





## *about the cover*

Philex Mining Corporation (PMC) takes to heart its simultaneous roles of creating value, improving lives, building communities, and supporting national development.

Over and beyond its responsibility to all its stakeholders, PMC constantly pursues an optimum balance between operational efficiency, environmental sustainability, governance and social responsibility. PMC has been a recipient of numerous corporate governance and social responsibility awards that are testaments to its label as the icon of responsible mining in the country.

The cover design highlights the symmetry of PMC's ideals: that economic progress should go hand in hand with environmental sustainability and community empowerment. The image of an ore from Padcal Mine opposite a leaf that is found in Surigao del Norte articulates the Company's transition from the current income source at Padcal to the next big mining operation in Silangan. The colors also authenticate the harmony between PMC's twin goals of creating wealth and sustaining life.



# *contents*

**2**

**CORPORATE PROFILE**

**3**

**BUSINESS OVERVIEW**

Financial Highlights  
2014 At a Glance  
Key Performance Indicators  
Corporate Objectives

**10**

**MESSAGES**

Chairman's Message  
President's Report

**14**

**BOARD OF DIRECTORS**

**22**

**MINING PROPERTIES**

Silangan  
Padcal  
Bulawan  
Sibutad

**46**

**FINANCIAL REVIEW**

Management Discussion and Analysis  
Audited Consolidated Financial Statements

**156**

**AWARDS AND RECOGNITION**

**158**

**CORPORATE GOVERNANCE**

**181**

**CORPORATE SOCIAL RESPONSIBILITY**

**186**

**HUMAN RESOURCES CAPITAL**

**191**

**INVESTOR RELATIONS**

**193**

**SHAREHOLDER INFORMATION**

**194**

**CORPORATE INFORMATION**

Officers and Managers  
Corporate Directory



This Annual Report is also available at:  
[www.philexmining.com.ph](http://www.philexmining.com.ph)







## CORPORATE PROFILE



**Philex Mining Corporation** (“PMC” or the “Company”) and its subsidiaries are organized into two main business groupings: the metals business, which is directly under PMC, Philex Gold Philippines, Inc. (PGPI) and Silangan Mindanao Mining Co., Inc. (SMMCI), and the energy and hydrocarbon business under Philex Petroleum Corporation (PPC).

### METALS BUSINESS

The Company was incorporated in the Philippines in 1955 and has been listed in the Philippine Stock Exchange since November 23, 1956. PMC, PGPI (a wholly-owned subsidiary through a holding company incorporated in the Philippines) and Silangan Mindanao Exploration Co., Inc. (SMECI), a wholly-owned subsidiary incorporated in the Philippines) and its subsidiary, SMMCI, 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 57 years primarily using the underground block caving method. The mine is one of the oldest operating mines in the country and provides PMC its biggest source of revenue. It is also the first underground block caving mining operation in the Far East.

PGPI, on the other hand, operated the Bulawan mine in Negros Occidental until the second quarter of 2002, when it was decommissioned due to unfavorable metal prices, and the Sibutad project in Zamboanga Del Norte until 1999 when it was placed under care and maintenance.

SMECI, through SMMCI, owns the Silangan Project considered to be the next big thing for PMC, covering the Boyongan and Bayugo deposits in Surigao. SMMCI completed the pre-feasibility study of Boyongan deposit in July 2014, and is currently undergoing definitive or bankable feasibility study, which is expected to be concluded in the last quarter of 2015. 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. On February 6, 2009, the Company acquired Anglo’s 50% interest in the Silangan Project under SMMCI for a cash consideration of US\$55 million, thereby owning 100% of the Silangan Project.

### ENERGY AND HYDROCARBON BUSINESS

PPC, a 64.78% owned subsidiary of PMC, is a Philippine corporation organized in December 2007 and listed in the Philippine Stock Exchange. It has interests in various petroleum service contracts in the Philippines and Peru held directly and indirectly through its subsidiaries, Pitkin Petroleum Plc (“Pitkin”) and Forum Energy Plc (“FEP”).

PPC’s direct interests in Philippine petroleum service contracts include: (1) a 50% operating interest in SC 75 NW Palawan, (2) an overriding royalty interest of 1.65% in 4 SC 6 Cadlao, and (3) 1.67% in SC 6A Octon – all located in the North West (NW) Palawan Basin.

PPC also holds a 53.07% controlling interest in Pitkin, an oil and gas exploration company registered in the United Kingdom with operations in Peru and in the Philippines. The Pitkin assets in Peru include: (a) a 25% participating interest in Peru Block Z-38 located in offshore Tumbes Basin offshore and (b) a 100% operating interest in Peru Block XXVIII located in Secura Basin. Pitkin’s Philippine assets include: (a) a 29.14% participating interest in SC 14 Block C-2 West Linapacan; (b) a 70% operating interest in SC 74 NW Palawan; and (c) a 35% participating interest in SC 53 Mindoro.

PPC also holds a 60.49% controlling interest in FEP, with 36.44% held directly and 24.05% held indirectly through a 51.24%-owned subsidiary, FEC Resources, Inc. – a Canadian company. FEP, a UK incorporated oil and gas company with focus on the Philippines, has: (a) a 70% operating interest in SC 72 Reed Bank, which covers the Sampaguita natural gas discovery in offshore West Palawan, (b) a 100% operating interest in SC 40 North Cebu, and (c) and minority interests in the SC 6 and SC 14 sub-blocks in offshore NW Palawan, including a 2.27% interest in the producing Galoc field.



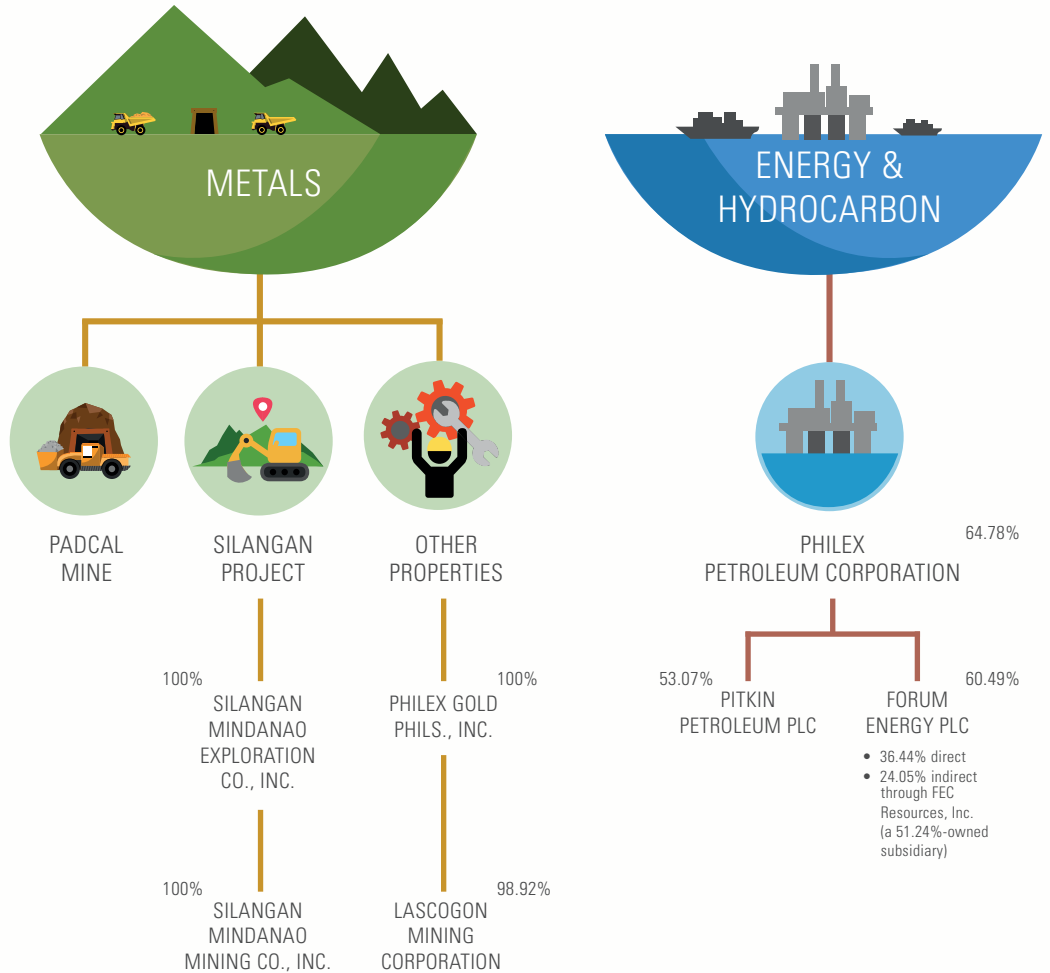
## VISION

Our vision is to be a highly respected, world-class natural resource company committed to deliver excellent value to our 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.

## CORPORATE AND BUSINESS STRUCTURE





# FINANCIAL HIGHLIGHTS

The Padcal Mine operated for 359 days in 2014 versus 299 days in 2013, thus the higher number of operating days and consequently higher revenues for 2014.

Cost and expenses were higher due to higher operating days and increased tonnage.

## PROFIT AND LOSS (P Millions)

|                                     | 2014   | 2013    | 2012    | 2011   | 2010   |
|-------------------------------------|--------|---------|---------|--------|--------|
| Revenue                             |        |         |         |        |        |
| Metals                              |        |         |         |        |        |
| Gold                                | 5,889  | 5,582   | 4,946   | 9,294  | 7,209  |
| Copper                              | 4,615  | 4,580   | 3,866   | 6,092  | 5,721  |
| Silver                              | 78     | 82      | 80      | 188    | 135    |
| Energy, hydrocarbon & others        | 316    | 218     | 246     | 561    | 330    |
|                                     | 10,898 | 10,462  | 9,137   | 16,134 | 13,394 |
| Marketing Charges                   | 850    | 660     | 440     | 810    | 714    |
| Cost and Expenses                   | 8,415  | 7,480   | 5,269   | 7,391  | 6,615  |
| Income from Operations              | 1,633  | 2,322   | 3,428   | 7,933  | 6,065  |
| Other Income (Charges)              | (579)  | (1,247) | (3,192) | 187    | (381)  |
| Net Income (Loss)                   | 703    | 312     | (311)   | 5,792  | 3,945  |
| Attributable to Philex Shareholders | 1,006  | 342     | 209     | 5,764  | 3,963  |
| Core Net Income                     | 1,122  | 1,508   | 1,689   | 5,561  | 4,151  |
| Per Share Data                      |        |         |         |        |        |
| Earnings (Parent Company)           | 0.204  | 0.069   | 0.042   | 1.170  | 0.806  |
| Cash Dividends                      | 0.08   | N/A     | 0.530   | 0.35   | 0.14   |

## FINANCIAL CONDITION

|                                     |        |        |        |        |        |
|-------------------------------------|--------|--------|--------|--------|--------|
| Property, Plant and Equipment       | 7,139  | 6,880  | 6,035  | 5,400  | 5,095  |
| Deferred Exploration Costs          | 25,817 | 22,427 | 14,632 | 12,971 | 10,828 |
| Total Assets                        | 44,640 | 39,921 | 29,272 | 32,402 | 25,623 |
| Total Liabilities                   | 17,599 | 14,003 | 7,181  | 5,463  | 4,895  |
| Total Equity                        | 27,042 | 25,917 | 22,091 | 26,939 | 20,758 |
| Attributable to Philex Shareholders | 23,599 | 21,811 | 21,691 | 26,031 | 20,522 |
| Capital Expenditures                | 5,831  | 6,088  | 4,001  | 3,423  | 2,621  |
| Capital Employed                    | 41,425 | 36,291 | 26,104 | 30,176 | 23,341 |
| Book value per Share                | 5.47   | 5.25   | 4.48   | 5.46   | 4.22   |

Total assets continued to grow as a result of the increase in deferred exploration costs largely associated with the Silangan project.

On the other hand, total liabilities increased due to the issuance of convertible notes primarily to finance Silangan Project's Definitive Feasibility Study.

Realized gold and copper prices were affected by the continued weakness in global metal prices over the last three years.

The rise in operating costs was related to the higher operating days and less favorable ore quality, making it more expensive to process.

## PRICES AND COSTS

|                             |       |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|-------|
| Gold                        |       |       |       |       |       |
| Realized price / oz. (US\$) | 1,270 | 1,297 | 1,638 | 1,536 | 1,217 |
| Operating cost / oz. (US\$) | 977   | 858   | 820   | 696   | 602   |
| Copper                      |       |       |       |       |       |
| Realized price / lb. (US\$) | 2.98  | 3.27  | 3.99  | 3.70  | 3.63  |
| Operating cost / lb. (US\$) | 2.29  | 2.16  | 2.00  | 1.68  | 1.80  |

## FINANCIAL RATIOS

|                            |       |       |        |        |        |
|----------------------------|-------|-------|--------|--------|--------|
| Net Profit Margin          | 6.99% | 3.19% | -3.57% | 37.80% | 31.11% |
| Return on Assets           | 1.66% | 0.90% | -1.04% | 19.96% | 16.77% |
| Return on Equity           | 2.65% | 1.30% | -1.27% | 24.29% | 20.52% |
| Asset-to-Equity Ratio      | 1.65  | 1.54  | 1.33   | 1.20   | 1.24   |
| Return on Capital Employed | 3.9%  | 6.8%  | 9.6%   | 25.8%  | 25.3%  |

Net income was boosted by the sale of non-core assets, resulting in higher net income margin.

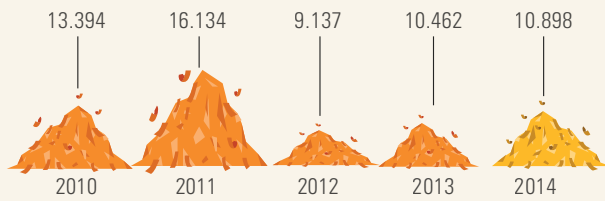
A total cash dividend of ₱0.08 per share was declared and paid in 2014 as a result of the Company's improved profitability.

## OTHER INFORMATION

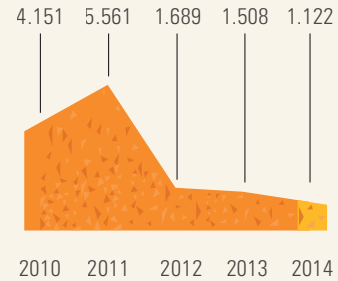
|                            |        |        |        |        |        |
|----------------------------|--------|--------|--------|--------|--------|
| Cash Dividend Yield        | 1%     | N/A    | 3%     | 1%     | N/A    |
| Cash Dividend Payout Ratio | 25%    | N/A    | 47%    | 22%    | N/A    |
| Number of Shareholders     | 44,386 | 44,533 | 44,742 | 45,085 | 45,607 |
| Number of Employees        | 2,063  | 2,438  | 2,398  | 2,271  | 2,230  |



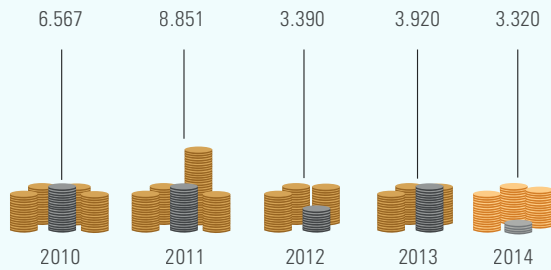
REVENUE (P Billions)



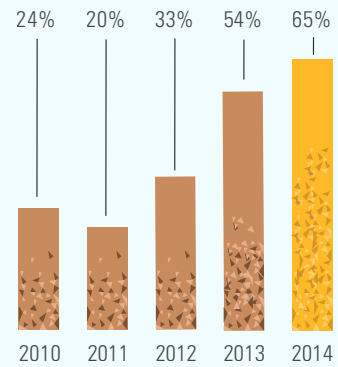
CORE NET INCOME (P Billions)



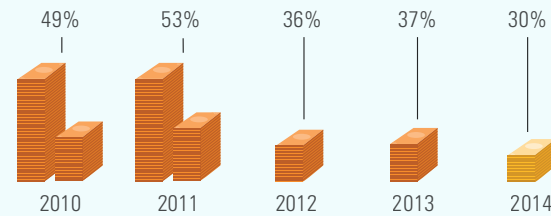
EBITDA (P Billions)



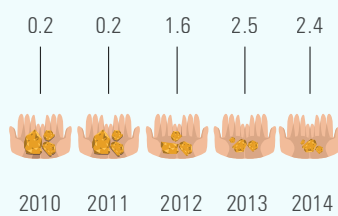
DEBT TO EQUITY



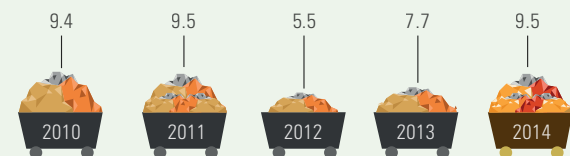
EBITDA MARGIN



NET DEBT TO EBITDA



TONNES MILLED (Millions)



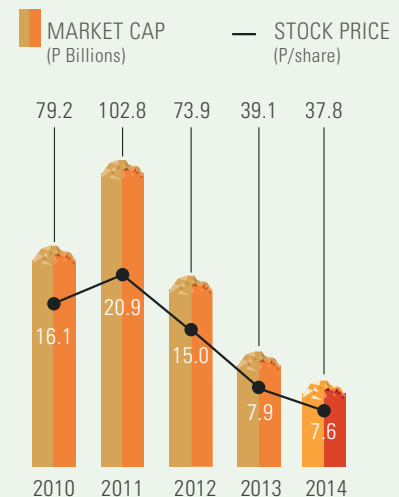
GOLD ('000 ozs.)



COPPER (million lbs.)



MARKET CAPITALIZATION AND SHARE PRICE





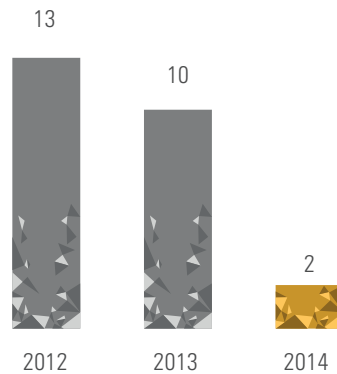


# KEY PERFORMANCE INDICATORS

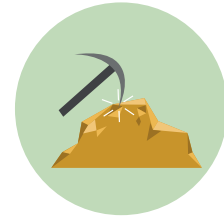
## SAFETY PERFORMANCE



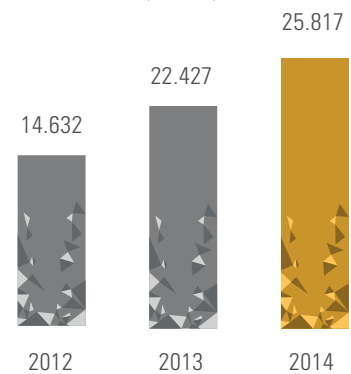
LTA-NF



## EXPLORATION ACTIVITIES



CUMULATIVE DEFERRED EXPLORATION COSTS (P Billions)



### DEFINITION

Safety performance in the workplace means having an environment free from injury and hazards and that proper processes and procedures are in place to allow employees and contractors to work safely and operations to run smoothly.

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

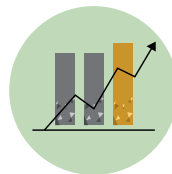


### IMPACT ON OPERATIONS

The Company believes that operational excellence cannot be achieved unless personnel health and safety remains an utmost priority.

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



### 2014 PERFORMANCE

In 2014, the Company reported for its Padcal Mine one Lost Time Accident-Fatal (LTA-F) from three LTA-F incidents in 2013. Meanwhile, there were two Lost Time Accident-Non Fatal (LTA-NF) recorded in 2014, a significant decline from the 10 LTA-NF incidents reported the previous year.

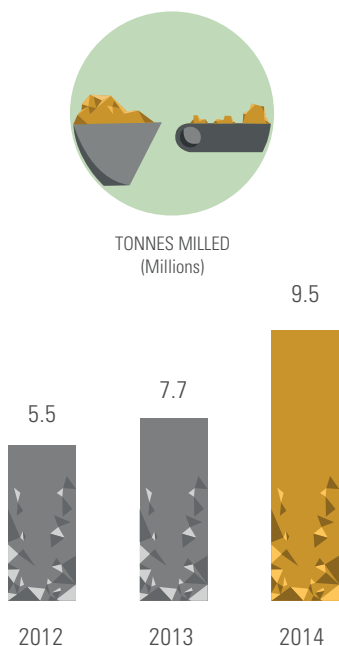
In 2014, the amount spent on exploration amounted to ₱3.477 billion (2013: ₱3.778 billion).

As of December 31, 2014, total exploration costs, including costs related to oil and gas exploration, amounted to ₱25.817 billion (2013: ₱22.427 billion), 58% of the Company's total assets.

The Company is working towards achieving "zero-harm" record by constantly reviewing and implementing safety policies and procedures to ensure that injuries and business disruptions are avoided or at least minimized. Since 2013, greater focus has been placed on the following to ensure compliance with safety standards: Occupational Health and Control, Incident Prevention and Investigation, Emergency Preparedness, Road Safety, and Off-the-Job Safety, Audit and Assessment, Training, Legal, Communication, Environmental, and Documentation



TONNES MILLED AND METALS PRODUCED



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

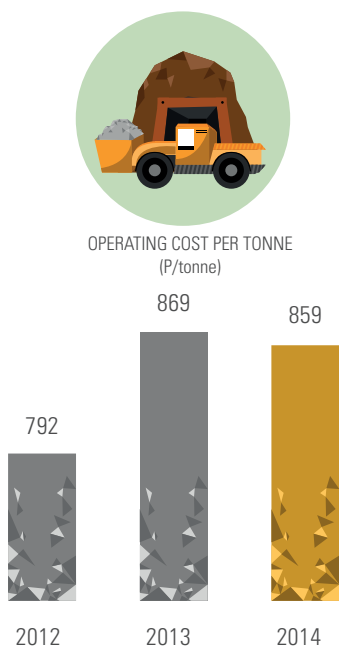
Tonnes milled and ore grade determine concentrates production, sales volume and revenues.

Tonnes milled, ore grade (both head and tail), as well as 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 in 2014 totaled 9,506,195 tonnes (2013: 7,738,258 tonnes). The Company resumed its Padcal operations on a temporary basis on March 8, 2013 and officially under normal operations on August 27, 2014 after the permanent lifting of the suspension order, thus the full year production in 2014 or 359 days (2013: 299 days).

Metal production also increased to 105,008 ounces of gold in 2014 (2013: 99,802 ounces) and 35,391,154 pounds of copper (2013: 32,495,443 pounds) as a result of higher operating days.

PRODUCTION AND OPERATING COST

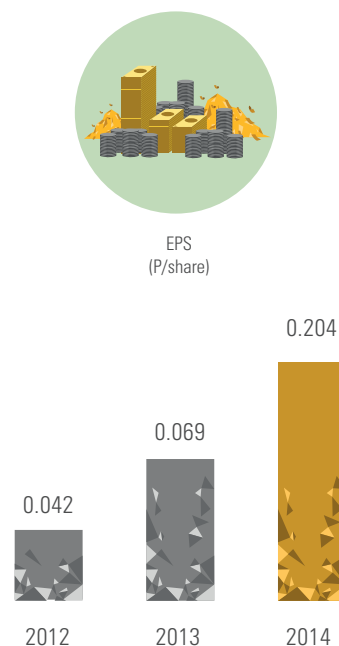


The average cost per tonne is a key measure of the Company's operating performance. At the same cost level, the higher the production volume, the lower the cost per tonne becomes and vice versa. This is similar if the same production volume incurs a lower operating cost.

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

In 2014, the total production cost (mine site cost and expenses excluding marketing charges, excise tax and royalties) per tonne of ore milled was ₱716 (2013: ₱714), with total production cost of ₱6.808 billion (2013: ₱5.526 billion) over ore milled of 9.5 million tonnes (7.7 million tonnes). The operating costs and expenses (all cost and expenses excluding corporate overhead) per tonne of ore milled in 2014 was ₱859 (2013: ₱869 2012: ₱729) from the total operating cost and expenses of ₱8.165 billion (2013: ₱6.721 billion).

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. Assuming a constant outstanding number of shares, the EPS increases as the Company's profit rises.

The EPS ultimately 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 will reflect the Company's performance in terms of productivity, cost management, and technical efficiency, among others.

The basic earnings per share in 2014 was ₱0.204 (2013: ₱0.069), based on 4,938,577,039 weighted average shares outstanding for the period (2013: 4,933,657,951). A total cash dividend of ₱0.08/share was declared and paid in 2014 as a result of the improved EPS.



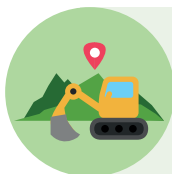
# CORPORATE OBJECTIVES



**Increase Operational Efficiency at Padcal**  
*Upgrade of tertiary crushers  
Installation of slime isolation plant*



**Extend Padcal's Life-of-Mine**  
*Extensive exploration of tenements around Padcal  
Declaration of reserves Below 782ML*



**Commission Mine Development of Silangan**

2015

2016

2017



**Explore Strategic Partnerships and/or Acquisitions**



**Enter into Farm-in or Farm-out Agreements for other Mining Tenements**



Commence Production at Silangan

2018

2019

2020



## CHAIRMAN'S MESSAGE



### To My Fellow Shareholders

We concluded last year with a strong performance despite the continued decline in metal prices and the prevailing challenges facing the mining industry. Since 2012, prices of gold and copper have fallen by 22% and 25%, respectively.

During the year, our metals mining business experienced average metal prices falling 2% for gold and 9% for copper compared with the 2013 levels. Our oil business has seen average prices fall over 50% from 2013. In addition to these price reductions, our operational performance was further challenged by the natural depletion of the ore grade in our existing mine.

This situation was reflected in the overall performance of the mining and oil sectors in the Philippine economy. Copper mining's gross value added (GVA) to GDP, measured in constant prices, fell to a 2.7% growth last year from 23.7% in 2013. Gold mining's GVA was reduced to a 3.2% growth from 6.4% previously, with crude oil and natural gas sectors managing only a 1.5% growth.

While external developments are beyond our control, we have been able to make progress in respect of (i) the temporary lifting of the suspension order on our Padcal Mine, which allowed us to operate at full capacity in 2014 compared with just 299 days in 2013 and (ii) disposal of non-core assets and cost reduction - both of which enabled the business to post a Core Net Income of ₱1.1 billion, 4% better than 2013, and Reported Net Income of ₱703 million, which was more than double that of the previous year. This allowed the Company to declare and pay out a total cash dividend of five (5) centavos per share last year.

The difficult landscape we operate in, however, is not expected to recover in the near term. Even with such a scenario, the priorities we laid out in 2013 remain the same, and our progress along these fronts will shape the future of our Company. Allow me to quickly cite how we have performed vis-à-vis the objectives we set forth last year.

We announced that we will "manage our costs properly" and last year, we were able to reduce our General and Administrative (G&A) expenses by 29%. We will continue in this direction, in the most efficient but least disruptive means possible, without sacrificing output and jeopardizing operational capabilities.

We said that we will "focus on value-accretive projects that will offer the best returns in the shortest possible time". To this end, we reduced our total capital expenditures in 2014 but sustained our two most critical investments in Padcal and Silangan. These two properties comprised the bulk of our capital outlays over the last few years and 95% of the total last year alone. We shall continue to prioritize these areas, which we believe will provide the best source of value for our Company.

We stated that we will "improve the performance of our Padcal operations", with particular emphasis on extending the mine's life. With respect to this, we identified new mining levels and declared 111 million tonnes of additional resources from these sections within our existing mine. This is a significant step in prolonging Padcal's productivity and life, as well as building confidence for the challenges ahead. We remain aggressive in exploring the areas around Padcal for new ore bodies which would further extend mine life.

With respect to Silangan, the project's Pre-Feasibility Study was completed in July 2014 and presented to the Board in August 2014. Our goal this year is to complete the Definitive Feasibility Study (DFS), which will be a critical component in putting the Silangan Project into production.

Another welcome news was the approval of Silangan Project's Declaration of Mine Project Feasibility (DMPF) received from the Department of Environment and Natural Resources in April this year, which, together with the DFS, will enable us to facilitate the full-scale development of the mine.





We also want to “improve our liquidity and strengthen our capital base”. In connection with this, we supported the capital raising of our subsidiary, Silangan Mindanao Exploration Co., Inc., through a bond issuance to finance the Silangan Project’s DFS. An equity raising exercise and a strategic partnership at the Silangan level will help the project secure the much needed funding for the capital requirements of the Silangan Project. We are in the process of evaluating potential partners and assessing market conditions for fund raising.

We also undertook to “strengthen our commitment to sound corporate governance practices, not only to align with the best practices across the globe but more importantly, to create a stronger, fully-compliant and world-class organization”. The recognition, both local and international, we received last year were a vote of confidence in our efforts and will inspire us further.

We also committed to be the “face of responsible mining” and serve as the beacon for the industry by widening our corporate social responsibilities, beyond mere compliance with regulatory conditions. Our investments on Social Development and Management Program, Community Development Program and Environment Protection and Enhancement Program will always remain an integral part of our capex as we continue to prioritize helping the communities and environment around the areas we operate in.

On behalf of the Board, the employees and the entire PMC organization, we would like to extend our deepest gratitude to you, our shareholders, to our business partners, and all our stakeholders, once again for your support over the past twelve months. Your commitment and support will continue to serve as our reason and motivation for consistently thriving in this industry throughout the years, whatever the circumstances may be.

Yours cordially

**MANUEL V. PANGILINAN**  
Chairman of the Board



# PRESIDENT'S REPORT



## To Our Shareholders

The year 2014 marked the resumption to normal operations of our Padcal Mine after the Mines & Geo-Sciences Bureau (MGB) lifted its suspension order on August 27, 2014. All in all, it was another good year for our Company as we continued to gain headway in improving our financial performance, enhancing our operational efficiency, rationalizing our organizational structure and strengthening our image as a conscientious mineral resource company.

We reported a higher net income last year compared with 2013 as we were able to operate at full capacity for one year, enabling us to cushion the combined impact of weak global metal prices and decreasing ore grades at Padcal. Average gold prices declined 2% and copper prices fell 9% from the previous year, while ore grades were lower by 13% for gold and 10% for copper.

Specifically, the mine operated for 359 days against 299 days in 2013, which allowed us to mill 9.5 million tonnes of ore against 7.7 million tonnes in 2013. Similarly, we produced 105,008 ounces of gold and 35,391,154 pounds of copper, which contributed ₱5.9 billion and ₱4.6 billion in revenues and were 6% and 1% higher year-on-year, respectively. Revenues from our oil and gas business rose 45% to ₱345 million as a result of increased production at the Galoc oil field Phase II project. These largely comprised the consolidated revenues of ₱10.9 billion in 2014, which was 4% more than the previous year.

Meanwhile, our total costs and expenses rose 13% to ₱8.4 billion but this pace was slower than the 20% rise in operating days and 23% increase in tonnage, courtesy of our cost streamlining initiatives across the organization. Specifically, this included the postponement of non-critical capital expenditure items, optimization of headquarter expenses and implementation of a manpower rightsizing program. These measures were also responsible for bringing down our general and administrative expenses by 29% from 2013.

Admittedly, the prospects of declining metal prices and the depletion of resources in our mine prompted us to undertake a manpower right sizing program. It was a difficult process to implement but we believe that the long-term benefits of this program far outweigh its short-term impact. From a financial standpoint alone, this exercise would generate approximately ₱290 million in savings annually that can be plowed back into operations. For the organization as a whole, this should translate to a leaner and more productive workforce.

As a result, our core net income was recorded at ₱1.12 billion, 4% higher than ₱1.08 billion, excluding insurance gains, we posted in 2013. Our net income also more than doubled to ₱703 million from ₱312 million the previous year. The details of our financial and operating performances are available on the Management's Discussion and Analysis portion which can be found in the succeeding part of this report.

In terms of capital expenditure, we spent 4% less as we focused on the Silangan project and other mining projects within the vicinity of Padcal. Our capex for Silangan continued to be significant and increased 11% year-on-year to ₱3.8 billion, comprising 65% of the total.

Padcal capex increased slightly to ₱1.8 billion from ₱1.7 billion in 2013, as the increase in operating days necessitated additional investments and capacity to accommodate 15 months of broken ore reserve inventory from 12 months in 2013.

We continue to make progress in our Silangan Project as planned. On August 6, 2014, we presented the results of the pre-feasibility study to the Board. This paved the way for the Definitive Feasibility Study (DFS), which is currently being undertaken together with our consultants and is expected to be completed before the end of this year. In relation to this, our subsidiary Silangan Mindanao Exploration Company Inc. (SMECI) issued ₱7.2B worth of convertible bonds in December 2014 to specifically fund the DFS.

Equally important was the approval of Silangan Project's Declaration of Mine Project Feasibility (DMPF) received from the Department of Environment and Natural Resources this April, which authorizes our subsidiary Silangan Mindanao Mining Co., Inc. to proceed with the working terms of the respective Mineral Production Sharing Agreement.

Outside of operations, our Company believes that responsible mining goes beyond compliance with established mining and environmental laws. In fact, we constantly extend a hand to care for the environment and look after the welfare of our host communities and business partners, most especially our workforce, even in business-threatening situations.

We invested over P500 million in the Social Development and Management Program, the Community Development Program and Environmental Protection and Preservation Program. The amount we spent last year was above what the government mandates and reflects our commitment to ensure the continued development of our stakeholders within our areas of operation. I encourage you to read more of our Corporate Social Responsibility (CSR) initiatives across this entire Annual Report.

We also took care of business beyond our scope of operations by cleaning up and freeing the Company of its regulatory commitments. In May 2014, we settled P200 million for local business tax claims with the municipalities of Tuba and Itogon. This was followed by the payment of P188.6 million to settle the environmental obligation claims by the Pollution Adjudication Board (PAB) in June as we continue to be catalysts for the development of communities in which we operate.

These were part of our efforts to strengthen our organizational backbone and elevate our business stature, which resulted in a number of accolades and compliments received from prestigious organizations. Among these are the "Best Corporate Governance Company of the year" and the "Most Promising Corporate Governance Company" awarded by the Asia CEO Awards and Corporate Governance Asia, respectively. We also received an Integrated Management System (IMS) Certification from TUV Rheinland in April 2015 that allowed us to restore our environmental ISO 14001 Certification and affirmed our adherence to strict environmental protection and safety protocols across our operations. The rest of the recognitions we received last year are listed on page 168 of this Annual Report.

All these developments provided a strong impetus for us to chart our long-term course and pursue our plans for the future as we continue our journey towards being a responsible and sustainable mineral resource company. As we set our sights on 2015 and beyond, our immediate and medium-term objectives are as follows:

1. Increase Operational Efficiency at Padcal
2. Extend Padcal's Life of Mine
3. Commence Mine Development of Silangan
4. Explore Strategic Partnerships and/or Acquisitions
5. Enter into Farm-in or Farm-out Agreements for other Mining Tenements

Over the next five years, we will be targeting to increase the production at Padcal to a daily throughput of 28,000 metric tons (MT), equivalent to an annual tonnage of 10 million MT, from the current level of 26,500 MT daily. To achieve this, we are implementing measures that will improve our systems and enhance our efficiencies. This included modernizing the equipment to accelerate the overall pace of operations and upgrading the milling process to increase recovery of metals. Already, the 2% improvement in daily throughput last year was a welcome development. Moving forward, we shall intensify our process re-engineering programs, aimed at a more efficient ore extraction process, to minimize costs and maximize output.

In addition, we will be aiming to prolong the life of the Padcal Mine. It is indeed encouraging that we blocked additional ore resources below our current mining levels, which increased total resources in Padcal by 71% and could potentially extend its life. We are equally aggressively exploring areas in the Padcal vicinity to unlock new sources of minerals that will augment resources and upgrade the quality of ore in our existing mine.

In the short term, the approval of Silangan Project's DMPF will facilitate the ground works for the engineering and procurement aspects of the mine while the completion of the DFS by November will be a critical component in commencing full scale mine development and bringing the project to its production stage. In addition, we shall secure suitable financing and possibly seek a strategic partner, for the full-scale development of the project. We are also on the verge of updating the original mineral resource estimates of the Silangan Project and if everything turns out as scheduled, we could start production by 2018, at the earliest.

In as much as our efforts are focused on Padcal and Silangan, our exploration group has been on the constant look-out for potential partners to develop our other mining tenements in the Visayas and Mindanao regions. We shall continue to explore ventures with strategic partners, through farm-in or farm-out agreements, or acquisitions that will add value to our Company. In this way, we can maximize our existing assets and, at the same time, capitalize on our initial efforts and investments. We will remain active and leave no stone unturned, even during these times that the industry landscape remains challenging and metal prices continue to be bearish.

The past twelve months have indeed been very exhausting yet exciting for our Company and the industry as a whole. We are glad to have you by our side during these difficult times and are most certain that our journey together will not be as rewarding without your presence and commitment. To our Board, our Executive Officers, shareholders and stakeholders, business partners and most especially to our employees, allow me to extend my deepest appreciation for your contributions during the past years and in 2014. We look forward to your continued support and enthusiasm for the journey ahead as we create an even stronger Philex organization together.

Yours sincerely,



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



## BOARD OF DIRECTORS

### MANUEL V. PANGILINAN

Chairman  
Non-Executive Director

**AGE**      **DATE OF FIRST APPOINTMENT**  
68      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 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 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 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 in the Philippines.

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 has been a Director of PMC and Philex Gold Philippines, Inc. (PGPI) since November 2008. He is also Managing Director and Chief Executive Officer of First Pacific, and Chairman of the Philippine Long Distance Telephone Company (PLDT) since 2004, after serving as its President and Chief Executive Officer since 1998. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Silangan Mindanao Mining Co., Inc., 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 from July 2010 to May 2012. In December 2013, Roxas Holdings, Incorporated, the largest sugar producer in the Philippines, announced the election of Mr. Pangilinan as Vice Chairman.

#### DIRECTORSHIP IN OTHER LISTED COMPANIES IN THE PHILIPPINES

1. Philex Petroleum Corporation - Chairman
2. Philippine Long Distance Telephone Company - Chairman
3. Metro Pacific Investments Corporation - Chairman
4. Roxas Holdings, Incorporated - Vice Chairman and Non-Executive Director
5. Manila Electric Company - Chairman







## JUAN B. SANTOS

Vice Chairman  
Non-Executive Director

AGE                      DATE OF FIRST APPOINTMENT  
76                         September 28, 2010

### ACADEMIC BACKGROUND

Mr. Santos graduated from the Ateneo de Manila University in 1960, with a Bachelor of Science degree in Business Administration, and a Master's Degree at Thunderbird School of Global Management in 1962.

### BUSINESS AND PROFESSIONAL BACKGROUND/ EXPERIENCE

Mr. Santos was President and Chief Executive Officer of Nestle Philippines, Inc. from 1987 to 2003, and continued to serve as Chairman of Nestle Philippines, Inc. until 2005. From 1989 to 1995, Mr. Santos concurrently served as Chief Executive Officer of Nestle Singapore Pte. Ltd. Prior to his appointment as President of Nestle Philippines, Inc., Mr. Santos was President of the Nestle Group of Companies in Thailand. In 2005, Mr. Santos served as the Secretary of the Department of Trade and Industry of the Philippines, and was designated as a member of the Governance Advisory Council, and Public Sector Representative for the Public-Private Sector Task Force for the Development of Globally Competitive Philippine Service Industries. He was awarded Management Man of the Year by the Management Association of the Philippines in 1994, and the Agora Awardee for Marketing Management by the Philippine Marketing Association in 1992.

Mr. Santos has been a Director and Vice Chairman of PMC since September 28, 2010, and most recently re-elected as such on June 25, 2014. He is currently Chairman of the Social Security Commission, governing board of the Social Security System, Vice Chairman of Alaska Milk Corporation, and Director of the Philippine Long Distance Telephone Company, First Philippine Holdings Corporation, Sun Life Grepa Financial, Inc., East-West Seeds Co., Inc. and Mitsubishi Motor Corporation.

He sits on the Board of Advisors of Coca-Cola FEMSA Philippines, and serves as Trustee of the St. Luke's Medical Center. He was former Chairman of the Ramon Magsaysay Award Foundation, and Consultant of the Marsman-Drysdale Group of Companies. He is also Chairman of Dualtech Training Center Foundation, Inc.

### DIRECTORSHIP IN OTHER LISTED COMPANIES IN THE PHILIPPINES

1. Philippine Long Distance Telephone Company (PLDT) - Non-Executive Director
2. First Philippine Holdings Corp. - Independent Director

## EULALIO B. AUSTIN, JR.

President & CEO  
Executive Director

AGE                      DATE OF FIRST APPOINTMENT  
53                         June 29, 2011

### ACADEMIC BACKGROUND

Mr. Austin graduated from Saint Louis University-Baguiu 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 Advance Management Program at Harvard Business School in 2013.

### BUSINESS AND PROFESSIONAL BACKGROUND/ EXPERIENCE

Mr. Austin has been a Director of PMC and PGPI for three years since June 29, 2011 and was re-elected on June 25, 2014. He became President and Chief Operating Officer on January 1, 2012 and President and Chief Executive Officer of the Company on April 3, 2013. He previously served the Company as its 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 Philex Petroleum Corporation and Silangan Mindanao Mining Co., Inc. He likewise sits on the Board of Directors of the Philippine Society of Mining Engineers ("PSEM"), and was Founding President of PSEM's Philex Chapter.

### DIRECTORSHIP IN OTHER LISTED COMPANIES IN THE PHILIPPINES

1. Philex Petroleum Corporation - Non - Executive Director



## ELIZA BETTINA R. ANTONINO

Non-Executive Director

**AGE** 37  
**DATE OF FIRST APPOINTMENT** April 27, 2011

### ACADEMIC BACKGROUND

Ms. Antonino graduated from the University of the Philippines in 2000, with a Bachelor of Science degree in Hotel and Restaurant Administration.

### PROFESSIONAL BACKGROUND/ EXPERIENCE

Ms. Antonino has been a Director of PMC and PGPI since April 27, 2011 and most recently re-elected on June 25, 2014. She is currently a Commissioner of the Social Security Commission, the governing body of the Social Security System, where she is also Chairperson of its IT Committee and a Member of its Committees on Coverage, Collection and Other Related Matters, Governance and Remunerations Committee. She is also a Director of publicly listed Union Bank of the Philippines, where she is also a member of its Executive, Audit, Nominations, and Operations Risk Management Committees.

Ms. Antonino is Co-Founder and Managing Partner of The Moment Group, which owns and/or operates a variety of highly regarded restaurants in Metro Manila including 8-cuts Burger Blends, Manam Filipino Comfort Food, Linguini Fini, Bistro diu Vin and Mecha Uma. She sits as Vice President for Business Development of WEMILCO Management and Development Company. She also sits on the Board of the Senators Gaudencio and Magnolia Foundation.

### DIRECTORSHIP IN OTHER LISTED COMPANIES IN THE PHILIPPINES

1. Union Bank of the Philippine – Non-Executive Director



## OSCAR J. HILADO

Independent Director

**AGE** 77  
**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 (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 25, 2014. He was the Chairman & Chief Executive Officer of Philippine Investment Management (PHINMA), Inc. (January 1994 to August 2005), and currently Chairman of the Board. He is currently also Chairman of PHINMA Corp, Trans-asia Oil and Energy Development Corporation, PHINMA Property Holdings Corp., Vice Chairman of Trans-Asia Power Generation Corporation, and Director of Trans Asia Renewable Energy Corporation and publicly listed Trans-Asia Petroleum Corporation.

Mr. Hilado is an Independent Director of Smart Communications, Inc. and Digital Telecommunications Phils., Inc, and the publicly listed First Philippine Holdings Corporation 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, Microtel Inns & Suites (Pilipinas) Inc.

### DIRECTORSHIP IN OTHER LISTED COMPANIES IN THE PHILIPPINES

1. Philippine Investment Management - Non-Executive Director
2. Trans Asia Oil & Energy Development Corporation and its subsidiary, Trans Asia Power Generation Corporation - Non-Executive Director
3. A. Soriano Corporation - Non-Executive Director
4. First Philippine Holdings Corp. -Independent Director



## MARILYN A. VICTORIO-AQUINO

Non-Executive Director

| AGE | DATE OF FIRST APPOINTMENT |
|-----|---------------------------|
| 59  | December 7, 2009          |

### ACADEMIC BACKGROUND

Ms. Victorio-Aquino graduated *cum laude* (class salutatorian) from the University of the Philippines College of Law in 1980 and placed second in the Philippine Bar Examinations.

### BUSINESS AND PROFESSIONAL BACKGROUND/ EXPERIENCE

She has been a Director of PMC and PGPI since December 7, 2009 and was re-elected on June 26, 2013. She is an Assistant Director of First Pacific Co. Ltd. since July 2012, following her 32-year law practice at SyCip Salazar Hernandez and Gatmaitan Law Offices, where she was Partner from 1989 to 2012. She is also a Director of Philippine Indofood Distribution Corporation since August 2014, of Light Rail Manila Corporation since July 2014, of Silangan Mindanao Mining Co., Inc., and Lepanto Consolidated Mining Company since October 2012, and of Maynilad Water Services Corporation since December 2012.

### DIRECTORSHIP IN OTHER LISTED COMPANIES IN THE PHILIPPINES

1. Philex Petroleum Corporation - Non-Executive Director
2. Lepanto Consolidated Mining Company – Non-Executive Director

## BIENVENIDO E. LAGUESMA

Non-Executive Director

| AGE | DATE OF FIRST APPOINTMENT |
|-----|---------------------------|
| 64  | February 27, 2013         |

### ACADEMIC BACKGROUND

Mr. Laguesma finished his Bachelor of Laws at Ateneo De Manila College in 1975 and his post-graduate studies as a Colombo Scholar (British Council) for Public Sector Administration course at the Royal Institute of Public Administration in London, United Kingdom of Great Britain from May to August of 1985.

### BUSINESS AND PROFESSIONAL BACKGROUND/ EXPERIENCE

Mr. Laguesma has been a Director of PMC and PGPI for two years since February 27, 2013, and was re-elected on June 25, 2014. He is presently a Commissioner of the SSS and has held such position since March 2011. Mr. Laguesma was Secretary of the DOLE from 1998-2001, Presidential Assistant (Office of the President of the Republic of the Philippines) from 1996 to 1998, and DOLE Undersecretary from 1990 to 1996, after holding various other positions in the Government since 1976. He is a Director of the First Metro Investment Corporation and Chairman of the Charter Ping An Insurance Corporation of the Metrobank Group. He is also Senior Partner of the Laguesma Magsalin Consulta and Gastardo Law Offices.

### DIRECTORSHIP IN OTHER LISTED COMPANIES IN THE PHILIPPINES

None



## BARBARA ANNE C. MIGALLOS

Corporate Secretary  
Executive Director

**AGE**                      **DATE OF FIRST APPOINTMENT**  
60                              June 26, 2013

### ACADEMIC BACKGROUND

Ms. Migallos graduated *cum laude* from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as *cum laude* (salutatorian) also at the University of the Philippines. 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 26, 2013. She is also the Company's Corporate Secretary since July 1998. She is also Director and Corporate Secretary of Philex Petroleum Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices.

Ms. Migallos is also a Director of Mabuhay Vinyl Corporation since 2000 and Philippine Resins Industries since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005 and 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

1. Philex Petroleum Corporation - Non-Executive Director
2. Mabuhay Vinyl Corporation - Non-Executive Director



## ROBERT C. NICHOLSON

Non-Executive Director

**AGE**                      **DATE OF FIRST APPOINTMENT**  
59                              November 8, 2008

### ACADEMIC BACKGROUND

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

### BUSINESS AND PROFESSIONAL BACKGROUND/ EXPERIENCE

Mr. Nicholson has been a Director of PMC and PGPI for six years since November 28, 2008, and was re-elected on June 25, 2014. He is Executive Director of FPC, Executive Chairman of Forum Energy Plc, and Commissioner of PT Indofood Sukses Makmur Tbk. He is also a Director of Metro Pacific Investments Corporation, Philex Petroleum Corporation and Silangan Mindanao Mining Co, Inc., Executive Director of Pitkin Petroleum Plc, and Independent Non-Executive Director of Pacific Basin Shipping Limited (Hong Kong) and QPL International Holdings Limited (Hong Kong). A qualified solicitor in England and Wales and in Hong Kong, Mr. Nicholson was Senior Partner of Reed Smith Richards Butler from 1985 to 2001, and Senior Advisor to The Board of Directors of PCCW Limited from 2001 to 2003.

### DIRECTORSHIP IN OTHER LISTED COMPANIES IN THE PHILIPPINES

1. Philex Petroleum Corporation - Non-Executive Director
2. Metro Pacific Investment Corporation - Non-Executive Director





## WILFREDO A. PARAS

Independent Director

| AGE | DATE OF FIRST APPOINTMENT |
|-----|---------------------------|
| 68  | June 29, 2011             |

### ACADEMIC BACKGROUND

Mr. Paras completed his undergraduate studies at the University of the Philippines in 1969 with Bachelor of Science, Industrial Pharmacy and his Master in Business Administration at the De La Salle University in 1991. He also completed the Managing Managers Program at the University of Michigan at Ann Arbor, Michigan.

### BUSINESS AND PROFESSIONAL BACKGROUND/ EXPERIENCE

Mr. Paras has been an Independent Director of PMC for three years since June 29, 2011 and was re-elected on June 25, 2014. He is currently Independent Director of GT Capital Holdings, Inc. since May 2013, President of WAP Holdings, Inc., and a Director of Granexport Manufacturing Corporation, Iligan Oil Mills Inc. and Cagayan de Oro Oil Mills Inc., all under the CIIF Oil Mills Group of Companies. He is also a member of the Board of Trustees of Dualtech Training Center. 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

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

## EDWARD A. TORTORICI

Non-Executive Director

| AGE | DATE OF FIRST APPOINTMENT |
|-----|---------------------------|
| 75  | 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 last re-elected on June 25, 2014. Mr. Tortorici has served in a variety of senior and executive management positions, including Corporate Vice President for Crocker Bank and Managing Director positions at Olivetti Corporation of America and 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 USA, Europe and Middle East.

In 1987, Mr. Tortorici joined First Pacific as an Executive Director for strategic planning and corporate restructuring, and launched the Group's entry into the telecommunications and technology sectors. Presently, he oversees corporate strategy for First Pacific and guides the Group's strategic planning and corporate development activities. Mr. Tortorici serves as a Commissioner of PT Indofood Sukses Makmur Tbk and as Director of Metro Pacific Investments Corporation, Maynilad Water Services, Inc., 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 D.C. 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

1. Metro Pacific Investment Corporation - Non-Executive Director





# PHILEX MINING CORPORATION

## BOARD OF DIRECTORS



Top row from left to right: ; **MARILYN A. VICTORIO-AQUINO**, Director; **JUAN B. SANTOS**, Vice Chairman; **MANUEL V. PANGILINAN**, Chairman; **EULALIO B. AUSTIN, JR.**, President and Director; **ELIZA BETTINA R. ANTONINO**, Director

Bottom row from left to right: **OSCAR J. HILADO**, Director; **BIENVENIDO E. LAGUESMA**, Director; **BARBARA ANNE C. MIGALLOS**, Director and Corporate Secretary; **ROBERT C. NICHOLSON**, Director; **WILFREDO A. PARAS**, Independent Director; **EDWARD A. TORTORICI**, Director

SILANGAN MINDANAO  
MINING CO., INC.  
BOARD OF DIRECTORS

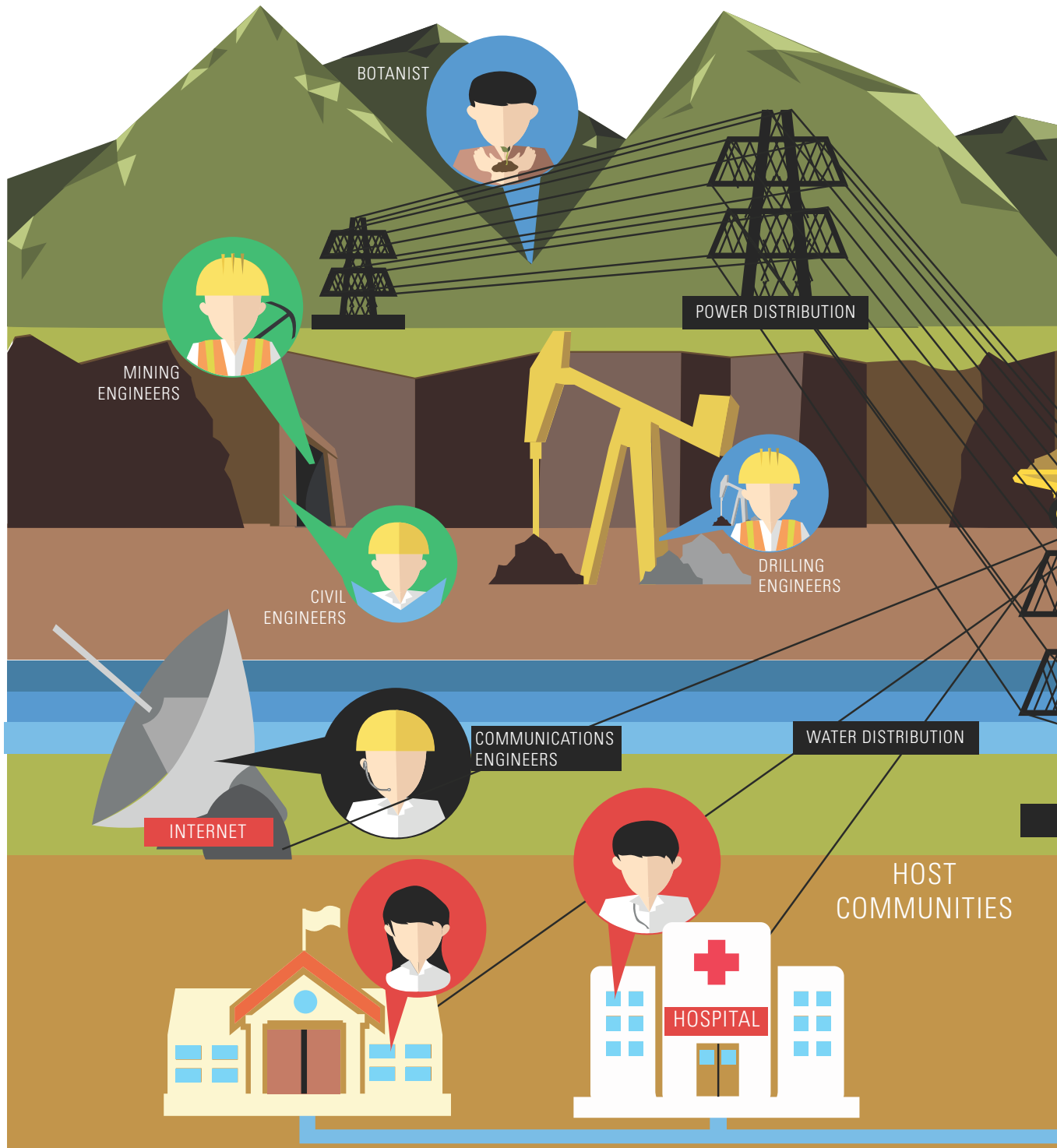


Standing from L-R: YULO E. PEREZ, President & Chief Operating Officer; MANUEL V. PANGILINAN, Chairman; MARILYN A. VICTORIO-AQUINO, Director; EULALIO B. AUSTIN, JR., Director

GEOFFREY R. STAPYLTON, Project Director



# MINING PROPERTIES



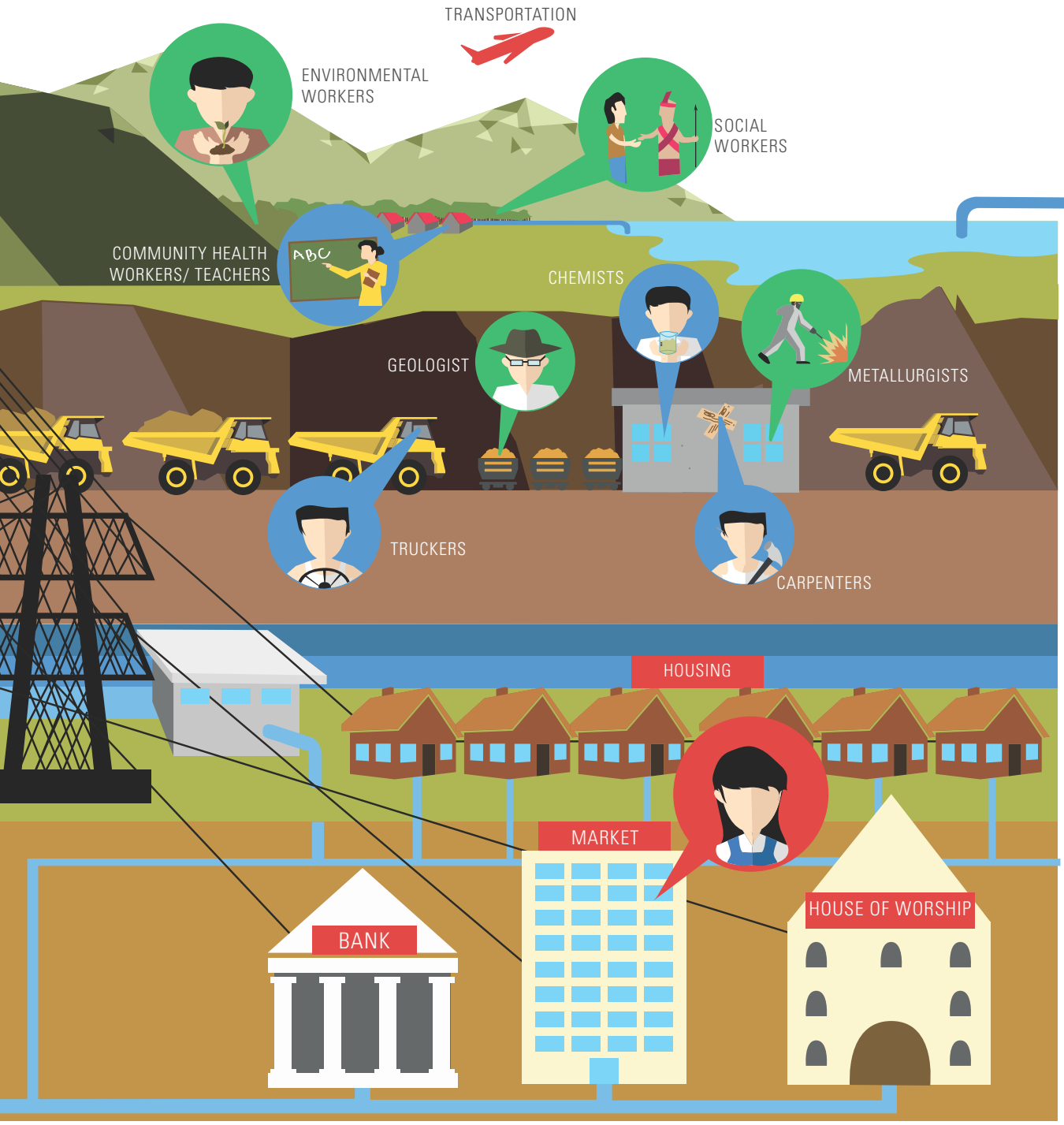
 MINING COMPANIES

 EQUIPMENT AND RAW MATERIAL SUPPLIERS

 UTILITIES

 EMPLOYEES

# THE MULTIPLIER EFFECT OF MINING







# SILANGAN

THE NEXT CHAPTER FOR PHILEX







PMC, through subsidiary Silangan Mindanao Mining Co. Inc. (SMMCI), looks forward to the development and full operation of the Silangan Project (Silangan). Silangan, which means East and where the sun shines, symbolizes the dawning of a new chapter for PMC. As of end of 2014, around ₱13.0 billion has been invested for the initial exploration and related works on Silangan. Total project investment is estimated to reach \$1.2 billion.





## A WORLD CLASS MINE

Resource estimates indicate the presence of about five (5) billion pounds of copper and nine (9) million ounces of gold – classifying Silangan as a mid - large scale mining operation by international standards. The first phase of the Project has a projected life of at least 25 years with a targeted initial ore processing of about 7.5 million tonnes in the first ten (10) years of operations eventually ramping up to 14 million tonnes per year.

## PROJECT STATUS

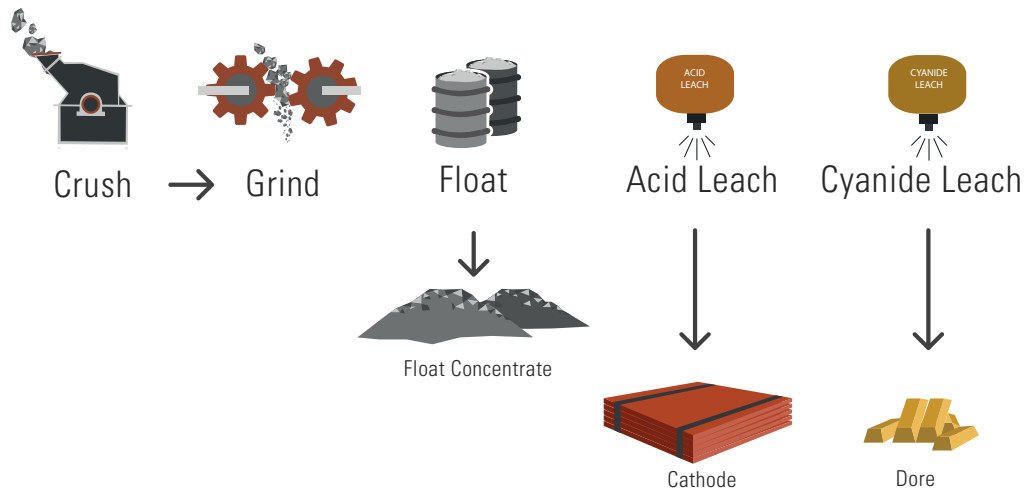
To access the main ore body, an underground decline, measuring 5 meters by 5.5 meters in cross section, was driven starting April 2011 and has completed a total length of 1.4 kilometers. The shallower portions of the mineralized zone were accessed through large diameter drillings bored from May to December of 2014.

An additional 800 meter crosscut section was also completed to access portions of the mineralized zone, from where a total of 100 metric tons bulk samples, representing the first 5-10 years of the mining plan, were taken and prepared following strict quality assurance and control regiment. The bulk samples were sent to a metallurgical laboratory in Perth for pilot plant runs to validate the results of earlier metallurgical test works. A process flow sheet has already been selected, as shown by the diagram below, and currently undergoing testing, validation, and optimization through the pilot plant runs.

Embankment construction planning for the tailings storage facility (TSF) has commenced. For the remainder of the plant, location planning is underway, including the construction of a port and loading facility, and mapping out logistics and advanced infrastructure development. Options for power supply are likewise undergoing initial assessment.

Parallel studies on hydrogeology, geomechanics, mine planning and mill design are also being conducted in coordination with AECOM Engineering of Australia to complete the Definitive Feasibility Study. The final Mineral Resource Model is being finalized and will be completed by the third quarter 2015. Site preparation and optimization as well as equipment selection are likewise ongoing to facilitate mine design and development.

## PROCESS WORK FLOW



## PROJECT DEFINITIVE FEASIBILITY STUDY

Silangan's Declaration of Mining Project Feasibility (DMPF) has been approved by the DENR in April 2015, allowing SMMCI to proceed with the working terms of the Mineral Production Sharing Agreement, subject to compliance with the conditions of the approval.

Silangan's Pre-Feasibility Study (PFS) was completed in July 2014 and presented to the PMC Board of Directors in August 2014, ushering the preparation of Silangan's Definitive Feasibility Study (DFS). The PFS indicated that Silangan is a viable project, in terms of its economics. The DFS, on the other hand, is intended to satisfy

the requirements of project financing and reduce the risks from metallurgy, hydrogeology, fieldworks and engineering, among others.

Preparation of the DFS, which has an estimated cost of US\$80 million or around ₱3.5 billion, is being undertaken by a team of international and local experts and expected to be finalized by the fourth quarter of this year. Thereafter, Silangan proceeds to the financing and mine development stages.

| DEFINITIVE FEASIBILITY STUDY TEAM     |                                |                  |
|---------------------------------------|--------------------------------|------------------|
| SCOPE                                 | CONSULTANT                     | LOCATION         |
| Overall Study Management              | AECOM Australia Pty Ltd.       | Brisbane         |
| Geology                               | Rights Solutions/Snowden       | Brisbane         |
| Mining                                | AMC Consultant Pty Ltd.        | Perth/ Brisbane  |
| Hydrogeology                          | SRK Consulting                 | Denver           |
| Process Plant                         | SNC Lavalin Australia Pty Ltd. | Brisbane         |
| Metallurgical Testwork/Pilot Plant    | ALS Metallurgy Pty Ltd.        | Perth            |
| Plant Infrastructure/Balance of Plant | AECOM Australia Pty Ltd.       | Brisbane         |
| Tailings Dam                          | Knight Piesold Pty Ltd.        | Perth            |
| Power                                 | SMMCI                          | Manila           |
| Environmental Impact Statement (EIS)  | AECOM Australia Pty Ltd.       | Manila           |
| Marketing                             | CRU Consulting                 | Chile/London     |
| Independent Technical Expert          | Behre Dolbear Group Inc.       | Sydney/Melbourne |

## SILANGAN STATEMENT OF MINERAL RESOURCE ESTIMATE

(as of August 5, 2011)

|                             | TONNES<br>(Millions) | COPPER<br>(%) | GOLD<br>(g/t) | CONTAINED METALS         |                     |
|-----------------------------|----------------------|---------------|---------------|--------------------------|---------------------|
|                             |                      |               |               | COPPER<br>(million lbs.) | GOLD<br>(‘000 ozs.) |
| <b>BOYONGAN</b>             |                      |               |               |                          |                     |
| Measured                    | 201                  | 0.54          | 0.78          | 2,400                    | 5,000               |
| Indicated                   | 72                   | 0.46          | 0.57          | 720                      | 1,300               |
| <b>Measured + Indicated</b> | <b>273</b>           | <b>0.52</b>   | <b>0.72</b>   | <b>3,120</b>             | <b>6,300</b>        |
| Inferred                    | 26                   | 0.41          | 0.49          | 240                      | 400                 |
| <b>BAYUGO</b>               |                      |               |               |                          |                     |
| Measured                    | 99                   | 0.64          | 0.65          | 1,390                    | 2,100               |
| Indicated                   | 26                   | 0.76          | 0.69          | 430                      | 600                 |
| <b>Measured + Indicated</b> | <b>125</b>           | <b>0.66</b>   | <b>0.66</b>   | <b>1,820</b>             | <b>2,700</b>        |
| Inferred                    | 7                    | 0.77          | 0.6           | 120                      | 100                 |

### Notes:

1. Cut-off grade: 0.5% CuEq
2. Metal Prices: US\$2.75/lb for copper and US\$900/oz for gold
3. Metal Recoveries:  
Oxide = 70% for copper and 80% for gold  
Sulfide = 87% for copper and 80% for gold  
Enriched = 83% for copper and 76% for gold
4. Conversion factors for the CuEq calculations:  
Oxide = 0.55  
Sulfides = 0.44  
Enriched = 0.44

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 dated August 2011. The resource estimate is compliant with the rules and guidelines as set forth by the Philippine Mineral Reporting Code (PMRC). Mr. Oliveros has more than 16 years of experience in resource evaluation relevant to the style of mineralization in the Surigao Mineral District. He is a Competent Person for Exploration and Mineral Resource Estimation under the definition of the PMRC.

## EARLY WORKS PROGRAM

With the necessary government permits secured and critical documents in process, SMMCI intends to embark on an early works program (EWP) aimed at reducing the risks of development and production delays. The chart on the next page outlines the activities involved in the EWP.

## COMMUNITY GROUND WORKS

Even prior to full Project development, SMMCI has started to make a positive impact in the host and neighboring communities through its Community Development Program (CDP). In 2014, SMMCI's public infrastructure, health, education, and livelihood projects benefited 21 barangays in seven municipalities.

SMMCI has already outlined projects to be undertaken under its social development and environmental protection programs once the mine goes into full operations.

## BUILDING PARTNERSHIPS

2014 also marked the start of stronger relationship between SMMCI and the communities through the public-private partnership (PPP), which adopts the community-driven development (CDD) process and calls for the participation of local volunteers and requires equity-sharing for CDP projects.

Conducted in collaboration with the Department of Social Welfare and Development-Kalahi, the PPP attracted 80 local volunteers, who participated and worked on project management, materials procurement and control, and construction of projects like school buildings and drainage canals.





## EARLY WORKS PROGRAM ACTIVITIES

### OBJECTIVE:

Minimize the risk of further delays in project development by commencing the following critical path elements which include:



#### ENABLING WORKS:

Support major earthwork activities e.g. survey, geotechnical



#### SITE PREPARATIONS:

Clear and grub / bulk earthworks



#### HAUL ROAD AND TSF:

Develop initial embankment from overburden



#### EQUIPMENT PROCUREMENT:

Place orders for long lead equipment



#### DETAILED ENGINEERING:

Support above activities and provide detail design



#### SOCIAL PREPARATIONS:

Conduct public consultations and community development planning

## CHAMPIONING HEALTH

SMMCI also completed two (2) medical and dental missions last year, where a total of 2,512 residents from different neighboring communities were accessed and benefited from the various medical services made available.

Already in its fourth year, the monthly Free Medical Consultation in host barangays of Tubod and portions of Placer continued to provide medical consultation to children, adult women and senior citizens.

### SUMMARY OF SERVICES AND PATIENTS DURING MEDICAL AND DENTAL MISSION

| Services     | No. of Patients |
|--------------|-----------------|
| Consultation | 1,598           |
| Dental       | 355             |
| Circumcision | 136             |
| Laboratory   | 423             |
| Total        | 2,512           |

These included free medical consultations, tooth extraction, circumcision and laboratory services. Free medicines were also dispensed to visiting patients. The activity was conducted in partnership with the MLGU-Taganaan/Sison Health Unit, Philippine Dental Association, DepEd Surigao del Norte Division, Philippine Association of Medical Technologist (PAMET), Surigao City Health Office, Nurses and volunteer local residents.

To complement the new Barangay Health Center in Placer, SMMCI turned over different sets of health equipment to the center last November 2014, which included wheel chairs, weighing scales, examining beds, and consultation tables, among others.



## PROMOTING EDUCATION

SMMCI's CDP invested heavily for education in 2014, covering scholarship grants to 4,478 elementary and high-school students from the municipalities of Tubod, Placer, Sison, Tagana-an, and Mainit.

SMMCI also helped students get admitted to the Alternative Learning System (ALS) program, resulting in 33 enrollees earning their high-school diplomas. A ladderized, modular, non-formal education program devised by the Department of Education with the support of the private sector, the ALS offers opportunities for dropouts and out-of-school youths to finish their elementary and/or high-school studies. Under the ALS, 84 other students also received their national certifications in technical and vocational courses. Other programs under the ALS include rug-making and other low capital, income-generating activities.

Four school buildings, the Industrial Arts building in Brgy. Timamana, Tubod; pre-school building in Brgy. Capayahan, Tubod; and one classroom each in the San Isidro Elementary School in Placer and Upper Patag Elementary School in Sison, were contributed under the CDP.





## GENERATING LIVELIHOOD

As part of its CDP on livelihood generation and enterprise development, SMMCI has organized trainings under the following courses – organizational assessment, leadership and values formation, commercial cooking, beauty care, dressmaking, and natural farming – targeting people’s organizations in the host and neighboring barangays.

SMMCI has provided a total of seven training sessions for people’s organizations that are located at the host and neighboring barangays. Of these, five have resulted to income generating enterprises that includes hog raising in Tubod; vegetable garden for the Rural Improvement Club of San Isidro Placer; garments business for both Sison Multi-Purpose and Garments Association in Sison and Upper Libas Women’s Association in Taganaan; and meat processing for Timamana Bulawanog Kababayenhan organization of Tubod.



## DEVELOPING INFRASTRUCTURE

The CDP’s public infrastructure support campaign resulted in the construction of 16 various facilities, like potable water systems, drainage canals, access roads through graveling, and bleachers, together with the improvement and extension of community offices. These small projects have unburdened the communities from their listed development needs and are now benefiting from these public-utility installations.

On March 17, 2015, local officials from Placer and the surrounding Barangays San Isidro, Kimbal, Boyongan, and Bad-as came together for the groundbreaking ceremony for a perimeter fence and embankment in preparation for the construction of Placer’s ecological landfill. SMMCI’s other contributions included the installation of the provincial hospital’s emergency room, provision of computer desktops to various institutions, and construction of churches for the different religions.



## PRESERVING THE ENVIRONMENT

As a responsible large-scale mineral resource company, PMC has been pursuing the development of Silangan with as much gusto as it has been implementing its CDP and environmental projects in Surigao del Norte. These various projects range from reforestation and water quality monitoring, to solid and liquid waste management, and from resource development and conservation to rainfall and stream-flow measurement.

At Silangan’s nursery are more than 12,700 assorted forest- and fruit-tree seedlings and agro crops ready for planting during the rainy season. Silangan also has a 15-hectare industrial tree plantation and an integrated agroforestry farm composed of a “palayan sa minahan” (rice field at mine site), a fishpond, an agricultural crop bed, a duck production facility, and an orchard.

SMMCI has been implementing various environmental plans and programs to fulfill the Company’s environmental responsibility and comply with government regulations. The Company also made efforts to contribute to sustainable development through various environmental initiatives to maintain, improve, protect, and hand over a healthy environment to the next generation. In recognition of these efforts, SMMCI won the highly-coveted Presidential Mineral Industry Environment Award in 2014.







# PADCAL

## OPENING UP NEW OPPORTUNITIES







The newly constructed open spillway at the Padcal Mine, which replaced the old penstock system, can accommodate a bigger volume of water discharge from Padcal's mining operations.



## PADCAL SUMMARY OF REMAINING PROVED RESERVES

(as of December 31, 2014)

| ORE SOURCES  | TONNES<br>(Millions) | COPPER %    | GOLD g/t    | RECOVERABLE METALS       |                     |
|--------------|----------------------|-------------|-------------|--------------------------|---------------------|
|              |                      |             |             | COPPER<br>(million lbs.) | GOLD<br>(‘000 ozs.) |
| 908ML        | 5.5                  | 0.18        | 0.44        | 18.6                     | 63.0                |
| 798ML        | 24.8                 | 0.20        | 0.38        | 89.0                     | 238.7               |
| 782ML        | 23.6                 | 0.21        | 0.41        | 88.7                     | 248.3               |
| 745ML        | 5.8                  | 0.20        | 0.49        | 20.7                     | 72.5                |
| <b>Total</b> | <b>59.7</b>          | <b>0.20</b> | <b>0.41</b> | <b>217.0</b>             | <b>622.5</b>        |

*CuEq cut-off grade = 0.370%;*

*Metal Prices: US\$2.75 per pound Cu, US\$1,275 per ounce Au;*

*Metal Recoveries: 82% Cu, 72% Au*

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 number 0002513 and CP accreditation number EM 0002513-021/13. He has given his consent to the Public Reporting of this statement concerning Mineral Reserve Estimation.

### RESUMPTION OF NORMAL OPERATIONS

Padcal resumed operations on March 8, 2013 by virtue of a four-month temporary lifting order by the Mines Geosciences Bureau (MGB). The order was subsequently extended indefinitely to allow Padcal to rehabilitate Tailings Storage Facility No. 3 (TSF3)

After completing the prescribed remediation measures, the MGB issued an order on August 28, 2014 allowing the Padcal Mine to resume full operations. The MGB cited the successful implementation of a Rehabilitation and Cleanup Plan, which included among other things, the sealing off of TSF3's penstock system, construction of an open spillway, rehabilitation and creation of a buffer beach upstream of the offset dike, and submission of proof on the safety and integrity of the TSF.

### FULL PRODUCTION CAPACITY

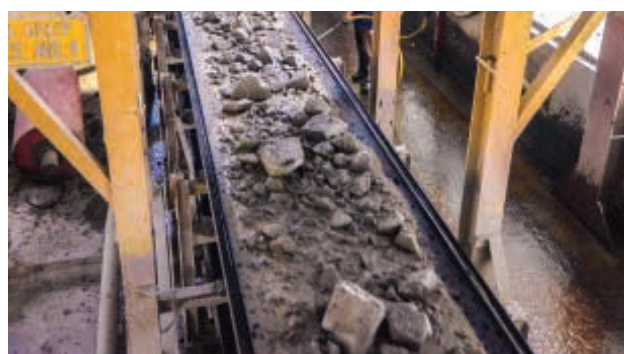
This allowed Padcal Mine, the sole source of mining revenue for PMC, to produce higher volumes of metal in 2014 as it operated for a full year (359 operating days) against nearly ten months (299 operating days) of production in 2013.

As a result, gold production rose to 105,008 ounces from 99,802 ounces in 2013, which delivered revenues of ₱5.889 billion against ₱5.582 billion. Copper production also climbed 9% to 35,391,154 pounds in 2014 from 32,495,443 pounds the previous year, resulting in revenues of ₱4.615 billion compared with ₱4.580 billion.

### ICON OF RESPONSIBLE MINING

True to its philosophy of being a responsible large-scale mining operation, the Padcal mine has continuously implemented its Social Development and Management Program (SDMP) and Environment Protection and Enhancement Program (EPEP).

Total SDMP allotment in 2014 amounted to ₱102 million, equivalent to 1.5 percent of the Company's overall operating cost of ₱6.8 billion in 2013. Of this allotment, about half was spent for public infrastructure, health, education and livelihood projects in the host and neighboring villages of Padcal. Budgets were also allocated and spent for the Development of Mining Technology and Geosciences (DMTG) and Information, Education, and Communication (IEC) campaigns.



**PADCAL STATEMENT OF MINERAL RESOURCE ESTIMATE**  
(as of December 31, 2014)

| ORE SOURCES     | CLASSIFICATION              | TONNES (Millions) | COPPER %    | GOLD g/t    | CONTAINED METALS      |                  |
|-----------------|-----------------------------|-------------------|-------------|-------------|-----------------------|------------------|
|                 |                             |                   |             |             | COPPER (million lbs.) | GOLD ('000 ozs.) |
| 908-782ML       |                             |                   |             |             |                       |                  |
| 908ML           | Measured + Indicated        | 67.8              | 0.22        | 0.37        | 334.9                 | 808.8            |
| 798ML           | Measured + Indicated        | 46.5              | 0.20        | 0.36        | 204.9                 | 537.8            |
| 782ML           | Measured + Indicated        | 42.6              | 0.23        | 0.41        | 218.6                 | 554.1            |
| <b>Subtotal</b> | <b>Measured + Indicated</b> | <b>156.8</b>      | <b>0.22</b> | <b>0.38</b> | <b>758.4</b>          | <b>1,900.7</b>   |
| 800-600ML       | Measured + Indicated        | 110.9             | 0.19        | 0.38        | 473.0                 | 1,342.0          |
| <b>Total</b>    | <b>Measured + Indicated</b> | <b>267.7</b>      | <b>0.21</b> | <b>0.38</b> | <b>1,231.4</b>        | <b>3,242.7</b>   |
| 800-600ML       | Inferred                    | 7.0               | 0.20        | 0.40        | 30.9                  | 90.2             |

Notes:

1.  $CuEq = \%Cu + 0.66 \times g/tAu$ , metal factor is computed using:  
Metal prices = US\$2.75/lb for copper and US\$1,275/oz for gold  
Metal Recoveries = 82% for copper and 80% for gold  
Cut-off grade of 0.314 is based on P688/tonne and Forex of P44
2. Mineral Resource reported is based on the Resource block model prepared by R.C. Obial & Asso.
3. Mineral Resource Estimates followed the guideline set forth in the Philippine Mineral Reporting Code (PMRC)
4. Total Resource include proved reserves

*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.*







## IMPROVING HEALTH

In 2014, the Company provided basic health services, which contributed to the overall improvement of health conditions among members of the host and neighboring communities.

About 6,320 individuals were provided with basic health services at the Sto. Niño Philex Hospital. There were also 183 indigent families which received Socialized Health Care (PHIC) benefits and 39 indigent patients with special medical cases who were granted financial assistance.

The Company also delivered personal protective equipment (PPEs) and mobilization assistance to 54 barangay health workers and one rural health unit volunteer. PMC also installed first aid stations in Salba and assisted in the operations of “Botika sa Barangay” in Ampucao. On top of these, health education programs, school-based health clinics, nutrition and immunization campaigns, and emergency response training sessions were conducted.



## FOSTERING EDUCATION

PMC continues to work towards improving the quality of education among residents of the host and neighboring communities. To pursue this, the Company provided scholarship grants to 15 post graduates, 124 college students, 60 technical/vocational students, and 100 high school students, on top of granting financial aid to 22 college students, subsidized education to 142 high school students and 263 pupils and assistance to 73 Alternative Learning System (ALS) enrollees.



PMC likewise conducted five capability and proficiency trainings and seminars, in addition to providing financial support for school activities, to 20 host and neighboring schools around Padcal to enhance competitiveness. These were on top of the construction of nine new school buildings, two teacher’s quarters and four school-related facilities and the delivery of learning equipment to 10 schools to enrich the learning environment of students. PMC also helped promote values-formation by supporting and providing assistance to several spiritual institutions in the area.



## PRODUCING LIVELIHOOD

The Company invested substantially for the betterment of socio-economic conditions among host and neighboring communities, empowering them to ensure their maximum participation in the implementation and development of the following livelihood and infrastructure projects:

- Work appreciation program: 114 college graduates experienced a three-month on the job training in the Company to enhance their skills, knowledge and attitude
- Sponsored trainings: conducted and sponsored eight trainings for seven cooperatives and 19 associations plus four capability trainings for elders
- Livelihood Industries: enhanced existing (agro forestry, goat raising, aquaculture, mushroom, loom weaving) and established new (t-shirt printing, sewing and dress making, meat processing, egg production and eco-tourism) livelihood industries and income generating activities by granting seed capital, technical assistance and site development

## EXPANDING INFRASTRUCTURE

PMC's infrastructure support program improved access, reinforced safeguards and enhanced overall mobility among members of host and neighboring communities through the construction of the following projects:

- 3.25 kilometers of all-weather and safe farm-to-market roads
- 250 meters of drainage canals
- 16.55 meters of road spillway
- 856.86 cubic meters slope protection (masonry and retaining walls) for road protection and flood control
- 2.13 kilometers pathway/foot trail in 12 areas
- 15.75 cubic meter tank with a 1.37 kilometer pipeline for five waterworks for livelihood projects
- 297.05 meters of suspension footbridges and vehicular bridge

## PROTECTING THE ENVIRONMENT

The Company remains focused on environmental stewardship and over the years, more than eight (8) million trees has been planted in nearly 2,500 hectares of land in the municipalities of Itogon and Tuba in Benguet. Last year, PMC invested a total of P433.12 million under the EPEP, allocated along land, water and air resource quality management activities, as follows:

- A. Land Resource Management
  - a. Reforestation and Forest Protection: reforestation and forest protection activities, purchase of assorted fruit tree seedlings for agro-forestry projects and support for the National Greening Program (NGP)
  - b. Maintenance and protection of bamboo plantations and vegetation
  - c. Surface subsidence control and backfilling operations
  - d. Garbage collection and hauling
- B. Water Resource Management
  - a. Maintenance of TSF1 and TSF2
  - b. Rehabilitation and maintenance of TSF3
  - c. Albian Creek protection
  - d. Construction of new building/shed at mine equipment shop and wash bay area
  - e. Water/sediment/fish tissue laboratory analysis and water quality improvement
  - f. Bathymetric survey of National Power Corporation at San Roque Dam
- C. Air Quality Management and Monitoring: purchase of gas/air monitoring device

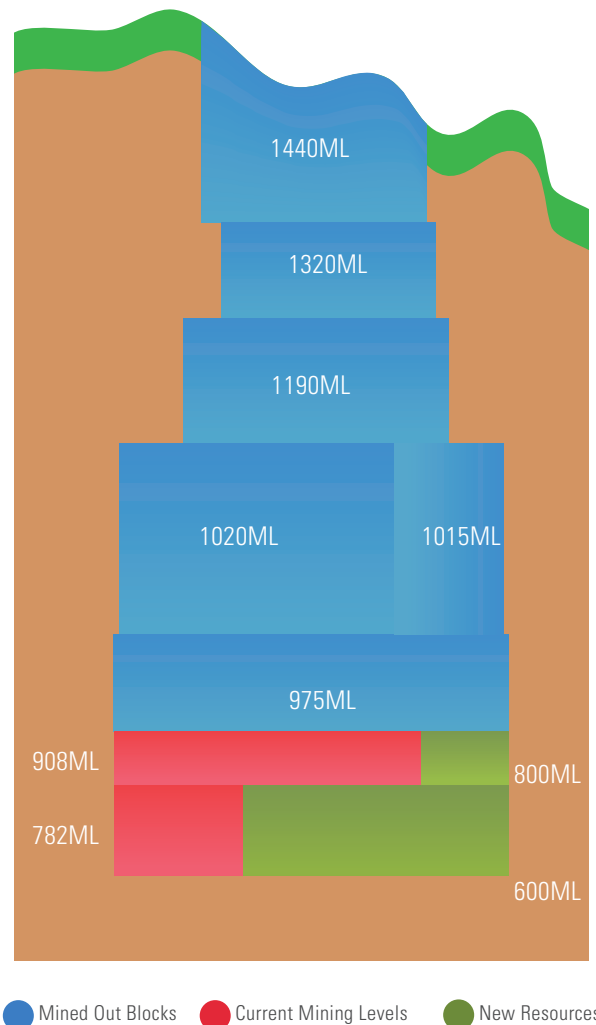
In recognition of its commitment to sustainable development, environmental protection, and contribution to community development and nation-building, the Padcal Mine has received numerous citations, 10 of which were granted by the Philippine Mine Safety and Environment Association.

In April 2015, the Company received an Integrated Management System (IMS) Certification from TUV Rheinland allowing it to restore its environmental ISO 14001 Certification and further affirmed its adherence to strict environmental protection and safety protocols across its operations.

## MOVING BEYOND 2020

PMC is working to extend Padcal's mine life. In March 2015, about 111 million tonnes of additional mineral resources were identified between the 800 and 600 meter levels (ML), corresponding to incremental contained metal of 473 million pounds of copper and 1.342 million ounces of gold.

To further strengthen Padcal mine's case for another extension, several exploration activities within Padcal and its vicinity are continuously being undertaken, which covers the Deep Gold Zone prospect below 600ML of the Sto.Tomas II ore body, Bumolo, and Clifton.







# BULAWAN

SERVING THE COMMUNITY







PMC, mostly through its subsidiary PGPI, maintains four tenements in Negros Occidental. Of these, Cayas, Vista Alegre, and Bulog are designated for exploration activities while Bulawan is under care and maintenance.

## COMMUNITY DEVELOPMENT PROGRAM

A considerable amount was spent for all the community development projects implemented for the host communities in these four tenements last year. These projects were focused on community organization to help establish the foundation for a unified community, working towards their own development and empowerment.

### ENRICHING HEALTH

The lack of financial capability, compounded by the lack of and distance from existing health centers and drug stores, prevents the local community from availing of first aid and accessing quality medicine for even the most basic of ailments. To address this, PGPI initiated health projects that immediately provided the much-needed medicines and services required by the community. Specifically, PGPI provided local health units with medical equipment and supplies, like delivery kits, oxygen tanks, and baby cribs, among others, along with the essential training for designated personnel, to administer the necessary health services.

The renovation of the Barangay Bacuyangan Health Center, as per DOH requirements, was turned over to the barangay in December 2014 and improved the delivery of health services to the community.

Furthermore, a total of 1,382 individuals received immediate medical care from the free medical consultations, dental services and over the counter medicines and vitamins through PGPI's medical and dental missions last year. Likewise, 227 children availed of the feeding program, in partnership with barangay health workers and parents, teachers and children's association, which is aimed at addressing the issue of malnutrition in the area.

In Vista Alegre, PGPI constructed toilets, complete with sanitary tanks, toilet bowls, and fittings, for each of the 38 households to improve sanitation and promote proper hygiene among household members to prevent the spread of common diseases.

### SUPPORTING EDUCATION

In a community where most of the older members had little or no schooling at all and students from younger generations struggle to even complete elementary education, basic and functional literacy are low. Other factors, such as turbulent peace and order, lack of financial capacity, general disinterest towards learning, and considerable distance from schools have not helped promote academic progress among the people as well.

As education remains a priority in its Bulawan project, however, programs that aim to improve literacy and increase retention rate among students in the community are constantly being implemented. In 2014, about 1,424 school-aged children from host communities were given school supplies to alleviate parents of the financial burden in purchasing the needed school supplies and encourage children of poor families to enroll, resulting in improved retention rate among enrollees.

In addition, PGPI constructed new and renovated existing day care centers in Sitio Omas Camindangan, Maabon Cabadiangan, Vista Alegre, Mauboy, Nabulao and Sitio Bato, Talacagay following the DSWD standards, which significantly contributed to the high ratings of the assigned day care workers. PGPI also renovated the e-room in Sangke Elementary School and constructed a two-classroom building in Binutusan Elementary School in Binutusan Maricalum,



Sipalay City. In addition, PGPI also put up e-centers in Talacagay and Sangke to promote a general interest in education and literacy of not just the youth but of the older members of the community.

Aside from the above programs, PGPI also annually supports the Department of Education's program Brigada Eskwela by contributing cleaning materials, paints and tools, which cultivates a spirit of volunteerism among community members and PGPI employees. PGPI also provides financial support to additional teachers to achieve a standard teacher-student ratio and improve the quality of education by eliminating the practice of combining classes in a number of elementary school facilities.

### PROVIDING LIVELIHOOD

Under PGPI's livelihood programs, it has provided resources and technical services in support of enterprises engaged in agricultural production, the community's economic base, to improve output. Some of the sectors included in the list are coffee production, organic farming technology transfer, and livestock-raising. Strengthening of the cooperatives, through skills training and mentoring, and by expanding market linkages were also implemented to ensure the success of the projects.



## REGREENING THE ENVIRONMENT

For more than a decade of rehabilitation, since the mine was mothballed in 2002 and placed under care and maintenance, PGPI Bulawan Project has carried out its primary environmental responsibility through conventional reforestation projects aimed at achieving the following:

- Protection of soil from erosion and prevention of slides of exposed and disturbed areas of the mine;
- Replenishment of top soil with humus from decomposing litter and biomass;
- Preservation and sustenance of ground water, harvested and stored by the forest; and
- Establishment of niches for wildlife habitat.

From 1995 to 2013, the establishment of forest plantations in 821.32 hectares, covering the host Barangay of Nabulao, Sitio Alegre, Sipalay City and Barangay Bacuyangan, Hinobaan, brought the total trees planted to 1.06 million. In 2014, the DENR had taken a step further to ensure that the rehabilitated mine is transformed into a functioning, self-sustaining rain forest when it reaches its final decommissioning stage.

This initiative was undertaken through the introduction of agro-forestry plantations, by expanding areas planted with Robusta and Arabica coffee species along the road network within the mining leased area and the plantation of citrus (*Citrofortunella microcarpa*) at the downstream side of Tailing Storage Facility (TSF) 1 embankment.

The transformation of TSF1 was facilitated with the conversion of the tailings beach area into a gazing area for livestock and poultry raising, consisting of an initial goat herd of 12 heads, two (2) cows and ten (10) free-range native chickens.

A new nursery was also established to support the planting materials of the project, with a capacity of 100,000 seedlings. Inside the nursery, a potting shed was likewise constructed, designed with a vermin-composting facility and ample water supply to support the growth of seedlings. A total of 20,000 coffee seedlings, 779 fruit bearing trees and 800 endemic timber species were produced at the end of the year. Various vegetable seeds of tomatoes, bell pepper, squash, bitter gourd, eggplant and other edible species were also propagated for food production.

With emerging policies, technologies and trends on mining, private public partnerships and climate change, the Bulawan Project environmental program focuses on sustainable development strategies with the aim of achieving:

- poverty reduction, through generation of job opportunities;
- food security, through agro-forestry, silvo-pasture and food forestation;
- biodiversity conservation, through poly-cropping, endemic species planting and silvicultural treatments; and
- climate change mitigation and adaptation, through ecological waste management and forest protection.

Other initiatives that were rolled out intend to:

- encourage the propagation of Philippine endemic, high valued timber species preferably of the Dipterocarp species, which has been logged over by timber concessionaires;
- enhance biodiversity of the natural environment by promoting native food tree species and repopulate local birds, reptiles, and other insects in the wildlife; and
- improve the socio-economic benefit of the forest through agro-forestry, silvo-pasture and aqua-culture.







# SIBUTAD ENVIRONMENTAL PRESERVATION







Corporate social responsibility (CSR) has always been imbedded in the Company's operations. In 1999, at the time when metal prices were on a significant downtrend, PMC, through its subsidiary Philex Gold Philippines, Inc. (PGPI), ceased production of its Sibutad Mine. Since then, the mine has been under care and maintenance, where activities are currently focused on environmental management, involving regular in-house water quality monitoring in all ponds and silt dams, upland reforestation and coastal rehabilitation programs.

**PHILEX GOLD PHILIPPINES, INC.**  
**STATEMENT OF MINERAL RESOURCES ESTIMATE**  
*(as of December 31, 2014)*

|                             | CUTOFF<br>(g/t) | CLASSIFICATION              | TONNES<br>(Millions) | GOLD<br>(g/t) | CONTAINED GOLD<br>('000 ozs.) |
|-----------------------------|-----------------|-----------------------------|----------------------|---------------|-------------------------------|
| <b>BULAWAN/VISTA ALEGRE</b> |                 |                             |                      |               |                               |
| Bulawan Main                | 0.50            | Measured + Indicated        | 17.5                 | 2.25          | 1,260.0                       |
| Korokan                     | 0.35            | Measured + Indicated        | 3.2                  | 0.74          | 80.0                          |
| Nagtalay                    | 0.50            | Measured + Indicated        | 3.2                  | 1.26          | 130.0                         |
| <b>Subtotal</b>             |                 | <b>Measured + Indicated</b> | <b>23.9</b>          | <b>1.91</b>   | <b>1,470.0</b>                |
| <b>SIBUTAD</b>              |                 |                             |                      |               |                               |
| Larayan                     | 0.50            | Measured                    | 2.0                  | 1.03          | 70.0                          |
| Lalab                       | 0.50            | Measured + Indicated        | 15.1                 | 0.81          | 390.0                         |
| <b>Subtotal</b>             |                 | <b>Measured + Indicated</b> | <b>17.1</b>          | <b>0.84</b>   | <b>460.0</b>                  |
| <b>Total</b>                |                 | <b>Measured + Indicated</b> | <b>41.0</b>          | <b>1.46</b>   | <b>1,930.0</b>                |
| <b>SIBUTAD (Lalab)</b>      | <b>0.50</b>     | <b>Inferred</b>             | <b>1.8</b>           | <b>3.73</b>   | <b>220.0</b>                  |

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 the Vista Alegre deposits in Negros and Sibutad deposits in Zamboanga del Norte. Mr. Oliveros is a Competent Person for Exploration and Mineral Resource Estimation under the definition of Philippine Mineral Reporting Code (PMRC). He is a professional Geologist with PRC License No. 1285 and accreditation number of Geology CP-07-08-07. He has given his consent to the Public Reporting of this statement concerning Mineral Resource Estimation.

## SOCIAL DEVELOPMENT INITIATIVES

Even under care and maintenance, PGPI maintains its social responsibility activities towards its host communities by implementing projects, in partnership with the community and the local government units (LGUs). Some of the most notable projects under its social development campaigns include assistance in the improvement of the water systems in Barangay Magsaysay and repair of the mooring station/bamboo bridge being used by the coastal communities at the mangrove expansion site project.

To complement the mangrove rehabilitation and expansion project along the coast of Murcielagos Bay and supplement the income of farmers and fishermen as well, the Company is exploring opportunities for other marine-based income-generating activities. In relation to this, discussions are ongoing with a local entrepreneur engaged in bangus culture and government agencies for clearance and required marine conservation measures. PGPI has also continuously supported sports development events, cultural enrichment activities and other programs, which has helped maintained strong ties with the host and neighboring communities.

## REFORESTING LAND

Presently, the host municipality of Sibutad appreciates the vast green foliage developed from PGPI's aggressive environmental management program from the uplands to the coastal areas, especially along the three (3) existing marine sanctuaries located in Pinyahon Island (Pinyahon Marine Park), Sawang (Sawang Marine Sanctuary) and Calube (Calube Abalone Sanctuary).

This tenement, which was once covered with thin deposits of cogon grass, has benefited from PGPI's upland forestation project. The now forested area is cared for and maintained to encourage biodiversity, with planted species including mahogany, madre de cacao, ipil-ipil, auri, narra, mango, mangium, jackfruit, citrus, lanzones, rubber, and coconuts.

The number of different species planted across the upland and lowland forestation and reforestation projects total 483,575, which were seeded across 176.21 hectares of land in its host town of Sibutad. In addition to this, PGPI continues to propagate seedlings at its nursery facility to comply with the requirements of the MGB-DENR under the National Greening Program (NGP).



On top of PGPI's participation in the NGP, it is also actively involved in the Coastal Resource Management Program, through its mangrove reforestation project. Specifically, the Mangrove Expansion Project was launched in the second half of 2011 and initiated by the SPECMA, or Sibutad Project Employees' Care-and-Maintenance Association, composed of the project's former employees. The project aims to protect the communities from unexpected coastal disasters, such as storms, storm surges and tsunamis, and help improve the sanctity of marine ecosystems. Since 2011, a total of 55,400 propagules were planted in a 5.54-hectare expansion area, bringing to 166,535 the total number of suckers planted and being maintained across a coastal area of 20.12 hectares.



## TRANSFORMATION OPTIONS

A study on the different options available for the Mine Site Transformation is being undertaken to explore the possible alternative land uses for the Sibutad Project and help PGPI enhance its environmental conservation and marine biodiversity initiatives in the area.

