate sample of the Company's concentrate to make sure that no hazardous chemicals are to be found in the concentrate for shipment to Japan.

There were a total of 14 shipments of copper concentrates in 2017, including two shipments to Pan Pacific Corporation (PPC) covered by duly signed holding certificates that were scheduled for actual shipment in January and February 2018 due to port congestion, compared with 14 shipments in 2016.

Vendor Relations

PMC's Policy on Vendor Relations, released on February 26, 2014, is available in the following link in the Company website: <https://bit.ly/2stCW1K>.

Under this policy, the Company shall promote and implement standards of relationships with suppliers that embody the principles and core values as defined in the code. Directors, employees, and consultants shall maintain the Company's reputation for equal opportunity and honest treatment of suppliers in all business transactions through the following guidelines:

1. Seek and maintain mutually beneficial relationships with suppliers that uphold the Company's principles and core values;
2. Give qualified suppliers adequate, fair, and equal opportunity to bid on goods and services;
3. Accredit suppliers based on established criteria; and
4. Generally, implement competitive bidding.

In the event that it will be for the best interest of the Company to enter into strategic partnerships with suppliers, the Company may apply the Negotiated Contract (NC) option. Transparency in all these transactions shall be maintained at all times. The following are the Company's activities and programs aimed at implementing the Vendor Relations Policy:

1. For vendor accreditation:
 - Prospective vendors must accomplish detailed forms that require information regarding their financial condition, ownership, product lines, agreements with respective principals/OEM, experience, and expertise. For new vendors seeking accreditation, a New Vendor Accreditation Application Form (NVAAF) must be filled up. Existing vendors, on the other hand, must update their information periodically through the submission

of a duly accomplished Existing Vendor Information Update Form (EVIUF).

- A review of each vendor's selected financial ratios is undertaken as part of the accreditation process.
 - Vendors must submit a written statement confirming that all information provided are true and correct, that they will comply with terms of contract, and that they will avoid conflict of interest and observe ethical and fair practices.
2. Purchases will be made on the basis of a competitive bidding.
 3. The Company shall monitor risk indicators that may impact its supply chain operations to avoid delays or the stoppage of operations.

In 2017, the Company did not receive any reports of violations of the Company's Vendor Relations Policy.

Environment

The Company contributed P412.4 million to Environmental Protection and Enhancement Program (EPEP) initiatives in 2017. This was equivalent to 11.4% of the Company's direct mining and milling costs compared with the government-mandated share of 3% to 5%.

As a socially and environmentally responsible company, PMC is committed to the continuous improvement of operations through its existing Environmental Policy. Under this policy, the Company shall be mindful of any adverse environmental impact and ensure faithful compliance with all laws, legislations, and other regulatory policies pertaining to the promotion

2017 Annual Environmental Protection and Enhancement Program (EPEP)

	Amount (in P Millions)
Land Resource Management	82.9
Water Resources Management	323.8
Hazardous and Toxic Waste Management	2.3
Air Quality Management	1.6
MRFC Meetings and MMT Monitoring Activities	1.7
TOTAL	412.4
DIRECT MINING AND MILLING COSTS	3,608.6
% TO MINING AND MILLING COSTS	11.4%

*Mine Rehabilitation Fund Committee (MRFC),
Multipartite Monitoring Team (MMT)

of environmental awareness and preservation among its employees at all levels.

Communities

Development of Host and Neighboring Communities (DHNC) Compliance to DENR Regulations

Pursuant to R.A. No. 7942's Implementing Rules and Regulations (IRR), DAO No. 2010-21 Sec.134:

- The amount of DHNC should be equivalent to at least 1.5% of a mining company's total operating costs, with allocation on Social Development and Management Program (SDMP); Information, Education, and Communication (IEC) Programs; and Development of Mining Technology and Geo-Sciences (DMTG).

2017 Development of Host and Neighboring Communities (DHNC)

	Amount (in P Millions)
Health	7.4
Education	15.3
Livelihood	6.9
Public Infrastructure	87.1
TOTAL SDMP	116.7
Information, Education, and Communication	11.7
Development of Mining Technology and Geosciences	6.9
TOTAL DHNC	135.3
TOTAL OPERATING EXPENSES	7,257.0
% TO TOTAL OPERATING EXPENSES	1.9%

- In consultation and in partnership with the host and neighboring communities, the SDMP shall be actively promoted. It should cover and include all plans, projects, and activities of the Contractor/Permit Holder/Lessee towards enhancing the development of the host and neighboring communities.

For further details on the Company's CSR Initiatives, please see pages 40-41.

Anti-corruption Programs and Procedures

The Company formulated a Code of Business Conduct and Ethics which upholds professionalism and ethics in business dealings and transactions. In relation to this, the Company has a Vendor Relations Policy and Policy on Gifts, Entertainment, and Sponsored Travel.

a. Policy on Gifts, Entertainment and Sponsored Travel

Issued on February 26, 2014, the Company's Policy on Gifts, Entertainment, and Sponsored Travel is available on the Company's website through the following link:

<https://bit.ly/2xC3lzk>.

Under this Policy, directors, employees, and consultants shall refrain from putting themselves in situations or acting in a manner that could significantly affect the objective, independent, or effective performance of their duties and responsibilities in the Company. Directors, employees, and consultants who have received gifts, entertainment, and sponsored travel from any third party, with whom the Company does business or proposes to do business, whether directly or indirectly, shall inform their donor that these were received in behalf of the Company and shall be handled in accordance with Company policy (P4,000.00 limit). Sponsored travel from third parties requires disclosure and prior approval from the superior, and this approval shall conform to the terms of this policy.

In 2017, the Company did not receive any reports of violations of the Company's Policy on Gifts, Entertainment, and Sponsored Travel.

b. Supply Chain Management Conduct

Supply chain professionals shall maintain reputation beyond reproach and in accordance with the Institute of Supply Management (ISM) and the Philippine Institute for Supply Management (PISM) Standards of Conduct, aligned with industry best practices.

To promote this endeavor, a Supply Chain Management Conduct Policy has been adopted since 2012 to avoid impropriety in the conduct of purchasing supplies and

services. The policy also contains provisions to avoid conflict of interest where an employee has an interest in another company dealing with the PMC, among others.

The Vendor Relations Policy puts emphasis on the decorum required when dealing with suppliers. The Policy on Gift and Gratuities is specific on tokens, particularly during the Christmas season, where suppliers are discouraged to give lavish gifts and tokens. This reminder is relayed to suppliers every November through an official letter from the Company.

In 2017, the Company did not receive any reports of violations of the Company's Supply Chain Management Conduct Policy.

Creditors

As a matter of policy, the Company upholds the rights of its creditors by publicly disclosing all material information, such as earning results and risk exposures, related to but not limited to loan covenants. Corporate disclosures, controls, and procedures include periodic reports to major lenders, such as the latest financial statements, among others.

The Company honors all of its legal and valid obligations. No known case has been filed before a court by any creditor for non-payment of loans or financial obligations.

The Company's good credit standing augurs well for the renegotiation of major contracts amidst unstable regulatory environment and declining ore grades.

As a testimony to this, the Parent Company repaid P705.2 million (USD13 million) in bank loans to bring total short-term debt to P2.447 billion (USD49 million) as of December 31, 2017.

Programs and Activities

The rights of major creditors are protected by publicly disclosing all material information, such as earnings results and risk exposures relating to loan covenants. PMC's disclosures, controls, and procedures also include periodic reports to creditors, such as the latest certified financial statements, among others. The Company also conducts regular investors', analysts', and press briefings for updates on the Company's operations and current financial position. In 2017, the Company submitted 101 disclosures covering periodic reports to creditors, such as the latest certified financial statements, among others.

C.2. Effective Redress for Violation of Stakeholders' Rights

The Company provides contact details, via the Company's website, which stakeholders (e.g., customers, suppliers, general public, etc.) can use to voice their concerns and/or complaints for possible violation of their rights.

In 2017, there were no reports of violations of shareholders' rights received through different communication channels.

C.3. Performance-enhancing Mechanisms for Employees

Employee Development Programs

The Company respects the dignity and human rights of its employees, including the rights guaranteed by existing labor laws. PMC promotes safety, non-discrimination, environmental awareness, and commitment in the workplace, and supports programs that champion the engagement and development of employees.

In 2017, the Company conducted the following learning sessions and employee development programs. Each program

Learning and Development Programs for 2017

Level	Program Title	Date/s of Session	Total Attendance
Managers and Selected Supervisors	Kepner Tregoe	January 18, 2017	16
Managers and Selected Supervisors	Basic Management Program	January 19-20, 2017	29
Executives/Managers	FPLA Innovation Congress: Create, Break, and Iterate	February 1-3, 2017	4
Managers and Selected Supervisors	Behavior Based Safety	February 20-21, 2017	37
Managers and Selected Supervisors	Problem Solving and Decision Making	April 27-28, 2017	29
		May 23-24, 2017	40
		July 18-19, 2017	29
Managers	Mine Division Team Building	May 3-4, 2017	34
Managers, Selected Supervisors, and Rank-and-File Employees	Mill Division Team Building	June 21-22, 2017	27
Managers and Selected Supervisors	Hazardous Materials (HazMat) Management Training	July 21-22, 2017	33
Managers	FPLA Innovcon: Bridging Innovation and Business Solutions through Digital Transformation	August 10-11, 2017	5
Managers	Mine and Mill Cross Functional Team Building	August 25-26, 2017	51
Managers and Selected Supervisors	Basic Occupational Safety and Health (BOSH) Training	August 29 to September 1, 2017	34
		September 5-8, 2017	34
Directors/Senior Officers	Charting the Digital Age, its Risks and Strategies, through Governance and a Responsive Corporate Culture	September 7, 2017	10
Managers	2017 FPLA HR Congress	November 21-23, 2017	2

is tailor-fit for a specific audience within the organization to ensure focus and generate the best results.

The Compensation Philosophy and Principles of the Company are as follows:

1. Pay for performance;
2. Pay for competencies and skills;
3. Pay competitively versus local competitors and other comparative companies;
4. Provide a total rewards package that includes pay, benefits, employee recognition, employee development,

and a work environment conducive to high performance; and

5. Benchmark against an effective performance management process.

The Company's Stock Option Plan (SOP), which was approved by the board on April 27, 2011, covers managers in accordance with the above philosophies and principles:

1. Enable qualified participants who are largely responsible for the further growth and development of the Philex Group of Companies to obtain an ownership interest in the Company;

2. Encourage long-term commitment to the Group;
3. Motivate them to continue their efforts in contributing to the long-term financial success of the Group; and
4. Encourage other talents needed for the business to join the Group.

Environment, Health, and Safety Programs

The Company is committed to maintain good environmental, health, and safety (EHS) practices and standards at all times. On a regular basis, the management implements a risks review of safety procedures and health programs at its operations and exploration sites. The review includes material safety, occupational health, environmental, and community risks to assess whether adequate risk-based controls are in place, how effective they are, and what priority actions would be required to substantially improve the EHS performance of the sites.

As of June 2018, the Company has renewed its Integrated Management System (IMS) Certification from TUV Rheinland, thereby allowing it to restore its environmental ISO 14001:2015 certification and to further affirm its adherence to strict environmental protection and safety protocols across its operations.

In June 2016, wholly owned Silangan Mindanao Mining Co., Inc. has been certified by Certification International Phils., Inc to operate an environmental management system conforming to ISO 14001:2004 standards for the provision of pre-mining development activities.

Site Safety Policy

Having a certificate on Occupational Safety and Health Standards (OSHAS 18001), the Company adheres to a Site Safety Policy and is committed to the highest levels of health and safety programs to ensure every stakeholder’s safety,



Safety Trainings and Programs for 2017

Target Participants	Trainings/Seminars	Number of Batches	Dates	Number of Attendees
Supervisors, rank-and-file, and contractors with service of five years and below with the Company	Safe Start Project	41	February 13, 2017 to March 18, 2017 April 3-8, 2017 April 17-22, 2017	1,389
Mine supervisors, rank-and-file, and underground contractors	Underground Emergency Management	6	May 15-27, 2017	112
Supervisors and leadmen	Incident Investigation, Analysis, and Reporting Seminar	4	July 10-26, 2017	85
Personnel securing OHC operator’s permit	Overhead Crane Safety Seminar	3	August 14-17, 2017	139
Personnel operating company vehicle	Defensive Driving Course	3	September 4-6, 2017	127
Supervisors, rank-and-file, contractors, and community representatives	Fire Safety Seminar	3	September 11-16, 2017	40
Supervisors and leadmen	Basic Occupational Safety and Health (BOSH) Seminar	2	September 5-8, 2017 October 3-6, 2017	66
Supervisors, rank-and-file	Basic Life Support Cardio-Pulmonary Resuscitation (CPR) with Automated External Defibrillator	1	October 23-24, 2017	28
Supervisors, rank-and-file	Standard First Aid Training	1	October 25-26, 2017	28
Supervisors, rank-and-file	Occupational First Aid Training	2	November 6-11, 2017	62

and espouses loss prevention as a way of life. PMC strives to maintain a sound and safe working place to prevent injury, illness, property damage, and loss to processes in compliance with all relevant legislations and the preservation of the environment as well.

PMC has adopted safety and health management programs to allow it to undertake projects safely without endangering the health of employees, host communities, indigenous peoples, and those who may be directly or indirectly affected by its mining activities.

In 2017, the Company reported one Lost Time Accident-Fatal (LTA-F) in its Padcal mine, down from three LTA-F in 2016 caused by mud rush. Meanwhile, there were nine Lost Time Accident-Non Fatal (LTA-NF) incidents recorded in 2017, the same as in 2016.

The Company is working towards achieving a “zero-harm” record by constantly reviewing safety policies and procedures. Initiatives are also in place to ensure that injuries are avoided and accidents are eliminated in the workplace. Third-party consultants are also engaged to evaluate the Company’s existing safety performance and identify risks areas, as well as possible areas for improvement.

C.4. Means of Communication of Illegal or Unethical Practices by Employees

Whistle Blowing Policy

In accordance with the Company’s adherence to the principles of good governance, the Whistle Blowing Policy has been adopted since February 25, 2014 to provide a system and venue for the proper submission, handling, or resolution of

employees’ complaints or disclosures regarding violations of corporate governance rules, questionable accounting or auditing matters, and offenses covered by the Company’s existing Code of Discipline or equivalent policy.

Confidentiality

All (whistleblower) complaints, including the identity of the whistleblower, witnesses, and employees named in the complaint, will be treated as confidential, unless the Company is otherwise required or compelled by law to release information.

Anonymous Reporting

Any (whistleblower) complaint must be coursed or filed through any of the various reporting channels. To aid further investigation of the (whistleblower) complaint, a whistleblower who makes or files a (whistleblower) complaint anonymously may opt to provide means by which he or she can be contacted without compromising his or her anonymity.

Protection from Retaliation

Subject to the provisions of Malicious Allegations, and without prejudice to legally-mandated courses of action to protect one’s right, baseless and illegal retaliation against any whistleblower or witness is prohibited and will be dealt with in accordance with this Policy, other relevant Company policies and rules, and applicable laws. A whistleblower or witness who will identify himself shall be protected from retaliation.

Malicious Allegations

In case the Appropriate Investigating Unit (AIU), to which a (whistleblower) complaint has been referred to, should determine that, after investigation, the whistleblower and/or witness has made baseless, untruthful, fabricated, malicious, or vexatious allegations, and particularly if he/she persist in

making such, disciplinary action may be taken against the whistleblower and witness in accordance with pertinent Company policies and rules and applicable laws in order to protect the good name of the persons that may have been unjustly accused or implicated.

For the purposes of this Policy, the AIU is a committee which shall be composed of representatives from Internal Audit, Human Resources, Legal, Security or from relevant units as necessary.

In 2017, there were no instances of whistleblowing received by appropriate Company officials. The policy is available in the Company’s website: <https://bit.ly/2JBuqZh>

D. DISCLOSURE AND TRANSPARENCY

Record Owner	No. of Shares Held	Percentage (%)
Asia Link B.V.	1,023,275,990	20.71
PCD Nominee Corp.	1,031,244,374	20.87
Social Security System	992,679,659	20.09
Two Rivers Pacific Holdings Corporation	738,871,510	14.96

Direct and Indirect Shareholding of Directors and Senior Management (Section D.4) : page 71
Corporate Structure: page 6

D.1. Transparent Ownership Structure

The following stockholders owned more than 5% of the PMC directly as of December 31, 2017.

D.2. Quality of Annual Report

The Company’s Annual Report contains the following information, which can be found on the sections and pages

specified below:

- Major Business Risks – 78-79
- Corporate Objectives – 12
- Key Performance Indicators (Financial and Non-Financial) – 10-11
- Dividend Policy – 61
- Details of Whistle Blowing Policy – 70
- Biographical Details of Directors – 20-25
- Training and/or Continuing Education Programs Attended by Directors – 81-82
- Number of Board of Directors meetings held and attendance during the year – 76
- Details of Remuneration of Each Director – 77
- Corporate Governance Confirmation Statement – 61

D.3. Disclosure of Related Party Transactions

Related Party Transactions

In prior years, the Company had also made cash advances to Philex Petroleum Corporation for its additional working capital requirements, and for the acquisition of equity in FEP, PERC, and Pitkin. These advances are unguaranteed and payable on demand through cash.

The Company has extended loans and advances to some of its subsidiaries, which were presented under Notes 13 and 23 of the Notes to the Company's 2017 Consolidated Financial Statements on Related Party Transactions.

On April 26, 2017, the Board approved the creation of a Related Party Transaction (RPT) Committee and its Charter. The board likewise approved the amendment in the RPT Policy, which requires the RPT Committee to review RPT transactions, instead of the CG Committee, and to revise the RPT definition.

D.4. Directors' and Officers' Dealings in Company Shares

Dealings and Shareholdings of the Company's Directors and Senior Management for 2017

Name of Beneficial Owner	Nature of Ownership	Number of Shares in December 2016	Changes in 2017	Number of Shares in December 2017
Directors				
Manuel V. Pangilinan	Direct	4,655,000	0	4,655,000
Eulalio B. Austin, Jr.	Direct	1,360,937	0	1,360,937
Barbara Anne C. Migallos	Direct	203,875	0	203,875
Edward A. Tortorici	Direct	3,285,100	0	3,285,100
Robert C. Nicholson	Direct	1,250	0	1,250
Marilyn A. Victorio-Aquino	Direct	500,100	0	500,100
Oscar J. Hilado	Direct	173	0	0
Wilfredo A. Paras	Direct	1	0	1
Anita B. Quitain	Direct	0	1	1
Michael G. Regino	Direct	0	1	1
Jose Gabriel M. La Viña	Direct	0	1	1
Management				
Danny Y. Yu	Direct	40,000	0	40,000
Redempta P. Baluda	Direct	20	0	20
Victor A. Francisco	Direct	50,000	0	50,000
Michael T. Toledo	-	-	-	-
Joan A. De Venecia	-	-	-	-
TOTAL		10,096,456	3	10,096,459

D.5. Audit Fees

Audit and Audit-Related Fees

For 2017, the Company's external auditors were engaged primarily to express an opinion on the financial statements of the Company and its subsidiaries. The audit, however,

included the auditors providing assistance to the Company in the preparation of its income tax return in as far as ensuring the agreement of the reported income, costs, and expenses in the return with the recorded amounts in the books. The procedures conducted for this engagement included those that are necessary under auditing standards generally accepted in the Philippines but did not include the detailed verification of the accuracy and completeness of the reported income, costs, and expenses. The audit fee for these services for the entire Philex Group, excluding the PXP Group, was P5.03 million for 2017.

Non-Audit Fees

Tax Fees

The Company has not engaged the external auditors for any tax-related services from 2015 to 2017.

All Other Fees

The external auditors were engaged to review and propose a job classification framework that reflects the relative worth of specified positions and levels in the Company's table of organization. This service, which was rendered in 2016 and paid in 2017, amounted to P0.88 million, compared with a total audit fee of P5.03 million in 2017. No other non-assurance fees to SGV were incurred in 2017.

D.6. Medium of Communications

Quarterly Reports

<http://www.philexmining.com.ph/sec-form-17-q/>

PMC addresses various information requirements of the investing public through the Investor Relations Division. The Company dutifully accomplishes and submits quarterly and

annual reports on or even before the deadline prescribed by the regulatory agencies.

In 2017, the Company submitted to the PSE and filed with the SEC the required quarterly reports on or before the prescribed deadline.

Company Website

<http://www.philexmining.com.ph/>

The Company is committed to the highest standards of disclosure, transparency, and fairness in information dissemination. The Company provides the public with strategic, operating, and financial information through adequate and timely disclosures to the regulatory authorities, such as the SEC and the PSE. Along with regular periodic reports, PMC discloses all material information about the Company that may have an impact on the valuation, stock price, and trading volume of its securities. All financial and non-financial disclosures are immediately posted on the Company Disclosures section in the Company's website.

Analysts' Briefings

<http://www.philexmining.com.ph/company-presentations/>

Analysts' briefings, physical or via teleconference, are conducted on a regular basis to provide timely updates on the financial and operating performance as well as Company strategies, industry updates, project status and other concerns raised by the investment community. Copies of the analysts' briefings materials, as well as investor presentations, can be found in the above link in the Company's website.

In relation to this, the Company held four analysts' briefings in 2017, three quarterly briefings and one annual briefing all

conducted via teleconference, to update the investing public and shareholders on the Company's performance.

Media Briefings and Press Conferences

<http://www.philexmining.com.ph/category/press-releases/>
<http://www.philexmining.com.ph/category/PHOTO-releases/>

The Public and Regulatory Affairs Group handles the Company's public, media, and government relations functions. Media briefings are conducted after the Annual Shareholders' Meeting. Copies of the media releases can be found in the above link in the Company's website. In 2017, the Company developed 16 press releases on various developments affecting the Company.

D.7. Timely Filing and Release of Annual and Quarterly Financial Reports

The Company's audited annual results were released on February 28, 2018, and its Audited Financial Statements (AFS) were published in the Company's website and disclosed to the PSE and the SEC on February 28, 2018, within 60 calendar days from the end of the reporting period.

This can be accessed on the following link in the Company's website: <http://www.philexmining.com.ph/audited-financial-statement>.

The Company's SEC Form 17-A (Annual Report) was released on April 3, 2017 to the PSE and the SEC. The true and fair representation of the AFS and the Annual Report has been affirmed by the Chairman of the Board of Directors, the President/CEO, and the CFO in the Statement of Management Responsibility.

Company Website

The Company's website provides the following information through the links indicated:

Information Website Links

- Business operations
<http://www.philexmining.com.ph/padcal/>
- Financial Statements/Reports (Current and Prior Years)
<http://www.philexmining.com.ph/financials/>
- Materials provided in briefings to analysts and the media
<http://www.philexmining.com.ph/company-presentations/>
- Shareholding structure
<http://www.philexmining.com.ph/shareholding-structure/>
- Group corporate structure
<http://www.philexmining.com.ph/corporate-structure/>
- Downloadable Annual Report
<http://www.philexmining.com.ph/sec-form-17-a/>
<http://www.philexmining.com.ph/annual-reports/>
- Notice of the Annual Stockholders' Meetings
<http://www.philexmining.com.ph/notice-of-stockholders-meetings/>
- Minutes of the Annual Stockholders' Meetings
<http://www.philexmining.com.ph/minutes-of-all-general-or-special-stockholders-meetings/>
- Company's By-Laws and Articles of Incorporation
<http://www.philexmining.com.ph/by-laws-and-articles-of-incorporation/>

D.8. Investor Relations

The contact details of the officer responsible for investor relations are as follows:

Mr. Rolando S. Bondoy
Division Manager - Investor Relations
Telephone No.: (632) 631-1381 to 88
Email: philex@philexmining.com.ph

E. RESPONSIBILITIES OF THE BOARD

E.1. Board Duties and Responsibilities

Corporate Governance Manual

The Company's Board of Directors approved and adopted the Company's Manual on Corporate Governance on April 27, 2010 and revised the said Manual on February 23, 2011. On June 25, 2014, the Board of Directors (the "Board") approved the further revision of the Manual on Corporate Governance in compliance with the Securities and Exchange Commission (SEC) Memorandum Circular No. 9, Series of 2014, also known as the "Amendment to the Revised Code of Corporate Governance." On May 30, 2017, the Board approved and adopted the further revision of the Revised Manual on Corporate Governance (RMCG) substantially adopting the SEC-issued Code of Corporate Governance for Publicly-Listed Companies ("Corporate Governance Code").

The structures and processes set forth in the RMCG, the Articles of Incorporation and the By-Laws, are in conjunction with the Company's commitment to the corporate governance principles of transparency, accountability, fairness, and integrity. In addition, the various corporate governance policies adopted by



the Board and the revised Charters of the different Committees, form the Company's basic framework of governance, by which its Board, officers, executives, and employees shall strive to achieve. These ensure that the Company achieve its strategic objectives, create value for all its shareholders, and sustain its long-term viability.

The RMCG shall apply suppletorily to the Company's Articles of Incorporation, as amended, Corporate By-Laws, the Securities Regulation Code, and the Corporation Code of the Philippines but shall, in no way, supersede the same.

Types of Decisions that Require Board Approval

The types of decisions that require the approval of the Board of Directors pertain to the Company's business transactions that extend beyond the management of extraordinary corporate affairs, but not above the limits of its authority as provided by law.

Roles and Responsibilities of the Board

Each director has a three-fold duty of obedience, diligence, and

loyalty to the corporation he/she serves. A director shall:

1. Act within the scope of power and authority of the Company and the Board as prescribed in the Articles of Incorporation, By-Laws, and under existing laws, rules, and regulations;
2. Exercise his best care, skill, and judgment, and observe utmost good faith in the conduct and management of the business and affairs of the Company; and
3. Act in the best interest of the Company and for the common benefit of the Company's shareholders and other stakeholders.

Faithful compliance with the principles of good corporate governance is the paramount responsibility of and shall start with the Board. Furthermore, the Board is required to exercise corporate powers, conduct the business, and control the properties of the Company in compliance with the corporate governance principles instituted in the Company's RMCG.

On May 30, 2017, the Board approved the Company's Board Charter which sets forth the Board's purposes, authority, duties

and responsibilities, structures, and procedures in accordance with the SEC-issued Code of Corporate Governance. The Company's Board Charter is available in the following link in the Company's website: <https://bit.ly/2kOvhqG>.

Vision and Mission

The Company's vision is to be a highly respected, world-class natural resource company, committed to deliver excellent value to its investors, employees, and other stakeholders. Its mission is to become a responsible mining corporation that discovers and processes minerals and energy resources for the use of society.

On November 29, 2017, the Company's management and the Board of Directors reviewed, revised and approved its vision, mission, core business principles of integrity, teamwork, work excellence, respect for individuals, corporate responsibility, and social and environmental responsibility, and the updated corporate strategy for 2018.

E.2. Board Structure

Code of Business Conduct and Ethics

The details of the Company's Code of Business Conduct and Ethics, approved last February 26, 2014, are available in the following link in the Company website: <https://bit.ly/2JKh3Sn>.

Board Structure and Composition

Independent Directors

The Board has two independent non-executive directors in accordance with the Philippine laws and regulations, specifically Section 38 of the Securities Regulations Code of the Philippines.



Legend:

Chairman of the Committee

[^] Independent Director

^o Non-Executive Director

Independent directors shall serve for a maximum cumulative term of nine years, reckoned in accordance with pertinent rules of the SEC, after which the independent director shall be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Company wants to retain an independent director who has served for nine years beginning 2012, the Board should provide meritorious justification and seek shareholders' approval during the annual shareholders' meeting.

The Board Committee

The Company, at the meeting of the Board of Directors held last April 26, 2017, approved the creation of the Company's Related Party Transaction Committee and its Committee Charter, and the Amended Corporate Governance Committee Charter. On a separate meeting held May 30, 2017 the Board likewise approved the Nominations Committee Charter:

- Compensation Committee Charter;
- Board Risk Oversight Committee Charter;
- and the Finance Committee Charter;

These actions were taken by the Company's Board of Directors in line with the Company's commitment to corporate governance best practices.

Nomination Committee

Charter

The complete text of the Nomination Committee's Charter can be found on the following link in the Company's website: <https://bit.ly/2LZjtOG>.

Work Done and Issues Addressed

In 2017, the Nomination Committee had two meetings. On February 28, 2017, the Committee reviewed the qualification of the SSS nominees as follows:

- Jose Gabriel M. La Viña
- Michael G. Regino
- Anita B. Quitain

On May 8, 2017, the Nomination Committee screened the nominee directors to determine whether they have all the qualifications and none of the disqualifications for election to the Company's Board of Directors.



The Committee also endorsed the final list of candidates for election at the Annual Stockholders' Meeting.

Compensation Committee

Charter

The following link provides the details of the Compensation Committee Charter: <https://bit.ly/2JrPVL2>

Work Done and Issues Addressed

The Compensation Committee did not meet in 2017 but reviewed and endorsed the compensation packages of senior officers, the total remuneration program, and the directors' compensation plan for 2017 during the 2016 meetings.

Audit Committee

Charter

The full transcript of the Audit Committee Charter is available in the Company's website through the following link: <https://bit.ly/2svp6f8>

Work Done and Issues Addressed

In 2017, the Audit Committee had four meetings. On February 24, 2017, the Committee reviewed the 2016 AFS, discussed Key Audit Matters with the external auditor and recommended the financial reports and corresponding disclosures for Board approval. It likewise reviewed and approved the external auditors' scope of work and all audit fees. On April 24, July 31, and October 23, 2017, the Chief Audit Executive, Ms Geraldine B. Ateo-an, presented the Internal Audit Plan, the Internal Audit Quarterly Accomplishment Reports, and various Internal Audit findings. The Chief Financial Officer also presented Quarterly Financial Performance vis-à-vis the previous years and against budget. The Committee likewise reviewed the Company's internal control and risk management system and discussed First Pacific Code of Corporate Governance practices questionnaire for compliance and submission to First Pacific Company, Limited. On November 27, 2017, the Committee approved the 2017 external audit plan.

Corporate Governance Committee

Charter

The complete details of the Company's Corporate Governance

Committee Charter can be accessed through the following link in the Company's website: <https://bit.ly/2HiZ3N1>

Work Done and Issues Addressed

The Corporate Governance Committee had four meetings. On April 19, 2017, the Committee discussed the SEC Revised Corporate Governance Code and likewise endorsed for Board approval the following:

- creation of RPT Committee and its Charter;
- amendment to the CG Committee Charter;
- amendment to the Directors' and Officers' Orientation Training Policy; and
- amendment of the Related Party Transaction Policy and Board Diversity Policy.

On April 27, 2017, the Committee reviewed and endorsed for Board approval the creation and amendment to Committee Charters of Finance Committee, Compensation Committee, and Nomination Committee. On May 29, 2017, the Committee endorsed for Board approval the RMCg. On July 31, 2017, the Committee endorsed the appointment of the Company's Lead Independent Director and Disclosure Policy.

Finance Committee

Charter

The following link provides the details of the Finance Committee Charter: <https://bit.ly/2M4eaNJ>

Work Done and Issues Addressed

The Finance Committee held two meetings in 2017, on September 6 and October 20, 2017, to discuss and evaluate the management's recommendations for a possible hedging position.

Board Risk Oversight Committee

Charter

The complete details of the Company's Board Risk Oversight Committee Charter can be accessed through the following link in the Company's website: <https://bit.ly/2sHx6sU>

Work Done and Issues Addressed

The Board Risk Oversight Committee held three meetings. On February 24 and July 31, 2017, the Committee reviewed the Top 5 Enterprise Risks (Regulatory, Financial, Strategic, and Operational) of the Philex Group for the first and second semesters of 2017, respectively, and recommended the action plans and corresponding mitigating measures to address the said risks. On July 31, 2017, the Committee also endorsed for

board approval the Company's Personal Data Privacy Policy and appointment of the Chief Data Privacy Officer, Atty. Joan De Venecia-Fabul.

On October 23, 2017, the Committee also evaluated and approved the proposed Insurance Coverages and Rates for 2018.

E.3. Board Processes

Attendance

The Board has a predetermined schedule of meetings at the beginning of the calendar year. Discussions during these

Director's Attendance in Board and Board Committee Meetings for 2017

Directors	Total	%	Committees					
			Audit	Corporate Governance	Finance	Nominations	Risk Oversight	Silangan Project
Manuel V. Pangilinan*	9/9	100				2/2		
Eulalio B. Austin, Jr.*	9/9	100			2/2			2/2
Robert C. Nicholson	9/9	100	4/5		2/2		2/3	2/2
Marilyn A. Victorio-Aquino	8/9	89	5/5	4/4		2/2	2/3	2/2
Barbara Anne C. Migallos	8/9	89						
Edward A. Tortorici	5/9	56						1/2
Oscar J. Hilado**	6/9	67	5/5	4/4			3/3	
Wilfredo A. Paras	8/8	100	5/5	4/4	2/2	1/1	3/3	
Jose Gabriel M. La Vina****	7/8	88			2/2	2/2		
Michael G. Regino***	7/8	88	3/4				2/2	1/1
Anita B. Quitain***	8/8	100						

*The Chairman and the CEO are held separately by unrelated individuals.

**Mr. Oscar J. Hilado, independent director, has extensive experience in mining and natural resources industry as former Chairman of Holcim Philippines, Inc. Atty. Marilyn A. Victorio Aquino, a non-executive director, also brings a wealth of experience from legal practice where she has extensive experience in mining and natural resources industry. She has represented a number of natural resource companies and other participants in the mining sector of the Philippines. She is presently a member of the Finance Committee of the Chamber of Mines of the Philippines (COMP).

***Appointed February 28, 2017

°Resigned as of February

meetings are open, and independent views are given due consideration. As necessary, the Board likewise holds meetings through telecommunications or other electronic media.

A separate meeting of non-executive directors without the presence of the CEO or any of the executive officers is held at least once a year. A separate meeting without the presence of the CEO and other executive officers was held on November 27, 2017.

Access to Information

The Company regularly sends soft copies of the complete set of Board materials to directors via e-mail at least five days in advance. The hard copies are physically distributed on the day of the Board meeting or earlier upon request.

Corporate Secretary

The Corporate Secretary is Atty. Barbara Anne C. Migallos, a Filipino and a resident of the Philippines. She brings with her many years of relevant experience in the corporate law and legal practice, and has sufficient understanding of the financial reporting rules, standards, and practices. The Company's Corporate Secretary plays a significant role in supporting the Board in discharging its responsibilities. Among her functions are safekeeping and the preservation of the integrity of the minutes of the meetings; informing the members of the Board of the agenda of their meetings; ensuring that the members have accurate information; and ensuring that all Board procedures, rules, and regulations are strictly followed by the members.

Board Appointments and Re-election

The directors are elected by the shareholders at the ASM. Each director shall serve a one-year term and until their successors are elected and qualified. Any vacancy in the Board before the end of the term shall be filled in accordance with applicable law

and rules. As needed, the Board may use professional search firms to fill in the vacancies of the Board. The guidelines are set forth in the link provided below: <https://bit.ly/2xNuOy3>

Remuneration Matters

Remuneration Policy

There are no arrangements for additional compensation of directors other than that provided in the Company's By-Laws, which provides compensation to the directors at the Board's discretion to determine and apportion, as it may deem proper, an amount of up to 1.5% of the Company's net income before tax of the preceding year. Payments made in 2017 represented only 1% of the Company's net income before tax.

Total Remuneration of Directors:

In 2017, a total of P23.5 million was paid to all executive and non-executive directors, details of which are as follows:

Name	Position	Amount (in P Million)
Manuel V. Pangilinan	Chairman	2.07
Eulalio B. Austin, Jr.*	President & CEO	2.13
Marilyn A. Victorio-Aquino	Non-Executive Director	2.42
Oscar J. Hilado	Independent Director	2.32
Barbara Anne C. Migallos	Executive Director	2.01
Robert C. Nicholson	Non-Executive Director	2.37
Wilfredo A. Paras	Independent Director	2.43
Edward A. Tortorici	Non-Executive Director	1.98
Bienvenido E. Laguesma**	Non-Executive Director	1.61
Juan B. Santos**	Non-Executive Director	1.35
Michael Victor Alimurung**	Non-Executive Director	1.48
Jose Gabriel M. La Vina**	Non-Executive Director	0.41
Michael G. Regino**	Non-Executive Director	0.50
Anita B. Quitain**	Non-Executive Director	0.36
TOTAL		23.47

President and CEO

The President and CEO is entitled to receive fixed and variable remuneration, in accordance with the compensation plans approved by the Board. Variable remuneration includes: (1) equity-based benefits, (2) productivity or performance-based bonus scheme or under an approved plan (short-term), and (3) stock options under the Company's Stock Option Plan (long-term).

Key Officers

Key officers are entitled to receive fixed and variable remuneration, in accordance with the compensation plans approved by the Board. Variable remuneration includes: (1) equity-based benefits, (2) productivity or performance based bonus scheme or under an approved plan (short-term), and (3) stock options under the Company's Stock Option Plan (long-term).

Compliance Officer

Danny Y. Yu, the Company's CFO and Senior Vice President for Finance, is also the Chief Compliance Officer and Corporate Governance Officer, designated to ensure adherence with best practices and compliance with all pertinent regulations that cover the Company. Rolando S. Bondoy, who is the Head for Investor Relations and Deputy Head for Corporate Governance, is the Deputy Compliance Officer.

Internal Audit

The Internal Audit Group (IAG) is a separate and independent unit which directly reports to the Audit Committee and is headed by Ms. Geraldine B. Ateo-an.

* The amount paid to Mr. Eulalio B. Austin, Jr. was included under the Compensation of Officers.

**A total of P5.7 million was paid directly to the SSS, which covers the fees paid to SSS nominee directors.

RISK MANAGEMENT

REGULATORY

Regulatory risks refer to any changes in pertinent laws, regulations, and policies that may affect the mining industry and the Company.

The local mining industry is undergoing a transformation under the current regime, and several policy directions dictate the behavior of mining operations and the investments into the sector. Under the present administration, the Department of Environment and Natural Resources (DENR) ordered the audit of all operating mines in the country in August 2016. PMC's Padcal mine was one of the companies not recommended for suspension. However, other standing orders from the DENR continue to pose risks.

- **Issuance of the DENR show cause order for the cancellation of 75 MPSAs.** In addition to the closure order on 23 operating mines, the DENR also issued a show cause order for the cancellation of 75 Mineral Production Sharing Agreements (MPSAs) across the country, including those that were awarded to PMC and its subsidiaries. As of this writing, the DENR has yet to respond to PMC's reply to the show cause order, which states the validity of the Company's MPSAs.
- **Release of DAO No. 2017-10 banning the use of open-pit mining.** Under Department Administrative Order (DAO) No. 2017-10, the DENR also ordered the ban on the use of open-pit mining in the country. The Mining Industry Coordinating Council (MICC), co-chaired by the Department of Finance (DoF) and the DENR, recommended the lifting of DAO No. 2017-10. The Philippine Mining Act of 1995 allows surface mining, similar to the open-pit mining method

practiced in advanced economies like Canada, Australia, and the United States.

STRATEGIC

Strategic risks refer to internal and external events and scenarios that may impede the Company's ability to achieve its strategic objectives and long-term growth targets.

Mining operations are constrained by an ore body's life of mine, and its sustainability depends largely on the pipeline of commercially viable mining deposits. There can be no assurance that the exploration of mining tenements, where the Company has legal and valid interests in, will result in the establishment of commercially viable mining operations.

- **Failure to extend Padcal's life of mine beyond 2022.** The Company's only operating mine in Padcal has a declared life of mine up to 2022, with 98 million of still unconverted resources. While PMC is aggressively exploring areas within and around Padcal to ensure steady volumes of ore beyond 2022, it encounters challenges in its identified exploration sites, causing delays in its exploration timetables. Nonetheless, the Company is expediting negotiations to secure approval and complete exploration works. In addition, engineering studies are also underway to increase the volume of available storage facilities to accommodate additional tailings and provide the basis for further life of mine extension after 2022.
- **Delay in launching the Silangan project due to DAO No. 2017-10.** The Company's Silangan project has secured and currently maintains all major permits from the DENR, including environmental compliance certification (ECC), a tree-cutting permit, and an approved Declaration of Mining Project Feasibility. However, DAO No. 2017-10,



which bans the use of open-pit mining, has yet to be lifted. In the meantime, the Company continues its community development and environment enhancement programs in compliance with the ECC conditions and its environmental, social, and governance (ESG) commitments to the local communities.

FINANCIAL

Financial risks refer to events that may have an impact on the Company's financial performance, cash flows, and financial position.

- **Difficulty in raising funds due to industry sentiment.** The next step in Silangan's development is project financing, which is currently on hold due to DAO No. 2017-10. In addition, the regulatory environment in the mining industry has undermined the true value of the Silangan project. The Company is constantly engaging concerned parties and educating the public on the real benefits of

mining. Likewise, the Chamber of Mines of the Philippines, through the initial steps taken by PMC, has formally signed an agreement with the Mining Association of Canada to adopt the Towards Sustainable Mining (TSM) Initiative in the local setting.

- **Impairment of idle assets.** The Company has a number of mining tenements in various areas nationwide. These assets are the subject of provisions, which can have material impact on the Company's financial position. PMC is constantly exploring joint ventures, or farm-in/farm-out agreements, with interested parties to reflect their fair value in the balance sheet.

OPERATIONAL

Operational risks refer to natural or man-made events and scenarios that may disrupt the operations and the overall occupational health and safety performance of the Padcal mine.

- **Adverse underground conditions at Padcal mine.** The unstable ground conditions in the current ore body, coupled with the presence of bouldery ore and the risks of mud rush, has affected the operations of the Padcal mine, resulting in lower tonnage and metal output in 2017. To improve the performance of the Padcal mine, the Company has installed new equipment and enhanced work processes.
- **Acts of terrorism and insurgency threats.** An act of terrorism transpired in 2017, which affected the transport of ore from the Padcal mine to the Poro port installation for shipment. The Company has since increased vigilance among residents within the camp and coordinated with various groups to identify and deter possible threats.

ENVIRONMENTAL, NATURAL, AND SOCIAL

Being in a natural resource operation, the Company is inherently subject to potential environmental, natural, and social concerns. The Company is also subject to Philippine laws and regulations governing the environmental and social impacts of its operations.

- **Environmental incidents.** To manage the risk, the Company puts a great amount of effort and invests a substantial amount of resources into environmental protection and rehabilitation through its Environmental Protection and Enhancement Program (EPEP). This is in addition to ensuring compliance with all applicable environmental laws and regulations. As a manifestation of its commitment to responsible and sustainable mineral resource development, the Company has adopted an environmental policy statement, which is consistent with the ISO 14001 certification on Environmental Management Systems (EMS). The Company also has a pollution liability insurance to cover costs and claims related to environmental pollution, which can include the costs of restoration, cleanup, and liability for injuries and deaths caused by environmental pollution.
- **Natural calamities.** In addition, natural disasters, such as earthquakes, floods, and landslides, could also hamper company operations. Such natural disasters could, among other things, damage company facilities and surrounding infrastructure, block access to its mining assets, injure personnel, and result in a suspension of its operations for an undetermined period of time; all of this could materially and adversely affect its business, financial condition, results of operations, and prospects. The Company is covered by a comprehensive insurance policy, which

includes a business interruption clause, to respond to such eventualities and disruptions.

- **Social license to operate.** The Company ensures strict compliance with all the applicable social laws, rules, and regulations covering it as a mining company. In addition, the Company strongly adheres to its Social Development Management Program (SDMP), and exceeds the requirements set by the government through the provision of health, educational, livelihood, and public infrastructure services to its host and neighboring communities to secure community endorsement and public approval for its operations. In addition, the Company is aligning with the ISO 26000 certification on Guidance on Social Responsibility to assess and address corporate social responsibility concerns and effectively strengthen its social license to operate.

Management Risk Oversight Committee

Risk Management System

An effective management of risk is vital to the continued growth and success of the Group, and the Company is committed to manage risks in a proactive and effective manner across the organization. This commitment is embodied in the Philex Group Risk Management Philosophy Statement, as follows:

“The Philex Group shall undertake a Risk Management Program that will mitigate or eliminate identified physical, socio-ecological, and economic risks inherent in its mining business, thereby ensuring a productive and profitable operation.”

*The statement of adequacy of the Company's internal controls and risk management system can be found on page 50 of this Annual Report.

The role of the Internal Auditor is to provide independent, objective assurance and consulting services to the management designed to add value and improve the Company's operations. The role also includes ensuring the adequacy of the network of risk management, control, and governance processes.

As provided in the Audit Committee Charter, the CAE provided a Quarterly Internal Audit Report to the Audit Committee on February 24, April 24, July 31, and October 23, 2017, on the internal audit organization's activities, purposes, authorities, responsibilities, and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report includes significant risk exposures and control issues, corporate governance issues, evaluation of compliance with the Code of Conduct for the management, and other matters requested by the Committee or the Board.

E.4. People on the Board

Chairman

The Chairman of the Board, in all nine meetings attended ensured that the Board functioned effectively. He has assisted in ensuring compliance with the best practices in corporate governance policies and practices. He has also provided leadership and discussed key issues in a timely manner, taking into account proposals and recommendations of the CEO and the Management. In addition, the Chairman has maintained an open line of communication and a free flow of information between the Management and the Board.

The President and Chief Executive Officer (CEO)

The President and CEO attended all nine meetings held in 2017 and has been responsible for the general care, management, and administration of the Company's business. He likewise

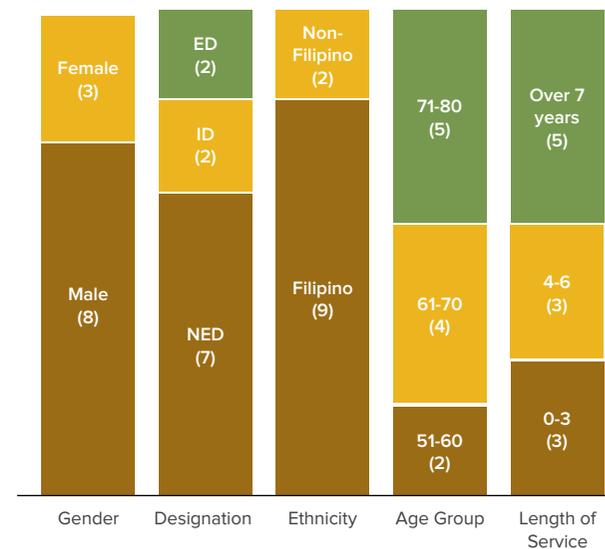
reported on the results of the Company's operations, ensuring that financial and internal controls are adequate and effective. The President and CEO has provided leadership in developing and implementing business strategies, policies, processes, and budgets to the extent approved by the Board, and took the lead in identifying and managing operational, financial, and other business risks.

Board Diversity Policy

The Company's Board Diversity Policy aims to ensure that optimal sound decision-making is achieved by diversifying the composition of the Company's Board was approved April 26, 2017 and was subsequently amended and endorsed by the CG Committee on May 29, 2018.

Currently, the Board is composed of the following individuals with ages ranging from 55-80 years old:

- Three (3) females to promote gender equality;
- Four (4) lawyers with experience and exposure on highly regulated mining industry;
- Three (3) financial experts in business merger and acquisition, credit, capital market, derivatives, taxation, and fund raising;
- Three (3) industry experts with background on mining operations, mining industry, environmental compliance, and community development;
- A member of an indigenous people (IP) group to represent the interests of IPs;
- Almost if not all have sound Corporate Governance mindset;
- More than half are incumbent or former CEOs of operating entities; and
- Individuals with experience in social, environmental, and community development.



E.5. Board Performance

The objective of the Board assessment policy, which was approved on February 25, 2015, is to enable the Board to periodically identify overall strengths and specific areas for improvements. The results of the assessment will provide important feedback and views from the members of the Board, which will collectively form part of the Company's overall strategy, future directions, or endeavors.

Directors will be requested to complete a standard self-assessment, which will be evaluated as follows:

Performance Evaluation	Self-Assessment	Evaluated By	Forms and Criteria
Board of Directors	/	Individual Director/s	See Annex A
Director	/	Individual Director/s	See Annex B
Board Committees	/	Member of Committee	See Annex C
President and CEO	N/A	Individual Director/s	See Annex D

The Board conducted a performance evaluation last April 26, 2017 covering the year 2016 performance individually and as a Board.

The different forms and criteria can be viewed in the following link in the Company's website: <https://bit.ly/2LrC4So>

Directors' and Officers' Orientation and Training Policy

On April 26, 2017, the Board of Directors of the Company approved the amendment to the Directors' and Officers' Orientation and Training Policy to include the required number of eight hours orientation for new directors and four hours of continuing education for all directors. The said policy may be accessed through the following link in the Company's website: <https://bit.ly/2sAcRxY>



Directors' and Officers' Orientation and Training for 2017

Name of Director/Officer	No. of Hours	Date of Training	Program	Name of Training Institution/ Sponsor
Manuel V. Pangilinan Chairman, Director	4	September 7, 2017	Charting the Digital Age, its Risks and Strategies, through Governance and a Responsive Corporate Culture	Philex Mining Corporation, PLDT, MPIC, MERALCO
	4	December 12, 2017	Board Evaluation Training Session by Ms. Wendy Yung of Practicing Governance	First Pacific Company Limited
Eulalio B. Austin, Jr. President & CEO, Director	4	May 24, 2017	5th Annual GGAPP Forum on Good Governance, Ethics, and Compliance: "Gap and Bridges: The Future of the Philippine Governance"	Good Governance Advocates and Practitioners in the Philippines
Oscar J. Hilado Independent Director	4	July 26, 2017	Corporate Governance	Sycip Gorres Velayo (SGV) & Company
	4	September 7, 2017	Charting the Digital Age, its Risks and Strategies, through Governance and a Responsive Corporate Culture	Philex Mining Corporation, PLDT, MPIC, MERALCO
Marilyn V. Aquino Director	4	September 7, 2017	Charting the Digital Age, its Risks and Strategies, through Governance and a Responsive Corporate Culture	Philex Mining Corporation, PLDT, MPIC, MERALCO
Robert C. Nicholson Director	4	September 7, 2017	Charting the Digital Age, its Risks and Strategies, through Governance and a Responsive Corporate Culture	Philex Mining Corporation, PLDT, MPIC, MERALCO
Edward A. Tortorici Director	4	September 7, 2017	Charting the Digital Age, its Risks and Strategies, through Governance and a Responsive Corporate Culture	Philex Mining Corporation, PLDT, MPIC, MERALCO
		December 12, 2017	Board Evaluation Training Session by Ms. Wendy Yung of Practicing Governance	First Pacific Company Limited

Name of Director/Officer	No. of Hours	Date of Training	Program	Name of Training Institution/ Sponsor
Wilfredo A. Paras Independent Director	4	May 17, 2017	Roundtable Discussion on the Code of Corporate Governance for Publicly Listed Companies	SEC
	4	November 16, 2017	Distinguished Corporate Governance Speaker Series	Institute of Corporate Directors
Michael G. Regino Non-Executive Director	4	February 16, 2017	Orientation Program for New Directors	Philex Mining Corporation
	8	April 1-2, 2017	Mine Site Visit Orientation	Philex Mining Corporation
	8	July 27, 2017	Enhancing Audit Committee Effectiveness Essentials	Institute of Corporate Directors
	4	September 7, 2017	Charting the Digital Age, its Risks and Strategies, through Governance and a Responsive Corporate Culture	Philex Mining Corporation, PLDT, MPIC, MERALCO
Anita B. Quitain Non-Executive Director	4	February 16, 2017	Orientation Program for New Directors	Philex Mining Corporation
	8	April 1-2, 2017	Mine Site Visit Orientation	Philex Mining Corporation
	4	September 7, 2017	Charting the Digital Age, its Risks and Strategies, through Governance and a Responsive Corporate Culture	Philex Mining Corporation, PLDT, MPIC, MERALCO
Jose Gabriel M. La Viña Non-Executive Director	4	February 16, 2017	Orientation Program for New Directors	Philex Mining Corporation
	8	April 1-2, 2017	Mine Site Visit Orientation	Philex Mining Corporation
	4	Dec 19, 2017	Corporate Governance Orientation Program for GOCCs	Institute of Corporate Directors
Barbara Anne C. Migallos Corporate Secretary, Director	4	December 7, 2017	Corporate Governance Forum	Sycip Gorres Velayo (SGV) & Company
Danny Y. Yu SVP & Chief Financial Officer, Chief Compliance Officer, Corporate Governance Officer	(no data given)	January 23, 2017	JOGMEC Seminar Sustainable Development and Environmental Conservation for the Mining Sector of the Philippines	Chamber of Mines
	2	February 15, 2017	Governance and Reforms in Public Finance	Financial Executives of the Philippines
	4	May 24, 2017	5th Annual GGAPP Forum on Good Governance, Ethics, and Compliance: "Gap and Bridges: The Future of the Philippine Governance"	Good Governance Advocates and Practitioners in the Philippines
	3.5	August 10, 2017	Risks and Perspectives of Environmental Social and Governance (ESG) Investing	Institute of Corporate Directors
	4	September 7, 2017	Charting the Digital Age, its Risks and Strategies, through Governance and a Responsive Corporate Culture	Philex Mining Corporation, PLDT, MPIC, MERALCO
	(no data given)	September 20, 2017	BSP: The New Roadmap to a Globally Competitive Economy & Stable Financial System	Financial Executives of the Philippines
	4	September 26, 2017	Corporate Governance Conference: Competing Against Risks	Institute of Corporate Directors
Michael T. Toledo SVP, Corporate Affairs	4 hours	September 7, 2017	Charting the Digital Age, its Risks and Strategies, through Governance and a Responsive Corporate Culture	Philex Mining Corporation, PLDT, MPIC, MERALCO
Redempta P. Baluda VP, Exploration	4 hours	May 24, 2017	5th Annual GGAPP Forum on Good Governance, Ethics, and Compliance: "Gap and Bridges: The Future of the Philippine Governance"	Good Governance Advocates and Practitioners in the Philippines
	(no data given)	February 2-3, 2017	2017 Innovation Congress: Create, Break and Iterate – FPLA, Rizal	First Pacific Leadership Academy
	(no data given)	January 23, 2017	JOGMEC Seminar on Sustainable Development and Environmental Conservation of the Mining Sector of the Phils. – New World Hotel, Makati City	Japan Oil, Gas and Metals National Corporation (JOGMEC) through Chamber of Mines
Joan A. De Venecia VP, General Counsel	4 hours	May 24, 2017	5th Annual GGAPP Forum on Good Governance, Ethics and Compliance: "Gap and Bridges: The Future of the Philippine Governance"	Good Governance Advocates and Practitioners in the Philippines
	4 hours	September 7, 2017	Charting the Digital Age, its Risks and Strategies, through Governance and a Responsive Corporate Culture	Philex Mining Corporation, PLDT, MPIC, MERALCO
Victor A. Francisco VP, Community Relations	4 hours	May 24, 2017	5th Annual GGAPP Forum on Good Governance, Ethics, and Compliance: "Gap and Bridges: The Future of the Philippine Governance"	Good Governance Advocates and Practitioners in the Philippines

AWARDS AND RECOGNITION

PSE Bell Awards - Finalist
Compliance and Ethics Program - Finalist

2017 PSE Bell Awards
 Philippine Stock Exchange (Philippines)

Best at Corporate Social Responsibility - 3rd
Most Committed to Corporate Governance - 4th
Best at Investor Relations - 4th
Best Managed Company - 6th

2017 Best Managed Companies Poll
 Finance Asia (Philippines)



Silver Anvil Award - 2016 Annual Report
Silver Anvil Award - 2016 Sustainability Report
Silver Anvil Award - 60th Anniversary AVP

52nd Anvil Awards
 Public Relations Society of the Philippines (Philippines)

Award of Merit - 2015 Annual Report

15th Quill Awards
 International Association of Business Communicators (Philippines)



HUMAN RESOURCES

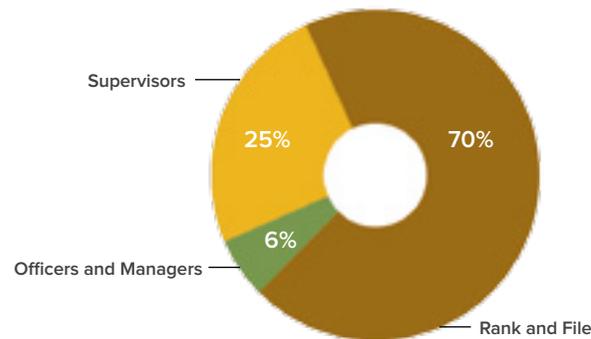
MANPOWER COMPLEMENT

The Company's total manpower complement, including those of subsidiaries, totaled 2,169 in 2017, consisting of 2,119 full-time regular employees, 2,021 of which were from the Padcal mine while 98 were from our Mandaluyong Head Office. Of this number, 1,791 were in operations while 328 were involved in support service functions.

Below are the employee demographics and employee classification by rank:

Average Tenure	12.5 years
Average Age	41.5 years old
Male	93%
Female	7%

Employee Classification



COLLECTIVE BARGAINING UNITS

The Padcal mine employees belong to two collective bargaining agents: the Philex Rank-and-File Employees Union-Association of Labor Unions-Trade Union Congress of the Philippines (PRFEU-ALU-TUCP) for rank-and-file employees, and the Philex Mining Supervisory Employees Union-Association of Professional Supervisory Office Technical Employees Union-Trade Union Congress of the Philippines (PMSEU-APSOTEU-TUCP) for supervisors. The five-year collective bargaining agreements (CBAs) with both unions were signed in January 2016, effective up to January 2, 2020 for PRFEU-ALU-TUCP and up to May 1, 2020 for PMSEU-APSOTEU-TUCP.

On the other hand, Head Office rank-and-file employees are members of the Philex Pasig Employees Union (PPEU). The CBA was signed by the PPEU and the Company on April 6, 2017 and was registered with the Department of Labor and Employment (DOLE) on February 20, 2018, and will be renegotiated anew in 2020.

There has been no major labor dispute or strike by any of the Company's unions in the past five years. In addition, the Company has no other supplemental benefits or incentive arrangements under its collective bargaining agreements with the unions other than the usual employee benefits, such as paid vacation and sick leaves, among other benefits.

HUMAN RESOURCE ACTIVITIES

Padcal Sto. Nino Fiesta 2017

The third week of January marks a joyous celebration when the Corporate Head Office in Mandaluyong joins the Sto. Nino Festival of the entire Padcal community at the mine site in Benguet. During this period, various company units in Padcal and Corporate Head Office representatives parade through the scenic streets of Padcal to celebrate and give thanks to the patron saint Sto. Nino. The event was capped with a festive program participated by each group of the Philex family for the enjoyment of the entire community and all the participants. The traditional fiesta atmosphere prevailed as every family opened their doors to everyone for a feast, while greeting each other "Viva Sto. Niño!".

Teambuilding 2017

Company employees were given a treat during the summer months of 2017 with an overnight stay in a resort along the sandy beaches of Morong, Bataan to mark the Annual Teambuilding Exercise. A feast of native foods—enjoyed in "boodle fight" style—and exciting games and prizes were among the highlights of the annual escapade, with cheers, jeers, and tons of laughter serving as sidelights. At the end of the day, employees once again showcased their camaraderie and teamwork, and most of all demonstrated the real essence of the "Work-hard, Play-hard" concept.

Children's Hour 2017

Philex employees are proud donors of the Children's Hour Philippines Foundation's program entitled One Hour Campaign. On its maiden year, the program calls for a voluntary contribution equivalent to one hour of employee's salaries, the total of which will be matched by the Company and donated to the Children's Hour Foundation. Through this effort, the Company and its employees aim to reach out to as many Filipino children as possible who are in dire need of basic necessities such as food, shelter, and education. Moreover, Philex hopes that its concerted efforts will set an example to other companies and their employees that working together to achieve one goal will make bonds stronger.



Earthquake Drill

At exactly 4:00 p.m. on July 14, 2017, a loud general alarm sounded off throughout the entire building of Launchpad for all employees to initiate the “duck, cover, and hold” sequence for 45 seconds, followed by a stream of employees filling up the fire exits on their way to their designated evacuation area. It was a sight to behold for Philex employees, who stood out in the crowd with their white hard hats as an extra measure and to make it known that, at Philex, it is always safety first.



Trick or Treat

Last October 27, 2017, the PMC Head Office was filled with treats—no tricks—as the Company opened its doors to children aged one to 12 years old, who paraded all over the offices to “Trick or Treat!” as loud as they can in celebration of Halloween. The program included film showing, games, food, and prizes. At the end of the day, everyone had fun, though one could not really tell who had more fun—the kids who had their buckets filled with sweets, or the employees who dressed up for the event.

EMPLOYEE DEVELOPMENT PROGRAMS

The Company respects the dignity and human rights of its employees, including the rights guaranteed by existing labor laws. Philex promotes safety, non-discrimination, environmental awareness, and commitment in the workplace, and supports programs that champion the engagement and development of employees.

The complete list of Employee Development Programs can be found on page 68-69 of this Annual Report. The HR Group, in coordination with the Legal Division, conducted a one-day symposium to introduce employees to the Data Privacy Act of 2012. This was followed by a series of consultations and validations with different departments to comply with the Company's Personal Data Privacy Policy.

In addition, in conjunction with the Finance Group, HR also facilitated a seminar on Financial Inclusion, using PayMaya as the platform, to promote the concept of online transactions and its convenience.

With respect to compliance with Canadian mining standards, a team was likewise sent to Canada to observe a Mining Association of Canada meeting in relation to the Company's Towards Sustainable Mining (TSM) initiative.



OFFICERS AND STAFF

Officers

Eulalio B. Austin, Jr.

President & Chief Executive Officer

Barbara Anne C. Migallos

Corporate Secretary

Danny Y. Yu

Chief Financial Officer & SVP for Finance,

Chief Compliance Officer and

Corporate Governance Officer

Michael T. Toledo

SVP for Corporate Affairs

Manuel A. Agcaoili

*SVP & Padcal Resident Manager**

Redempta P. Baluda

Vice President for Exploration

Joan A. De Venecia-Fabul

Vice President for Legal

Victor A. Francisco

Vice President for Environment & Community Relations

SMMCI Officers

Eulalio B. Austin, Jr.

President and Chairman

Michael T. Toledo

Chief Operating Officer and Director

Barbara Anne C. Migallos

Corporate Secretary

Danny Y. Yu

Treasurer

Paraluman M. Navarro

Controller

Head Office Staff

Paraluman M. Navarro

Assistant Vice President, Corporate Finance

Geraldine B. Ateo-an

Division Manager, Internal Audit

Francis Joseph G. Ballesteros, Jr.

Division Manager, Public & Regulatory Affairs Division

Rolando S. Bondoy

Division Manager, Investor Relations &

Corporate Governance

Victor B. Maglambayan

Division Manager, Exploration

Noel C. Oliveros

Division Manager, Exploration

Vengel A. Romero

Division Manager, Corporate Technical Services &

Business Development

Bernard P. Baluda

Group Manager, Supply Chain

Horacio R. Hernandez, Jr.

Group Manager, Corporate Information Technology

John Reaner I. Nocum

Group Manager, Financial Projects &

Management Services

Eileen C. Rodriguez

Group Manager, Corporate Treasury

Jocelyn S. Sinajon

Group Manager, Human Resources

Padcal Mine Staff

Roy P. Mangali

Assistant Vice President,

Padcal Assistant Resident Manager

Milton L. Agyao

Division Manager, Mill

Eduardo M. Aratas

Division Manager, Legal

Ricardo S. Dolipas II

Division Manager, Mine

William D. Agustin

Group Manager, Mine Mechanical

Roselyn M. Dahilan

Group Manager, Padcal Finance

Paul M. Lumpias

Group Manager, Mine Operations

Lionel L. Wanawan

Group Manager, Legal

*Resigned Effective December 31, 2017

CORPORATE DIRECTORY



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Surigao del Norte

INDEPENDENT PUBLIC ACCOUNTANTS

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LEGAL COUNSEL

Angara Abello Concepcion Regala & Cruz
Fernando S. Almeda (Surigao)
Guillermo Bandonil, Jr.
Migallos & Luna
Siguion Reyna, Montecillo & Ongsiako
Sycip Salazar Hernandez & Gatmaitan
Picazo Buyco Tan Fider & Santos

BANKERS

BDO Unibank, Inc.
Bank of the Philippine Islands
BNP Paribas Philippines
Deutsche Bank
Goldman Sachs International
JP Morgan Chase Bank, N.A.
Land Bank of the Philippines
Mizuho Corporate Bank, Ltd.
Philippine National Bank
Rizal Commercial Banking Corp.
Standard Chartered Bank
The Hongkong and Shanghai Banking Corp. Ltd.
Union Bank of the Philippines

CORPORATE WEBSITE

<http://www.philexmining.com.ph>

PHILIPPINE STOCK EXCHANGE CODE:

PX





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