

Mining done right.



ANNUAL AND SUSTAINABILITY REPORT 2018

“*successfully* **REHABILITATED**, *beautifully* **RESTORED** and *breathhtakingly* **REINVIGORATED**”



Bulawan, 2018



About the Cover

Philex Mining Corporation continues to be at the forefront of right and principled mining in the country. The front and back covers illustrate a resounding outcome of conscientious and responsible mining practices. The visual transition from the former mining sites barren past to its verdant present symbolizes the Company's commitment to balancing economic interest, social progress and environmental stewardship.

Past mining projects in Bulawan, Negros Occidental and Sibutad, Zamboanga del Norte have been successfully rehabilitated, beautifully restored, and breathtakingly reinvigorated to conditions far better than when it was originally handed to us, paving the way for alternative and productive land use. This clearly demonstrates our ability to keep in step with mining standards adopted by Australians, Canadians and other first-world peers.

Time and again, we have proven that Filipinos can do it. We did it not only once,

but *twice.*

CONTENTS

04	About the Report
05	Business Overview
07	Corporate Profile
08	Financial Highlights
09	At a Glance
10	Key Performance Indicators
11	Corporate Objectives
12	Message from the Chairman
15	Message from the President
18	Board of Directors
24	Philex and Silangan Officers
26	Mining Properties and Exploration Activities <ul style="list-style-type: none">• Silangan Project
36	Results of Operations
42	Financial Statements
56	Sustainability at Philex
62	Environmental Conservation <ul style="list-style-type: none">• Teeming with Life• Far Better than Before
76	Empowering Communities <ul style="list-style-type: none">• Worth the Weight in Gold
86	Promoting Employee Wellness
92	Ensuring a Safe Workplace
96	Corporate Governance
117	Risk Management
120	Officers and Staff
121	Corporate Directory

ABOUT THE REPORT

We are proud to present the first integrated Annual and Sustainability Report (ASR) of Philex Mining Corporation. We decided to combine these two public disclosures into one concise volume to provide a more holistic view of our financial and sustainability performance. This practice will not only make the Report more relevant and valuable to our stakeholders, it will also strengthen our commitment to transparency and accountability.

This Report covers the financial and sustainability performance of the Padcal Mine, the Company's main source of revenue, for the reporting period of January 1 to December 31, 2018. As such, this report provides detailed information on the economic, environmental, and social achievement of the Padcal Mine, particularly its significant contributions to the development of its host and neighboring communities.

The Report has been prepared in accordance with the Sustainability Reporting Guidelines for Publicly-Listed Companies of the Philippines' Securities and Exchange Commission (SEC). The guidelines build upon the established principles and metrics of other globally accepted sustainability reporting frameworks, most notably the Global Reporting Initiative (GRI) Standards, which has a comprehensive reporting framework that covers economic, environmental, and social topics. The guidelines also put forward a simplified sustainability reporting framework, as illustrated in the following table.

Based on the guidelines, we reported key information in two parts, namely through disclosures and management approaches. Disclosures reflect the Company's most material economic, environmental, and social topics based on the results of its comprehensive materiality assessment and stakeholder engagement. Disclosures are quantifiable and measurable and provide a snapshot of the Company's financial and sustainability achievements for the reporting period.

Management approaches, on the other hand, explain how the Company manages its impacts on the economy, environment, and society. These management approaches can be in the form of Company policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, as well as processes, projects, programs, and initiatives.

As such, we welcome feedback and appreciate suggestions on how to make this Report more applicable and useful to our different stakeholders. For comments and suggestions, please contact:

Philex Mining Corporation

2nd Floor, LaunchPad
Reliance Street corner Sheridan Street
Mandaluyong City, 1550 Philippines
+63 2 631-1381 to 88
philex@philexmining.com.ph

SUSTAINABILITY REPORTING FRAMEWORK

Our company is a sustainable business

We conduct our business in an ethical manner

Corporate Governance

We manage our key impacts

- Economic
- Environmental
- Social

Our products and services create value to society

Contribution to sustainable development

BUSINESS OVERVIEW

VISION

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

MISSION

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

CORE VALUES

CORPORATE RESPONSIBILITY



- Advocates Philex Mining as a conscientious mining company
- Manifests core values in both professional and personal circumstances
- Upholds the Philex Mining Code of Business Conduct and Ethics

TEAMWORK



- Listens to and considers the ideas or points of view of others
- Extends help while respecting the roles of others in doing the job
- Acknowledges team effort in success and collective responsibility over failure

RESPECT FOR INDIVIDUALS



- Practices gender and cultural sensitivity
- Shows authentic concern for the promotion of individual welfare
- Examines own biases and behavior to avoid judgmental reactions

INTEGRITY



- Practices honesty and sincerity in word and in deed
- Honors valid commitments
- Speaks up when situations warrant commendation or correction

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY



- Shows genuine concern toward its host and neighboring communities to improve quality of life
- Supports and practices the environment, safety, and health guidelines of Philex Mining
- Actively participates in the Company's community development and environmental programs

WORK EXCELLENCE



- Produces work results in a timely, accurate, and safe manner
- Constantly learns, innovates, amends, and improves services and processes
- Consistently delivers superior quality of work

BUSINESS STRUCTURE



CORPORATE PROFILE

Philex Mining Corporation ('PMC', 'Company') is primarily engaged in large-scale exploration, development and utilization of mineral resources, together with wholly-owned subsidiaries, Silangan Mindanao Mining Co., Inc. (SMMCI) and Philex Gold Philippines, Inc. (PGPI). PMC was incorporated in 1955 and subsequently listed its shares in the Philippine Stock Exchange (PSE) on November 23, 1956.

With a starter surface mine in 1958, PMC has been operating the Padcal mine located in Tuba and Itogon, Benguet Province for over six decades, employing the underground block-cave mining method. It is considered one of the longest operating mines in the country and main source of revenue for PMC.

SMECI, through SMMCI, completed the acquisition of the Silangan Mega Copper and Gold Project ("Silangan Project") situated in Surigao del Norte, Northeastern Mindanao in 2010. The Silangan Project is considered one of three big-ticket projects seen to catapult the country to become a major copper producer. Its tenements consist of three deposit areas - Boyongan, Bayugo and Kalayaan, with the latter representing a joint venture with Manila Mining Corporation. For Kalayaan, PMC holds the option to further increase its stake up to 60% in the project.

Based on the initial timeline, PMC will be launching the Silangan Project composed of three mineral-rich ore bodies—Boyongan, Bayugo and Kalayaan—with the Boyongan deposit set to commence maiden operations by 2022. Definitive feasibility studies are currently underway and are expected to be completed in the third quarter of 2019. For now, mineral resource estimates are indicative of large high-grade gold and copper deposits within tenement scopes. In terms

of methodology, PMC is planning an infrastructure design to employ underground sub-level cave mining for ore extraction. At the moment, PMC is working on securing all requisite permits and regulatory approvals for underground mining. It has also engaged reputable independent third-party professionals for business advisory and project financing. The Silangan Project is foreseen to be the Company's next major growth drive. Meanwhile, community engagement and environmental enhancement programs are presently on-going in compliance with regulatory conditions, along with the Company's commitment to the highest standards of environmental, social and governance practices to surrounding neighborhoods.

PGPI, previously operated the Bulawan gold mine in Sipalay, Negros Occidental until its decommissioning in 2002. Among its notable projects include mine sites in Sibutad, Zamboanga del Norte and Lascogon, Surigao del Norte. Bulawan and Sibutad underwent a major renewal program immediately after mining operations were discontinued. To date, after several years of world-class rehabilitation, both Bulawan and Sibutad have been beautifully restored and breathtakingly reinvigorated to far better environmental conditions compared to their original state.

In addition, PMC boosted its stake in upstream oil and gas affiliate, PXP Energy Corporation (PXP), formerly Philex Petroleum Corporation, for a total investment of P3.081 billion, effectively increasing its equity interest from 19.8% to 30.4% and becoming the single largest shareholder of PXP. The Company expects to benefit from this additional subscription in PXP as it realizes the enormous potential of its oil and gas production assets in the long-term.

FINANCIAL HIGHLIGHTS

PROFIT AND LOSS (in P Millions)					
	2018	2017	2016	2015	2014
Revenues					
Gold	4,200	5,432	6,209	5,670	5,889
Copper	4,051	4,475	3,976	3,450	4,615
Silver	63	77	86	70	82
	8,314	9,985	10,272	9,189	10,587
Smelting Charges	674	842	893	837	850
Cost and Expenses	6,821	6,778	6,900	7,011	7,989
Income From Operations	820	2,365	2,478	1,341	1,748
Other and Non-recurring Income (Charges)	(69)	2	(213)	(55)	(191)
Net Income (loss)	608	1,658	1,567	776	703
EBITDA	2,493	3,977	3,854	2,779	3,320
Core Net Income	600	1,686	1,657	905	1,122
Per Share Data					
Earnings Per Share	0.123	0.336	0.322	0.181	0.204
Cash Dividends Per Share	0.04	0.08	0.07	0.02	0.08

PROFIT AND LOSS					
	2018	2017	2016	2015	2014
Gold					
Realized Price / oz (US\$)	1,294	1,273	1,254	1,147	1,270
Operating Cost / oz (US\$)	1,112	929	919	933	977
Copper					
Realized Price / lb (US\$)	2.92	2.96	2.35	2.29	2.98
Operating Cost / lb (US\$)	2.50	2.16	1.72	1.86	2.29

FINANCIAL CONDITION (in P Millions)					
	2018	2017	2016	2015	2014
Property, Plant and Equipment	5,404	6,721	6,736	6,828	7,139
Deferred Exploration Costs	25,448	24,361	23,072	29,197	25,367
Total Assets	40,712	39,679	38,662	43,527	44,597
Current Liabilities	6,811	4,857	5,578	5,715	7,523
Total Liabilities	17,012	14,947	15,263	16,243	17,555
Total Equity	23,699	24,732	23,399	27,284	27,042
Capital Expenditure	2,261	2,438	2,360	4,061	5,831
Book Value Per Share	4.80	5.00	4.74	5.52	5.47

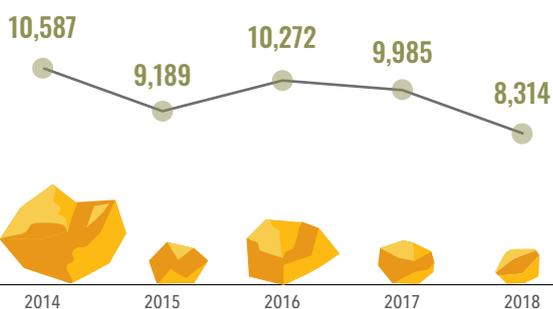
Years 2014 and 2015 consolidated its subsidiary, PXP Energy.

FINANCIAL RATIOS					
	2018	2017	2016	2015	2014
Net Profit Margin	8.0%	18.1%	16.7%	9.3%	7.2%
Return on Assets	1.5%	4.2%	3.8%	1.8%	1.7%
Return on Equity	2.5%	6.9%	6.2%	2.9%	2.7%
Asset-to-Equity Ratio	1.7	1.6	1.7	1.6	1.7

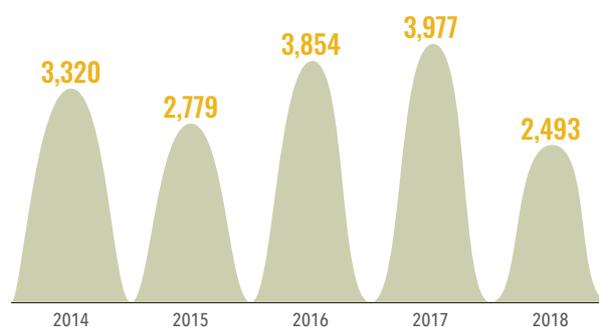
OTHER INFORMATION					
	2018	2017	2016	2015	2014
Cash Dividend Yield	1.1%	1.3%	0.8%	0.5%	1.0%
Number of Shareholders	44,029	44,072	44,219	44,296	44,386
Number of Employees	2,114	2,119	1,982	2,007	2,063

AT A GLANCE

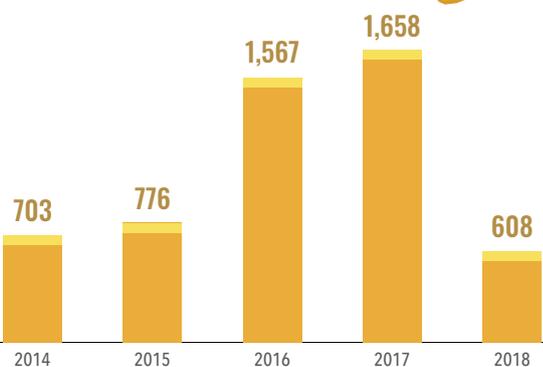
GROSS REVENUES
(P Millions)



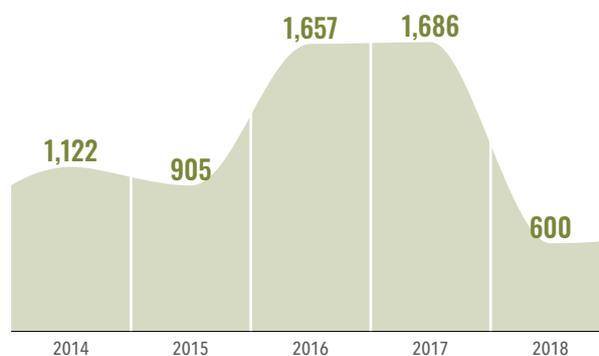
EBITDA
(P Millions)



NET INCOME
(P Millions)



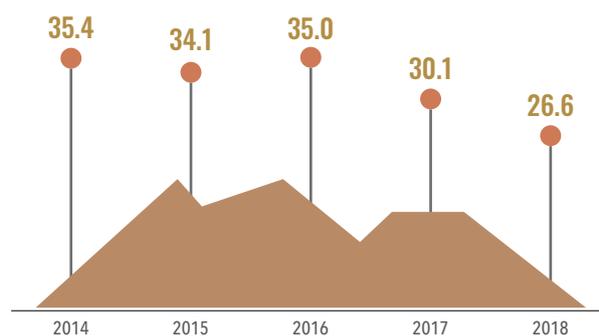
CORE NET INCOME
(P Millions)



GOLD OUTPUT
('000 ozs.)



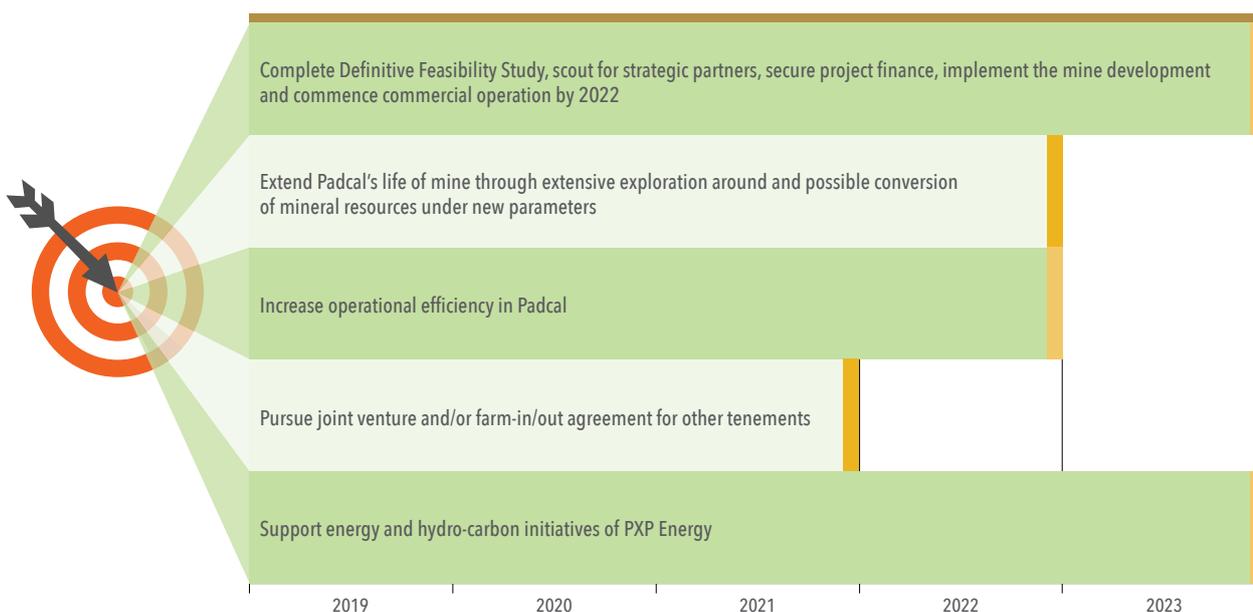
COPPER OUTPUT
(Million lbs.)



KEY PERFORMANCE INDICATORS

	DEFINITION	IMPACT ON OPERATIONS	2018 PERFORMANCE
<p>Safety Performance</p> 	<p>Safety performance is anchored on a systematic and measured approach to safeguard employee welfare, one that reduces vulnerability and exposure to hazardous elements in the workplace.</p>	<p>A safe working environment would result in zero or minimal untoward incidents and business interruptions. This would translate to improved operational risk assessments leading to lower insurance premiums.</p>	<p>Philex remains cognizant that employee safety is of paramount concern. In 2018, the Company reported six incidents of Lost Time Accident (Non-Fatal) down from nine in 2017. On the other hand, there were two known cases of Lost Time Accident (Fatal) events in 2018 compared to a single incident in 2017.</p> <p>The Company is constantly working towards achieving a "zero-harm" record by regularly reviewing and updating existing policies. New safety mechanisms and procedures have been installed to avoid reoccurrence of previous accidents. Third-party professionals are likewise engaged to evaluate existing safety performance and identify potential key risk areas.</p>
<p>Exploration Activities</p> 	<p>Mineral exploration is considered a periodic activity and can be heavily-affected by force majeure and other factors beyond its control. The Company relies on its knowledge, experience and expertise to actively scout for new ore deposits.</p>	<p>The Company conducts strategic exploration events on an opportunistic basis to maximize output of current ore bodies and search for fresh mineral deposits to ensure long-term operational sustainability.</p>	<p>In 2018, the Company allocated P589 million to fund exploration activities in Padcal and Silangan from P691 million in the previous year. Total exploration costs amounted to P25.448 billion in 2018 as compared to P24.361 billion in 2017.</p>
<p>Tonnes Milled and Metal Production</p> 	<p>Total tonnage refers to the quantity of mine output annually, which provides the basis for gold and copper production, metal grade and recovery rate.</p>	<p>Total tonnes milled, metal grade and recovery rate are functions of revenues that determine the amount of concentrates that will be produced. Additional milling processes may be adopted to address inferior ore grades.</p>	<p>In 2018, tonnes milled totaled to 8,516,915 compared to 8,673,475 in the prior year. Gold production stood at 61,977 ounces from 84,638 ounces while copper output came in at 26,574,686 pounds versus 30,118,206 pounds in 2017 due to lower tonnage, head grade and metal recovery.</p>
<p>Production and Operating Cost per Unit</p> 	<p>Average cost per tonne is a key metric that measures operating efficiency. The Company is expected to benefit from economies of scale as it increases production turnover while retaining the same operating unit cost. Total production costs include mine site expenses excluding smelting charges, excise taxes and royalties.</p>	<p>Lower average cost per tonne would generally indicate higher operating efficiency and improved margins.</p>	<p>In 2018, the total production cost per tonne of ore milled was P705 compared with P687 in 2017 while operating cost per tonne milled was P844 from P837 in 2017. Further, operating cost per ounce of gold amounted to \$1,112 in 2018 versus \$929 in the previous year, while operating cost per pound of copper was at \$2.50 from \$2.16 in 2017.</p>
<p>Earnings per Share</p> 	<p>Earnings per share (EPS) is a primary indicator of the Company's profitability. To derive EPS, the net income attributable to equity holders of the Company is divided by its weighted average outstanding common shares.</p>	<p>An increasing EPS trend is reflective of the Company's consistent earning power and steady financial growth.</p>	<p>The basic earnings per share in 2018 and 2017 were at P0.123 and P0.336, based on 4,940,399,068 weighted average shares outstanding for the period.</p>

CORPORATE OBJECTIVES



MESSAGE FROM THE CHAIRMAN

My Fellow Shareholders,

The year brought its own set of difficulties that challenged our ability to meet our objectives. We were confronted with an uncompromising macroeconomic backdrop that saw rising inflation in 2018, metal prices volatility, weather disturbances and protracted regulatory policy reforms proposed. While we are fully compliant with all governing requirements, we were particularly taken aback by the unforeseen ban on globally-accepted open-pit mining in 2017, which affected our approach to execution of our new Silangan mine in Surigao del Norte, Mindanao. As a result, we were compelled to shift to underground methods which required a major overhaul of our design and development plan for Silangan. This move effectively delayed our expansion program by several years.

As to Padcal mine, we had to contend with complexities related to the current state of our mining operations, as we approach the end of mine life. Nonetheless, we were able to sustain our profitability by posting P608 million Reported Net Income for 2018. We attribute this outcome to continuous operational improvements, coupled with cost containment initiatives implemented across the business—but recognizing the need to balance long-term growth and shareholder interest. Despite a challenging year, we still managed to declare total cash dividends of 7.5 centavos per share.

Looking ahead, we continue to build on the momentum of our Silangan expansion prospect, while taking into account prevailing industry conditions, diligently crafting the most suitable mining blueprint prior to actual development. The Silangan mine has been tagged as one of three big-ticket mining projects seen to propel the country to being a major regional copper producer. Preliminary studies have indicated sizeable mineral resource estimates carrying superior grades for gold and copper which, upon further

verification, may possibly yield one of the best ore quality in Asia. Silangan's tenements consist of three deposit areas—Boyongan, Bayugo and Kalayaan—the latter representing a joint venture with Manila Mining Corporation. For Kalayaan, we hold the option to further increase our stake by up to 60% in the project.

For Silangan, we commissioned leading international industry expert Ausenco, an Australian-based engineering firm to conduct extensive technical studies and independently validate initial assessments of the project. We are also in the process of appointing reputable institutions for professional equity advisory and project financing. In the following months, we shall be pursuing fund-raising activities to aggregate the estimated development budget for Phase 1, which represents the most critical component of this multi-stage project. For the most part, we remain hopeful that our plans to operationalize Silangan will finally be realized by 2022.

As a socially-aware corporate citizen, we are cognizant of our civic duties to our stakeholders, particularly the host communities where we operate. We treat community members as partners, where mutually-beneficial relationships are forged and nurtured, thus creating a sustainable ecosystem that promotes harmonious co-existence. For instance, in the aftermath of Typhoon Ompong, we proactively assembled our own rescue team and emergency equipment to support government relief efforts for landslide victims in Barangay Ucab, Itogon, Benguet. While the incident happened in areas beyond our jurisdiction, this move was borne from our character and instinct—the urge to decisively respond in situations where our brand of experience and help were needed.

To complete our perspective, we remain at the forefront of efforts at safeguarding our environment. Our successful rehabilitation of decommissioned projects



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First-world mining is here. Principled mining is Philex.

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located in Bulawan, Negros Occidental and Sibutad, Zamboanga del Norte is a hallmark of our commitment to preserve our natural resources. Bulawan has undergone a major restoration program that featured tree-planting activities, water-clean up drives and air quality monitoring. Some of its former mining facilities, specifically its tailings pond, after years of restorative care and maintenance, are now home to wild ducks and other waterfowl species. On the other hand, Sibutad has been carrying out reforestation activities and other green initiatives since 1996.

These efforts clearly demonstrate our pledge to sustainability as the centerpiece of what we do. With utmost pride, I am pleased to share that we are preparing to turnover both Bulawan and Sibutad to their respective government jurisdictions at a considerably healthier and greener state from when it was first handed to us. This is exactly the same mindset that we intend to replicate across all of our existing and future projects. In essence, this also serves as our contribution to nation-building and the Government's national agenda. We have accordingly showcased our ability to keep at par—and even exceed mining standards in certain cases—practiced by our American, Canadian, Australian and other first-world peers.



On the investment front, we decided to hike our equity interest in upstream oil and gas affiliate PXP Energy Corporation (PXP) for a total consideration of P3.081 billion, effectively increasing our ownership interest from 19.8% to 30.4%, to become its single largest shareholder. This transaction forms part of our overall business strategy of deploying resources into long-term value-accretive ventures. Recent Government pronouncements have hinted close coordination efforts among involved parties to work on lifting the force majeure status imposed on service contracts for Recto Bank (SC 72) and Northwest Palawan (SC 75). As we await further guidance on future exploration, we firmly believe that our additional investment in PXP places us in a unique position to capitalize on the massive potential of its oil and gas production assets.

In closing, I would like to convey my sincerest thanks to our esteemed Board of Directors, leaders, employees, business partners, shareholders and stakeholders, for sharing our vision, as we continue to lead the way towards a more sustainable, responsible and principled mining sector.

Handwritten signature of Manuel V. Pangilinan.

Manuel V. Pangilinan
Chairman of the Board

MESSAGE FROM THE PRESIDENT

Dear Shareholders,

While we continue to navigate various operational challenges at our Padcal mine coupled with the current regulatory climate, there is still good reason for all of us to remain upbeat as we are set to launch our Silangan flagship project in Surigao del Norte by 2022. The Silangan mine will be rolled out in four planned phases consisting of three mineral-rich areas—Boyongan, Bayugo and Kalayaan. Ongoing definitive feasibility studies, which we expect to conclude by early third quarter of this year, are strongly indicating a significant increase in mineral resource estimates from previously declared levels and the presence of sizeable high grade gold and copper deposits within the secured tenements. Based on our preliminary timeline, the Boyongan deposit will comprise the first phase and is scheduled to commence maiden operations by the second half of 2022. This initial stage will account for approximately 21 years of the project's estimated duration. In terms of methodology, we will be employing underground sub-level cave mining for ore extraction.

At the moment, the industry continues to be confronted with a number of contentious issues, such as the prevailing moratorium on new explorations and the use of open-pit mining method. On top of that, the recently enacted tax reform package provisioned for the doubling of mining excise duties. Furthermore, our Padcal mine continues to be faced with a declining ore grade situation, which is expected as you move away from the center of the ore body. As it nears the end of mine life, we will be focused on maximizing the remaining cash generation capabilities of Padcal.

Notwithstanding these headwinds, our Company still managed to record a core net income of P600 million and a reported net income of P608 million for



Our Silangan gold and copper flagship project in Surigao del Norte is set to be launched by 2022.



2018. These results were primarily driven by several initiatives that centered on deriving operational and cost efficiencies across the business.

Total tonnes milled was at 8.52 million from 8.67 million in 2017. Marginal ore grades associated with the existing ore state, significantly contributed to weaker metal output. Less valuable mineral concentrations are typically encountered when extracting ore away from the core of the deposit.

Mining operations were likewise hampered by the effect of typhoons causing power disruptions and occupational safety concerns leading to lesser operating days. As a result, gold and copper production was at 61,977 ounces and 26.57 million pounds compared with previous year's haul of 84,638 ounces and 30.12 million pounds, respectively.

Gross revenues reached P8.314 billion in 2018 from P9.985 billion in the prior year, primarily weighed down by lower tonnage. This was partly cushioned by the favorable impact of gold prices and foreign exchange movements. Average realized price for gold was \$1,294 per ounce from \$1,273 per ounce in 2017.

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... we look at nature not only as sources of wealth but also a noble opportunity to underscore the genuine essence of a sustainable environment.

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On the expense side, production costs were maintained at P4.407 billion in 2018 despite peaking inflation that prompted price escalations of input materials and utility rates. General and administrative expenses decreased to P306 million from P363 million in 2017 due to the implementation of manpower rationalization programs at head office.

Following our deleveraging program, we retired a net amount of US\$8 million in debt borrowings further reducing our short-term loan balances to US\$41 million by end-2018.

In addition, we are also coordinating with our various subsidiaries and affiliates to consolidate our existing assets while in search for opportunities to realize the full potential of our entire asset portfolio. This includes scouting for potential partners to develop certain real estate properties located in strategic rural areas.

Another unique facet of our operations is our lasting commitment to corporate social responsibility, community-building and environmental stewardship. Our social advocacies are formally institutionalized through our Information, Health, Education, Livelihood and Public Infrastructure (I-HELP) campaign, driven by a mindset of enriching lives of community dwellers residing within surrounding neighborhoods.



Some of our corporate social initiatives in 2018 involved the continuous implementation of organic vegetation and coffee roasting programs catering to local farmers. We have also established community markets in Benguet province to showcase vegetable crops and other native goods produced by host communities. These initiatives, among others aim to reinforce skills learning, promote awareness and at the same time provide sustainable livelihood opportunities for community members. Moreover, our enduring commitment to education saw our Philex-Padcal Community Relations Department distribute a total of 4,155 books to 23 remote schools in Tuba and Itogon, Benguet. Several copies were also donated to the Tarlac Development Center and Mayon Volcano evacuees. Further, we continue to subsidize the academic learning of more than 2,000 enrollees in the Philex Mines Elementary School and St. Louis High School-Philex. In 2018, a total of 202 college level and 471 high school students were deserving recipients of corporate scholarship grants.

On another note, we look at nature not only as sources of wealth but also a noble opportunity to underscore the genuine essence of a sustainable environment. In 2018, the Company allocated around 4.6% of its direct mining and milling costs to fund its Environmental Protection and Enhancement Program. A total of P167 million was spent on land and water resource management, air quality improvement and toxic waste control. This also includes annual care and maintenance work on decommissioned projects in Bulawan, Negros Occidental and Sibutad, Zamboanga del Norte.

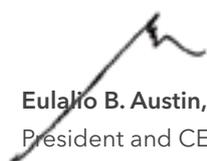
From a general view, we are optimistic that global interest for mineral products will stay robust with continued demand from the ASEAN region and China, led by its power and infrastructure sectors. We also anticipate increased usage of copper products in the advent of rapid advancements in electric vehicle technology and renewal energy over the medium to long-term.

At present, we feel confident that our Silangan mine will continue to gain ground as we are now in the final stretches of securing all requisite permits and regulatory approvals for underground mining. On the other hand, we received the approved new BOI registration of Silangan as a new producer of copper cathodes under the Investment Priorities Plan, which qualifies the project for certain tax benefits. As such, we are positive that this additional incentive will further boost the overall feasibility of Silangan primarily among prospective investment and financing partners. Altogether, these developments play a pivotal role in our strategic roadmap as we plot a smooth transition from Padcal to Silangan.

With heartfelt gratitude, I would like to convey our sincerest appreciation to our Board of Directors for their wisdom and encouragement, our management team for their leadership, our business partners for their support, our stakeholders for their engagement and our shareholders for their continued trust.

Indulge me as I acknowledge the tireless men and women of the Philex family for their unwavering passion and dedication shown throughout these years.

Lastly, I enjoin everyone to stay the course and remain steadfast as we prepare to write the next chapter of our growth story.



Eulalio B. Austin, Jr.
President and CEO

BOARD OF DIRECTORS



MANUEL V. PANGILINAN

Chairman, Non-Executive Director

Age: 72

Date of First Appointment: November 28, 2008

Academic Background:

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

Business and Professional Background/ Experience:

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

Mr. Pangilinan was awarded 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 Company Limited, and Chairman of the PLDT Inc. (PLDT) since 2004, after serving as its President and Chief Executive Officer (CEO) since 1998. He reassumed the position of President and CEO of PLDT effective December 2015. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, 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, Inc., the largest sugar producer in the Philippines, announced the election of Mr. Pangilinan as Vice Chairman.

Directorship in other Listed Companies in the Philippines:

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


EULALIO B. AUSTIN, JR.

President and Chief Executive Officer, Executive Director

Age: 57

Date of First Appointment: June 29, 2011

Academic Background:

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

Business and Professional Background/ Experience:

Mr. Austin has been a Director of PMC and PGPI since June 29, 2011 and was re-elected on June 28, 2017. He became President and Chief Operating Officer on January 1, 2012 and President and CEO of the Company on April 3, 2013.

He previously served 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, Padcal Mine Division Manager from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998. Mr. Austin concurrently serves as Director of PXP Energy Corporation and Silangan Mindanao Mining Co., Inc.

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

Directorship in other Listed Companies in the Philippines:

- PXP Energy Corporation, Non-Executive Director


BARBARA ANNE C. MIGALLOS

Corporate Secretary, Executive Director

Age: 64

Date of First Appointment: 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 27, 2018. She is also the Company's Corporate Secretary since July 1998. She is also Director and Corporate Secretary of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos 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 and Credit Transactions at the De La Salle University College of Law. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006.

Directorship in other Listed Companies in the Philippines:

- Mabuhay Vinyl Corporation, Non-Executive Director



MARILYN A. VICTORIO-AQUINO

Non-Executive Director

Age: 63

Date of First Appointment: December 7, 2009

Academic Background:

Ms. Aquino was educated at the University of Santo Tomas (A.B.) and University of the Philippines (LL.B., cum laude), and qualified as a barrister in the Philippines in 1981.

Business and Professional Background/ Experience:

Ms. Aquino joined Sycip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989. Ms. Aquino's practice focused on banking, finance and securities, construction and infrastructure, investments, mergers and acquisitions, and mining and natural resources. Ms. Aquino is a Director of Philex Mining Corporation, Philex Gold Philippines, Inc., PXP Energy Corporation, Silangan Mindanao Mining Company, Inc., Lepanto Consolidated Mining Company and Maynilad Water Services, Inc. She was also appointed as Chief Legal Counsel of PLDT in December 2018.

Directorship in other Listed Companies in the Philippines:

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



JOSEPH H.P. NG

Non-Executive Director

Age: 56

Date of First Appointment: January 30, 2019

Academic Background:

Mr. Ng received an MBA and a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Ng is a Commissioner of PT Indofood Sukses Makmur Tbk and a Non-Executive Director of Philex Mining Corporation and PXP Energy Corporation, which are First Pacific Group subsidiary and associates.

Business and Professional Background/ Experience:

Mr. Ng. joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. Mr. Ng was appointed as Associate Director in April 2019. Prior to that, he was Executive Vice-President of Group Finance of the Group's regional telecom division and a director of a number of the Group's telecom joint ventures in India, Indonesia and PR China.

Directorship in other Listed Companies in the Philippines:

N/A



RICHARD P.C. CHAN

Non-Executive Director

Age: 48

Date of First Appointment: January 30, 2019

Academic Background:

Mr. Chan received a BBA (Hons) degree from Hong Kong Baptist University and an MBA from the Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a CFA Charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has experience in auditing, accounting, finance and management spanning a diverse range of business activities. He serves as a Non-Executive Director of Philex Mining Corporation since January 2019, which is First Pacific Group associate.

Business and Professional Background/ Experience:

Mr. Chan joined First Pacific in 1996 from KPMG. Prior to his appointment as Executive Vice-President in April 2019, Mr. Chan was Vice-President, Group Financial Controller.

Directorship in other Listed Companies in the Philippines:

N/A



MICHAEL G. REGINO

Non-Executive Director

Age: 57

Date of First Appointment: February 28, 2017

Academic Background:

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

Business and Professional Background/ Experience:

Mr. Regino was appointed last October 27, 2016 as Member of the Board of the Social Security Commission (SSC) and since February 28, 2017, a Director of Philex Mining Corporation. Last March 07, 2018, he was appointed as Director of Union Bank of the Philippines.

He served as the President and member of the Board of Directors of San Agustin Services, Inc., Agata Mining Ventures, Inc. and Exploration Drilling Corp.; as the Senior Vice President and Chief Operating Officer of St. Augustine Gold and Copper Ltd.; and, as the Executive Director of TVI Resources Development Phils., Inc. He also became one of the members of the Board of Directors of Nationwide Development Corporation and KingKing Mining Corp., where he took charge of the Davao operations.

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

Directorship in other Listed Companies in the Philippines:

- Union Bank of the Philippines, Non-Executive Director

**ANITA B. QUITAIN**

Non-Executive Director

Age: 72**Date of First Appointment:** February 28, 2017**Academic Background:**

Ms. Quitain has a Bachelor of Science degree in Elementary Education from the University of Mindanao in Davao City. She also completed two years of Masters in Public Administration for her Career Civil Service Eligibility.

Business and Professional Background/ Experience:

Ms. Quitain is presently a member of the Social Security Commission. She has been designated as a member of the following committees:

1. Social Security Commission Governance, Organization and Appointment Committee
2. Investment Oversight Committee
3. Coverage, Collection and Other Related Matters Committee
4. Media Affairs Committee
5. Internal Audit Committee (Chairperson)

As a newly-appointed Commissioner, Ms. Quitain voted in favor on the increase of pension of Social Security System pensioners. She also previously held the following positions in the Social Security System: Section Head of Membership, Real Estate, Operations, Accounting, Membership Assistance Center and Sickness, Maternity and Disability in Region IX. She also headed the SSS Representative Office in Digos, Davao del Sur. Ms. Quitain officially retired from the Social Security System in 2009 after 31 years of continuous and dedicated service.

Directorship in other Listed Companies in the Philippines:

N/A

**GONZALO T. DUQUE**

Non-Executive Director

Age: 67**Date of First Appointment:** February 27, 2018**Academic Background:**

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

Business and Professional Background/ Experience:

Dr. Duque is presently a member of the Social Security Commission, which serves as the Governing Board of the Social Security System.

Dr. Duque began his professional career by working as a hearing officer in the Securities and Exchange Commission (1980-1981). He was later elected and served as Pangasinan Vice-Governor (1987-1992). He served in the Philippine Overseas Employment Administration (POEA) as Director IV (1994-1996) before becoming Deputy Administrator (1996-1998), and acted as consultant of the House of Representatives Committee on Education (2005) and of the Commission on Higher Education (2009).

Dr. Duque is the Chairman of the Dagupan City Water District. He is also the Chairman of Dagupan City Peace and Order Council; Policy Advisory Council Province of Pangasinan, Pangasinan Historical Culture Commission; and Dagupan City Historical, Cultural, and Arts Commission. Likewise, he sits as a member of the Philippine Constitution Association and a consultant of the Dangerous Drugs Board.

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

Directorship in other Listed Companies in the Philippines:

N/A

**WILFREDO A. PARAS**

Independent Director

Age: 72

Date of First Appointment: June 29, 2011

Academic Background:

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

Business and Professional Background/ Experience:

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

Directorship in other Listed Companies in the Philippines:

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

**OSCAR J. HILADO**

Independent Director

Age: 81

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 Master's 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. Mr. Hilado holds the following positions: Chairman of Philippine Investment Management (PHINMA), Inc., Phinma Corporation, Phinma Property Holdings Corporation. Vice-Chairman of Phinma Energy Corporation, Union Galvasteel Corporation and Phinma Power Generation Corporation. Chairman of the Executive Committee of Phinma Corporation. Director of Philex Mining Corporation, Rockwell Land Corporation, A. Soriano Corporation, Roxas Holdings, Inc. Smart Communications, Inc., Phinma Renewable Energy Corporation, Phinma Solar Energy Corporation, One Subic Oil Distribution Corporation, Philippine Cement Corporation, Phinma Education Holdings, Inc., Araullo University, Inc., Cagayan de Oro College, Inc., University of Iloilo, Inc., University of Pangasinan, Inc., Southwestern University, St. Jude College, Manila, Phinma Hospitality, Inc., United Pulp and Paper Company, Inc., Digital Telecommunications Philippines, Inc., Seven Seas Resorts and Leisure, Inc., Beacon Property Ventures, Inc., Cebu Light Industrial Park, Inc., Pueblo de Oro Development Corporation and Manila Cordage Company.

Directorship in other Listed Companies in the Philippines:

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

OFFICERS

PHILEX MINING CORPORATION



EULALIO B. AUSTIN, JR. President and Chief Executive Officer; **BARBARA ANNE C. MIGALLOS** Corporate Secretary;
DANNY Y. YU Chief Finance Officer, Chief Compliance Officer, Corporate Governance Officer and Chief Risk Officer;
MICHAEL T. TOLEDO Senior Vice President, Public and Regulatory Affairs; **VICTOR A. FRANCISCO** Vice President, Environment and Community Relations;
VIC MORRIS A. YODONG Vice President and Padcal Resident Manager; **JONAS EMANUEL S. SANTOS** Vice President, General Counsel and Data Privacy Officer.

SILANGAN MINDANAO MINING CO., INC.



EULALIO B. AUSTIN, JR. Chairman, President and Chief Executive Officer; **MICHAEL T. TOLEDO** Director and Chief Operating Officer;
DANNY Y. YU Treasurer; **BARBARA ANNE C. MIGALLOS** Corporate Secretary; **PARALUMAN M. NAVARRO** Controller.



MINING PROPERTIES AND EXPLORATION ACTIVITIES

Philex Mining Corporation's mineral properties or tenements in the Padcal Mine and surrounding vicinity comprises a total land area of 12,059 hectares, located within the municipalities of Tuba and Itogon in Benguet Province. All these areas are covered by existing mineral agreements and applications.

Padcal Mine, where Santo Tomas II deposit is situated, is covered by MPSA 276-2009-CAR, valid until January 19, 2034, constitutes an area of 81 hectares. MPSA-276-2009-CAR was issued to the heirs of Baldomero Nevada, Sr., Trinidad Nevada and Baldomero Nevada, Jr. The Nevada heirs then transferred their rights to explore, develop and utilize the mineral property under the mineral agreements covered by MPSA-276-2009-CAR to the Company by virtue of a royalty agreement executed on August 29, 1955 for an indefinite term, in consideration of royalty payments of 1% for copper and 4% for gold and silver based on the net revenue of minerals after deducting smelting charges.

Contiguous to the area covered by MPSA-276-2009-CAR are two other mineral agreements covered by MPSA-156-2000-CAR and MPSA-157-2000-CAR, both issued on April 10, 2000 and valid up to April 10, 2025, and subject to renewal for another 25 years, mineral applications under EXPA-075-CAR, EXPA-078-CAR, and APSA-098-CAR.

PADCAL TENEMENTS			
	Operator/ Contractor	Area (in has.)	MPSA Date of Expiration
MPSA 156-2000-CAR	PMC	3,848	April 10, 2025
MPSA 157-2000-CAR	PMC	2,958	April 10, 2025
MPSA 276-2009-CAR	PMC	81	Jan. 19, 2034
EXPA 075-CAR	PMC	486	n/a
EXPA 078-CAR	PMC	4,561	n/a
APSA 098-CAR	PMC	125	n/a



PADCAL MINE MINERAL RESOURCES						
As of December 31, 2018						
Ore Sources	Classification	Tonnes	Cu %	Au g/t	Contained Cu (lbs)	Contained Au (ozs)
782ML	Measured + Indicated	10,300,000	0.22	0.34	51,200,000	114,000
798ML	Measured + Indicated	25,100,000	0.20	0.35	112,900,000	283,000
Subtotal	Measured + Indicated	35,400,000	0.21	0.35	164,100,000	397,000
800-700ML	Measured + Indicated	60,500,000	0.19	0.37	255,100,000	710,000
Total	Measured + Indicated	95,900,000	0.20	0.36	419,200,000	1,107,000

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 Santo Tomas II Porphyry Copper Deposit. Mr. Oliveros is a Competent Person for Exploration and Mineral Resource Estimation under the definition of the Philippine Mineral Reporting Code (PMRC). He is a professional Geologist with PRC License No. 1285 and accreditation number Geology CP-07-08-07. He has given his consent to the Public Reporting of this statement concerning Mineral Resource Estimation.

On October 28, 2015, the declared life of mine of Padcal Mine has been extended by two years due to an additional 20 million tonnes declared proved reserves.

On February 22, 2016, the Company disclosed the results of exploration near the surface of Bumolo Project, which area is within MPSA 156-2000-CAR, with an estimated 21.7 million tonnes of inferred resources at 0.21% copper and 0.30 grams per tonne gold, at a cut-off of 0.312% CuEq. Thereafter, an additional drilling program, including metallurgical testing, was completed and yielded preliminary resources and grades of indicated category at 11.4 million tonnes of 0.19% copper and 0.30 grams per tonne gold at 0.312% copper equivalent cut-off grade.

EXPLORATION AND DEVELOPMENT

Exploration and development (the equivalent of research and development for a mining company) are currently undertaken by the Company's in-house team, with or assisted by consultants and other service providers, like engineering and/or drilling contractors. Total expenses related to exploration and development for 2018, 2017 and 2016 amounted to P589 million, P691 million and P625 million, respectively.

Padcal Mine

The Exploration Division investigated five mineral exploration projects in the Province of Benguet within MPSA-156-2000-CAR in 2018. These include porphyry copper (Cu) prospects Southwest, North Midway, Northeast Tapsan and West Santo Tomas and epithermal gold (Au)-silver (Ag) prospect Tapsan.

PADCAL MINE PROVED RESERVES					
As of December 31, 2018					
Ore Sources	Tonnes MT	Cu %	Au g/t	Recoverable Cu (lbs)	Recoverable Au (ozs)
798-ML	20,500,000	0.18	0.24	65,200,000	128,000
782-ML	6,400,000	0.18	0.24	20,200,000	40,000
760-ML	2,600,000	0.21	0.45	9,500,000	30,000
Total	29,500,000	0.18	0.26	94,900,000	198,000

This estimate was prepared by Engr. Ricardo S. Dolipas, II (BSEM) who is the current General Manager for Technical Services for Philex Mining Corporation, Padcal Operations. Engr. Dolipas is a Competent Person under the definition of the Philippine Mineral Reporting Code (PMRC) and has 25 years of experience as to the type of deposit and style of mining. He is a licensed mining engineer with Professional Regulation Commission (PRC) registration number 0002513 and accreditation number EM 0002513-021/13. He has given his consent to the Public Reporting of this statement concerning Mineral Reserve estimation.

A sixth project also in Benguet within MPSA-157-2000-CAR, Tapaya, another porphyry Cu prospect, was also reviewed on a limited scale.

A total of 3,631 meters were drilled from the surface using in-house and contractor drill rigs. Intertek and Padcal assay laboratories analyzed 1,192 drill core samples. Geologic mapping collected a total of 195 rock chip samples that were also dispatched for assaying. All samples were processed in the Company's core houses and in-house sample preparation facility.

Southwest Project

Southwest Project is located roughly 800 meters from the center of the Santo Tomas II ore body. It is a porphyry copper-gold deposit hosted within a breccia-intrusive pipe. The last two holes of the scout drilling program in Southwest were completed in 2018, with a total meterage of 208 meters. Demobilization of the drill machines and initial rehabilitation commenced in

January 2018. The full environmental rehabilitation was completed in August 2018.

North Midway Project

North Midway is located approximately three aerial kilometers northeast of the Santo Tomas II ore body. The drilling program in 2017 was reviewed and integrated with other data (lithogeochemical mapping, geophysical survey, previous geologic mapping and petrographic analysis of rocks samples) to justify the drilling of one hole, NMD-18-05. This hole was completed on September 3, 2018 with total of 665 meters in depth. Detailed mapping in Piguro and Mackenzie lots were also conducted in 2018.

Northeast Tapsan Project

Northeast Tapsan prospect is located approximately 3.7 aerial kilometers southeast of Santo Tomas and very close to the Butan claims. The prospect was identified based on soil geochemical data, aeromagnetic data,



mapping of mineralized porphyry copper outcrops and intersecting major structures. One scout drill hole was started on November 24, 2018 and reached a depth of 376 meters by year-end.

West Santo Tomas Project

West Santo Tomas prospect is located 800 aerial meters west of the Santo Tomas II ore body. It was planned to drill two scout holes and conduct detailed geologic mapping. The latter was completed in the fourth quarter of 2018. Road access and drill pad preparations were 100% completed as part of the pre-drilling phase preparations. Construction of tramline system started afterwards but was only 30% completed when ground preparations were suspended indefinitely due to surface rights issues.

Tapsan Project

Tapsan Project is a prospect for epithermal gold-silver mineralization with an upside of possible blind porphyry copper deposit located around five aerial kilometers south-southeast of the Santo Tomas II deposit. Drilling commenced in September 2017 and was completed in August 2018. Several gouge structures were intersected but only a few returned significant grades including a 0.4 meters interval from 228.4-228.8 meters of Paday fault zone at 6.23g/t Au and 1.06% Cu and a 1.0 meter interval from 110.5-111.5 meters of Bell vein at 86.99g/t Au and 0.089% Cu. A total of seven holes was completed for the program with an aggregate length of 3,151 meters.

Tapaya Prospect

The Tapaya Prospect is located at the northeast corner of MPSA-157-CAR and situated in Sitio Tapaya, Ampucao, Itogon, Benguet. The prospect is located six aerial kilometers southeast of the Padcal Mine and three aerial kilometers southeast of Tapsan Prospect. Surface mapping was conducted from February to May 2018. This focused on field verification of existing data of earlier geologic and fact maps and soil grid anomaly map for Cu and Au. The review of Tapaya data was initiated to generate new exploration targets. Copper mineralization was discovered in earlier drill cores.

SUPPORT TO OPERATIONS

Underground mapping and sampling were accomplished through 2,525 samples collected over 7,575 meters of horizontal tunnel advance.

In addition, the Mine Geology team also provided geotechnical assistance to Mine Operations in the following:

1. **Geotechnical drilling in the TSF-3** - The team conducted geo-mechanical core logging of the first three drill holes in close coordination with a foreign geotechnical consultant. It also encompasses the conduct of drillhole permeability test utilizing packer test method which anchored to the geotechnical program of the consultant as basis for raising of the Off Set Dike (OSD) embankment.
2. **Annual assessment of the stability of the Subsidence Area** - detailed geologic hazard assessment was conducted within and around the vicinity of the subsidence for the first five months of 2018, prior to the rainy season. This was to evaluate and delineate the surface propagation/extent and effects of the underground block caving operation of the Company.
3. **Geo-hazard assessment** - The program was conducted along Philex-Kias Provincial Road and other road networks within and around the mine site to evaluate potential hazards. Furthermore, continuous close monitoring of industrial and residential areas is being conducted.

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

For the past 16 years, a local consultant was involved with Philex to continuously monitor the stability of Tailings Storage Facilities (TSF)-1, 2 and 3 in two-month intervals. In February 2019, the Company commissioned the same local consultant to conduct a validation of the design aspects to raise the embankment. The main objective of this ongoing geotechnical investigation is to evaluate the vulnerability to liquefaction of the various components of TSF-3.

The Company also commissioned a foreign geotechnical consultant to undertake an assessment to determine the feasibility of raising TSF-3 from its current level of 615ML (January 2017) to 640ML. The 10-month feasibility study conducted on TSF-3 includes an extensive site investigation program and advanced laboratory tests performed on samples acquired during geotechnical drilling. Geotechnical parameters used in the preliminary report have been reviewed following receipt of laboratory testing results and stability analysis have been redone to utilize revised parameters. Specific scope of the feasibility review is to provide initial advice on what is required to raise the storage and the associated risks.

The Company likewise engaged the geotechnical services of an Australian consultant for the design of TSF-3 Embankment Raising from 635RL to 640RL.

Silangan Project

The Silangan Project, situated in Surigao del Norte, consists of three deposits—Boyongan, Bayugo and Kalayaan, with the latter representing a joint venture with Manila Mining Corporation. Individual deposit areas and proposed sites for waste and storage facilities will be built within tenement scopes covered by MPSA 149-99-XIII and EP 000013-XIII. All mineral rights held by SMMCI with respect to the Silangan Project area are valid and subsisting.

Feasibility studies are currently underway and expected to conclude in 2019. Based on the initial timeline, the Silangan project will be launched in phases with Boyongan set to commence maiden operations by 2022. For now, mineral resource estimates are indicative of large high-grade gold and copper deposits within tenement areas. In terms of methodology, the Company is planning an infrastructure design to employ underground sub-level cave mining for ore extraction. The Company has likewise engaged reputable independent professionals for business advisory and project financing.

SMMCI is registered with the Board of Investments (BOI) and has been granted a five-year income tax holiday, as non-pioneer.

In July 2016, MPSA-149-99-XIII was reduced to 2,202 hectares after relinquishing 677 hectares that are outside the existing mine development and maintenance plan. It also relinquished 6,934 hectares from its EP-XIII-013 as part of government prescribed requirement for exploration permit renewal. EP-XIII-013 is now reduced to 5,000 hectares from the previous 11,934 hectares. These two tenements which are held by SMMCI are surrounded by other PMC tenements and applications within Surigao del Norte, as listed below:

SILANGAN TENEMENTS			
	Operator/ Contractor	Area (in has.)	MPSA Date of Expiration
MPSA 149-99-XIII	SMMCI	2,202	Dec. 29, 2024
MPSA 034-95-X	SMMCI	405	Feb. 1, 2021
EP XIII-013 Lot-A&B	SMMCI	5,000	-
EPA XIII-012	SMMCI	2,330	-
EPA 000039-XIII	SMMCI	6,683	-

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

SILANGAN MINERAL RESOURCES					
	Tonnes (in millions)	Cu %	Au g/t	Contained	
				Copper (in Million lbs.)	Gold (in '000, ozs.)
Boyongan					
Measured	201	0.54	0.78	2,400	5,000
Indicated	72	0.46	0.57	720	1,300
Measured + Indicated	273	0.52	0.72	3,120	6,300
Inferred	26	0.41	0.49	240	400
Bayugo					
Measured	99	0.64	0.65	1,390	2,100
Indicated	26	0.76	0.69	430	600
Measured + Indicated	125	0.66	0.66	1,820	2,700
Inferred	7	0.77	0.60	120	100

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

SMMCI completed the Pre-Feasibility Study (PFS) for mining the Boyongan deposit via an underground mining method called Sub-Level Caving (SLC) end of November 2018. The positive results of the PFS has prompted the Company to proceed to a Definitive Feasibility Study (DFS) of the same which will be completed in the third quarter of 2019. Both studies are highlighted by the field geotechnical and hydrogeological investigations, which involved drilling a total of 10,600 meters of boreholes, collection of samples for laboratory testing, pumping and hydro stress tests and analysis of laboratory results and field tests. In parallel, a PFS for mining Bayugo deposit is also targeted to be completed in 2019.

At this point, there are strong indications of higher mineral resources in the Silangan Project than previously declared levels.

Apart from the drilling activities, the site is under care and maintenance. It was able to obtain certification of its Environmental Management System (EMS) under the ISO 140001:2015 by Certification International Philippines Inc. (CIPI). Participative community relations and responsible environmental programs are on-going.

Boyongan and Bayugo Deposits

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

The development of the decline started in April 2011 and advanced until January 2015, reaching a distance of 1,415 meters from the portal, with dimensions of 5-meter high and 5-meter wide. The center of the Boyongan deposit's eastern high grade zone was mapped and bulk sampled via a crosscut, called the Ore Characterization Drive (OCD), approximately 800 meters from the decline. Another bulk sampling program was conducted from the surface using large diameter bore holes from May to December 2014. The decline, together with the OCD, was decommissioned last November 2015 and the portal was closed before the end of 2015.

Under the supervision of Brisbane-based lead consultant AECOM, a total of 100+ tons of bulk ore samples were prepared and shipped to various laboratories in Australia for bench and pilot metallurgical tests. This would be used for the development of the pilot plant. Meanwhile, the process flow design of the pilot plant, which produced copper cathodes,

would be a significant input to the Definitive Feasibility Study (DFS).

Value-engineering studies on the project was undertaken by AUSENCO, an independent engineering firm also based in Brisbane, Australia in early 2016. The study progressed into a full DFS for surface mining that has been completed. Furthermore, AUSENCO also completed an optimization study, up to PFS level, which included mining the remaining mineral resource of Boyongan and the Bayugo ore body using the underground method.

The project's amended ECC for the surface mining method was approved in May 2016 following the approval of the amended Mining Project Feasibility Study in connection with the approved Declaration of Mining Project Feasibility.



The total expenditure related to the project as of December 31, 2018 amounted to P17.843 billion, including the P1.438 billion incurred prior to 2009, when the project was under Anglo American Exploration (Philippines) B.V.

Kalayaan Project

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

Subject to the agreement, the Company was to conduct exploration activities and fulfill certain conditions within three (3) years under the terms of the original agreement but was extended to ten (10) years until 2021. The third renewal of the covering exploration permit is pending regulatory approval. In the event the Company declares commercial feasibility of the area within the period, it will have the right to increase its holdings in KGCRI to 60% by subscribing to an additional 55% of KGCRI's outstanding capital stock for a minimal amount and will become an integral part of the Silangan Project.

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

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

OTHER SIGNIFICANT PROJECTS

During the course of the year, the Company's Exploration Group also evaluated proposals for possible joint-ventures and/or operating agreements. However, insufficient data and the overall challenging regulatory climate prevented the Company from pursuing the offers further. The Company has focused on more advanced exploration projects such as the Silangan Project and areas within the vicinity of Padcal.

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Silangan Project

The Next Big Thing in Gold and Copper Mining

The Silangan mine located in Surigao del Norte is considered as one of three mega mining projects seen to catapult the Philippines to become a major copper producer in the region. By realizing a project of this magnitude, one that is envisioned to deliver lasting financial value to its shareholders and provide immense economic contributions to the national government in the form of taxes remitted, numerous local employment opportunities while making Surigao del Norte the main beneficiary of world-class standards on environmental rehabilitation and preservation. At Philex, this also symbolizes ushering into a new era of storied growth and at the same time cementing its position as the leading brand in the principled mining scene.

Project Description

The Silangan mine is a large scale high grade gold and copper development consisting of three deposit areas—Boyongan, Bayugo and Kalayaan, with the latter representing a joint venture with Manila Mining Corporation. For Kalayaan, the Company holds the option to further increase its stake by up to 60% in the project. Silangan will be rolled out in four planned phases with Boyongan set to commence maiden operations by the second half of 2022 and will account for approximately 21 years of the project's estimated duration. In terms of methodology, the Company will be employing underground sub-level cave mining for ore extraction.

Significant Mineral Resources and Superior Ore Grades

Preliminary studies are strongly indicating substantially higher mineral resource estimates from previously declared levels and the presence of sizeable high grade gold and copper deposits within the secured tenement scopes, while subject to additional validation, may possibly yield one of the best ore qualities in Asia.

Attested by Renowned International Industry Experts

The Company engaged reputable international mining consultants led by Australian-based engineering firm Ausenco to conduct ongoing feasibility studies for the Silangan project expected to conclude in 2019. To complete the team, Ausenco is being supported by other professional experts such as Pells Sullivan Meynink from Australia for geotechnical and hydrogeology, Mining Plus from Australia for mine design and infrastructure, Knight Piesold from South Africa for tailings storage facility and ITASCA Consulting Group from the United States for mine geotechnical studies through three-dimensional modelling.

Fiscal, Regulatory and Environmental Compliance

As new producer of copper cathodes, the Silangan project has been granted certain tax benefits under the government's Investment Priorities Plan. The Company has also started the process of appointing financial equity and project financing advisors for the project. At the moment, the Company is closely coordinating with relevant regulatory bodies to update previously secured permits for underground mining. For its proposed development program, the project is fully compliant with all existing mining and environmental regulations.

Strong Global Demand for Mineral Products

The Company is optimistic that global requirements for mineral products will remain robust in the coming years with continued demand emanating from India, the ASEAN region and China, spurred by its power and infrastructure sectors. The Company anticipates increased usage of copper products in the advent of rapid advancements in electric vehicle penetration and renewable energy over the medium to long-term.



Civic Duties and Responsibilities

While still in the pre-development stage, the Company continues to implement various initiatives geared towards enriching lives of community dwellers within the vicinity of the Silangan project. For 2018, it facilitated information drives in surrounding barangays to broaden awareness on progressive exploration and drilling activities. On education, the Company distributed school supplies to 5,028 elementary and high school students in the municipalities of Placer, Sison, Tagana-an and Tubod in Surigao del Norte. For livelihood opportunities, the Company established partnerships with local private entities and selected barangays for future agricultural projects that will benefit host communities. Under its health and wellness programs, the Company organized a number of medical and dental missions aimed at providing free access to healthcare services for community members. A total of 566 people from participating barangays availed of various medical and dental treatments.

Other notable campaigns include the donation of empty drums to serve as garbage bins for local schools and the welcoming of a new parish priest for the municipality of Tubod.

RESULTS OF OPERATIONS

Gross Revenues reached P8.314 billion in 2018 from P9.985 billion in 2017 and P10.272 billion in 2016.

Gold production hit 61,977 ounces in 2018 from 84,638 ounces in 2017 and 103,304 ounces in 2016. The declining trend in gold production mainly resulted from diminishing ore grades at 908ML and 840ML sources as it nears depletion levels. Gold revenues generated P4.200 billion in 2018 from P5.432 billion in 2017 and P6.209 billion in 2016 owing to lower metal output that was partly mitigated by higher metal prices.

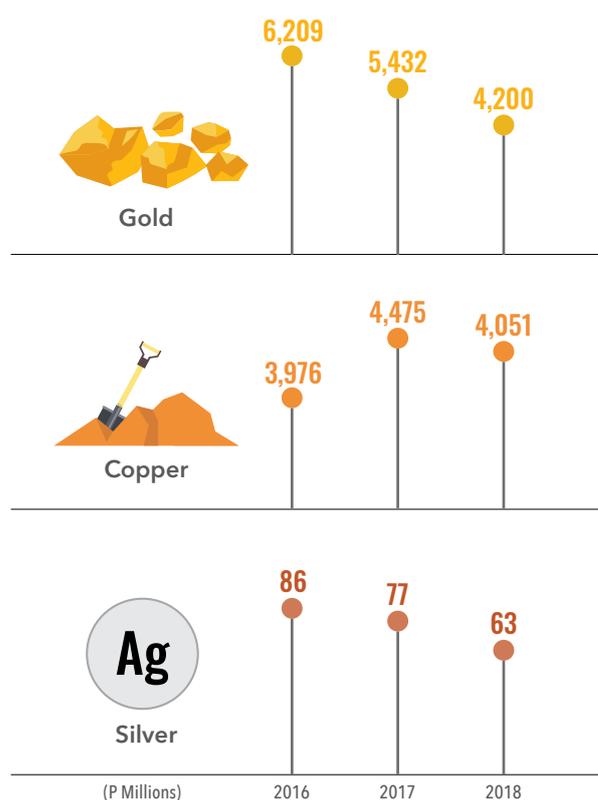
Average realized gold prices for the years 2018, 2017 and 2016 were at \$1,294, \$1,273 and \$1,254, respectively.

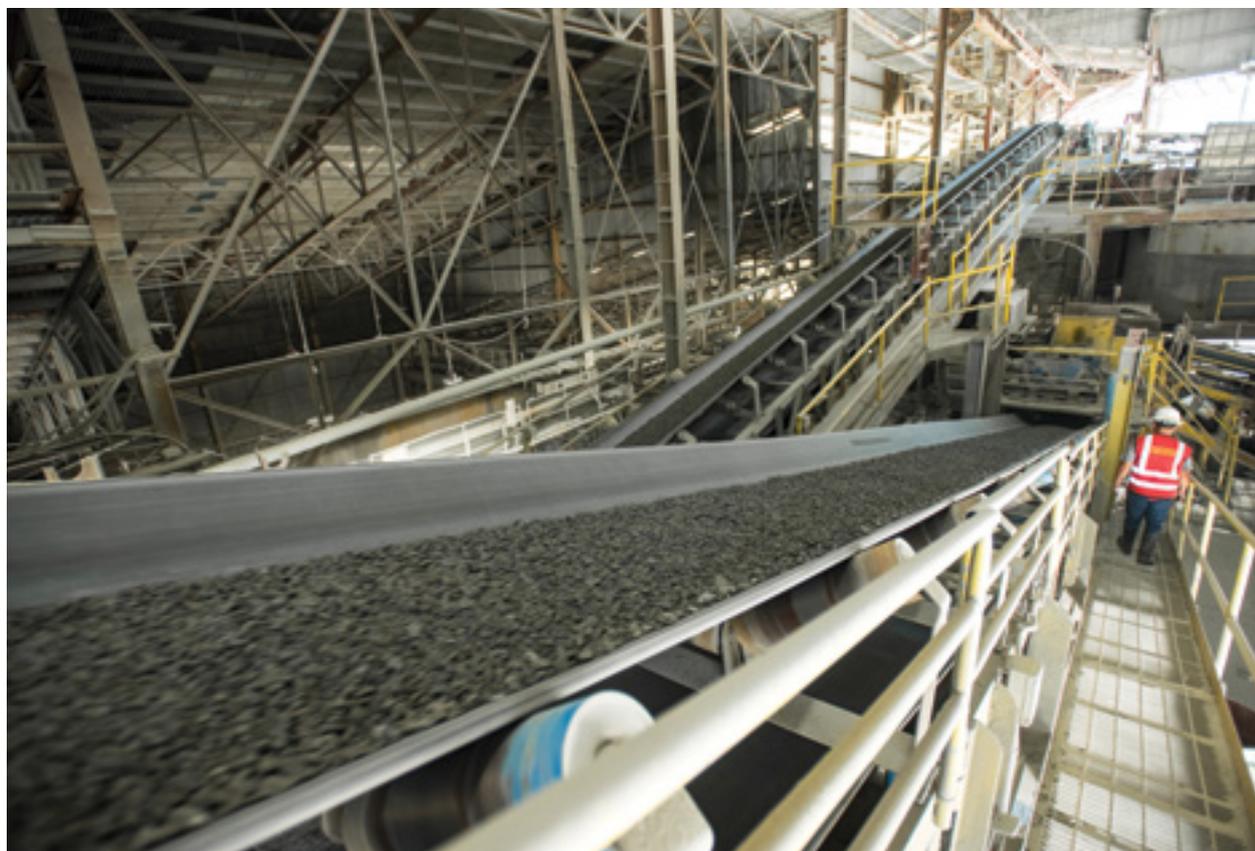
Copper production totaled 26,574,686 pounds in 2018 from 30,118,206 pounds in 2017 and 34,961,062 pounds in 2016 attributed to weaker tonnage, marginal ore grades and lower recovery. Copper prices averaged at \$2.92 in 2018.

Other revenues, comprised of sales of silver, was similarly lower at P63 million in 2018 from P77 million in 2017 and P86 million in 2016.

To protect part of its revenues from unfavorable metal price fluctuations, the Company continues to evaluate entering into metal hedging contracts in the form of forwards, purchased put options and sold call options. The gains or losses from these transactions are reflected in revenue as addition or deduction in deriving the realized metal prices for the

REVENUE BREAKDOWN (Revenues in P Millions)			
	2018	2017	2016
Gold			
Revenues	4,200	5,432	6,209
Ounces Produced	61,977	84,638	103,304
Average Realized Price	\$1,294	\$1,273	\$1,254
Copper			
Revenues	4,051	4,475	3,976
Ounces Produced	26,574,686	30,118,206	34,961,062
Average Realized Price	\$2.92	\$2.96	\$2.35
Silver			
Revenues	63	77	86
Gross Revenues	8,314	9,985	10,272





Company's metal production during the respective reporting periods.

As hedge contracts entered into by the Company are those qualifying under Hedge Accounting and are designated as cash flow hedges, the unrealized mark-to-market (MTM) gains or losses on the outstanding hedges are recorded under equity with the recognition of potential derivative asset or liability. MTM gains or losses are reversed and actual gains or losses, if any, are realized and recorded through revenue upon maturity of the hedge.

The Company recognized a gain of P59 million in 2018 on its gold hedge and P7 million on its copper hedges that matured within the period. No contracts remained outstanding as of December 31, 2018, thus nil unrealized MTM gain or loss. Net realized gain recognized in 2017 and 2016 were P9 million and P15 million, respectively.

Total tonnes milled stood at 8,516,915 in 2018 compared to 8,673,474 in 2017 and 9,359,161 in 2016. Lower tonnage was primarily due to the impact of typhoons that caused power disruptions and posed manpower safety concerns leading to fewer operating days. The Company also experienced mechanical delays due to equipment breakdown and periodic maintenance of its aging machinery. To minimize incidents of equipment failure, the Company conducts regular preventive maintenance work to help identify minor issues with quick and inexpensive solutions. Constant monitoring is also carried out to ensure that equipment is performing at optimal levels and within prescribed limits. This allows the Company to extend the usable life of its machinery. There were also active threats of mud rush occurrences that limited the flexibility of alternative ore sources.

Likewise, metal production was affected by lower recovery and declining ore grades, which are inherent

OPERATIONAL OVERVIEW			
	2018	2017	2016
Tonnes Milled	8,516,915	8,673,474	9,359,161
Copper Concentrates (DMT)	57,779	64,710	73,107



Copper

Pounds	26,574,686	30,118,206	34,961,062
Head Grade (%)	0.181	0.192	0.206
Recovery	78%	82%	82%
	2018	2017	2016



Gold

Ounces	61,977	84,638	103,304
Head Grade (g/t)	0.298	0.377	0.417
Recovery	76%	81%	82%
	2018	2017	2016

within the fringes of the ore body, significantly contributed to weaker output. Less valuable mineral concentrations are a natural episode when extracting ore away from the core of the deposit. The Company continues to explore various active mining sub-levels to improve ore grades.

OPERATING COSTS AND EXPENSES

Operating Costs and Expenses were at P6.821 billion in 2018 from P6.778 billion in 2017 and P6.900 billion in 2016. For 2018, operating costs and expenses were largely maintained from the prior year as a result of cost containment initiatives that were implemented across the business.

Production Costs amounted to P4.408 billion in 2018 from P4.412 billion in 2017 and P4.614 billion in 2016. For 2018, production costs were similarly maintained from 2017 driven by lower renegotiated electricity rates and fewer purchased contracts.

Depletion, Amortization and Depreciation stood at P1.601 billion in 2018 from P1.551 billion in 2017 and P1.460 billion in 2016 related mainly to additional depreciation of newly acquired equipment.

General and Administrative Expenses decreased to P306 million in 2018 from P363 million in 2017 and P373 million in 2016 as the Company realized the benefits of continuous cost management programs that were implemented in Head Office and Silangan.

Excise Taxes and Royalties increased to P506 million in 2018 from P452 million in 2017 and 2016. For 2018, newly-enacted legislations provisioned for the doubling of excise taxes levied on mining products.

Production cost per tonne rose to P705 in 2018 from P687 in 2017 and P649 in 2016. This was mainly due to additional depreciation from newly-acquired equipment, but partially offset by the reduction in power costs and purchased contracts.

Operating Cost went up to P844 per tonne in 2018 from P837 per tonne in 2017 and P793 per tonne in 2016. Similarly, operating cost per tonne increased due to higher depreciation, amortization and depletion as well as the doubling of excise tax rates from 2% to 4% effective January 2018.

Operating Cost (using a co-production method) per ounce of gold and per pound of copper were \$1,112 per ounce and \$2.50 per pound from \$929 per ounce and \$2.16 per pound in 2017 and higher than 2016 levels. The higher operating cost per ounce and per pound were primarily brought about by the lower metal output in 2018 of 27% in gold and 12% in copper despite an only 2% decrease in tonnage which normally drives the operating costs levels.

COST PER TONNE/PER OUNCE/PER POUND (in P Millions except for unit costs)					
	2018	2017	2016	2018 vs 2017 (%)	2017 vs 2016 (%)
Cash Production Cost	4,408	4,412	4,614	-	(4)
Depletion, Amortization and Depreciation	1,601	1,551	1,460	3	6
Total Production Cost	6,009	5,963	6,074	1	(2)
Excise Tax and Royalties	506	452	452	12	-
Smelting Charges	674	842	893	(20)	(6)
Total Operating Cost	7,189	7,257	7,421	(1)	(2)
Production Cost Per Tonne	P705	P687	P649	3	6
Operating Cost Per Tonne	P844	P837	P793	1	6
Operating Cost Per Ounce of Gold	\$1,112	\$929	\$919	20	1
Operating Cost Per Pound of Copper	\$2.50	\$2.16	\$1.72	16	25

Net Other Loss in 2018 amounted to P69 million compared to a gain of P2 million in 2017 and another loss of P202 million in 2016. The Company realized a net foreign exchange loss on short-term loans of P121 million which accounted for bulk of the net other charges in 2018.

NET OTHER INCOME (CHARGES) (In P Millions)			
	2018	2017	2016
Share in Net Losses of Associates	(41)	(40)	(45)
Foreign Exchange Losses	(121)	(39)	(145)
Gain on Disposal of AFS Financial Assets	-	22	-
Interest Income	2	2	2
Others	91	58	(14)
Total	(69)	2	(202)

PROVISIONS FOR IMPAIRMENT LOSSES

The Company continues to assess the viability of its existing mine exploration projects and other investments. Net Provisions for Impairment Losses amounted to P67 million in 2018 which consisted of a P1.379 billion provision for impairment losses on mining assets and deferred exploration costs, and a P1.312 billion gain on the reversal of ECL on PXP Advances. There were no impairments booked in 2017 upon determining that prior impairments were adequate to comply with the required annual impairment test. In 2016, Provisions for Impairment Losses was recognized at P2.505 billion.

CORE AND REPORTED NET INCOME

Reported Net Income attributable to equity holders of the Company was recorded at P608 million in 2018 as compared to P1.658 billion in 2017 and P1.567 billion in 2016. Overall profitability was significantly weighed down by the impact of lower tonnage and head grade that was partially cushioned by lower smelting charges, lower cash costs and better foreign exchange on revenues.

RECONCILIATION OF CORE NET INCOME TO CONSOLIDATED NET INCOME (In P Millions)			
	2018	2017	2016
Core Net Income	600	1,686	1,657
Non-Recurring Gains (Losses):			
Foreign Exchange Losses	(121)	(39)	(145)
Net Provisions for Impairment of Assets	93	-	(2,505)
Gain from Loss of Control over a Subsidiary Group	-	-	2,538
Others			
Net Tax Effect of Aforementioned Adjustments	36	12	44
Net Income Attributable to Equity Holders	608	1,658	1,589
Net Income Attributable to Non-Controlling Interest	-	-	(22)
Consolidated Net Income	608	1,658	1,567

Core Net Income came in at P600 million in 2018 versus P1.685 billion in 2017 and P1.657 billion in 2016. Core Net Income reflects the Company's operational performance excluding the effects of non-recurring transactions.

CAPITAL EXPENDITURES AND EXPLORATION COSTS (In P Millions)			
	2018	2017	2016
Padcal			
Mine Development	1,095	694	601
Tailings Pond Structures	292	320	342
Machinery and Equipment	389	735	693
	1,776	1,749	1,636
Deferred Exploration Costs	433	497	415
Machinery and Equipment, Net	(104)	(3)	99
	329	495	514
Mine Exploration Projects	1,564	194	210
	2,261	2,438	2,360
Deferred Exploration Costs	589	691	625
Property, Plant and Equipment	1,672	1,747	1,735
Total	2,261	2,438	2,360

Capital Expenditures totaled to P2.261 billion, P2.438 billion and P2.360 billion for 2018, 2017 and 2016, respectively. In 2018, the Company focused exploration activities on previously activated areas mostly within the vicinity of Padcal. In addition, the Company purchased additional equipment to augment its aging machinery and improve its existing tailings facilities. It also continues to invest in modern technology to increase capacity, streamline operational efficiencies and accelerate the development of its Silangan project.

Padcal operations accounted for 79% of total programmed spending at P1.776 billion in 2018 as compared to P1.749 billion in 2017 and P1.636 billion in 2016.

Silangan and Kalayaan Projects utilized 14% of the capital budget amounting to P329 million in 2018 versus P495 million in 2017 and P514 million in 2016 to fast track its pre-mine development phase. The Company is set to start the commercial operations of its Silangan Project in 2022.

Other mining exploration projects constituted a total amount of P156 million in 2018 versus P194 million in 2017 and P210 million in 2016. These activities centered on surrounding areas of Padcal.

Deferred Exploration Costs increased to P25.448 billion in 2018 from P24.361 billion in 2017 and P23.072 billion in 2016. The Company continues to actively explore potential new ore sources within surrounding areas of Padcal and Silangan.

DEFERRED EXPLORATION COSTS (In P Millions)			
Project	2018	2017	2016
Silangan	23,212	23,234	21,139
Kalayaan	2,743	2,742	2,731
Bulawan and Vista Alegre	632	632	632
Lascogon	289	289	299
Sibutad	235	235	235
Bumolo	210	209	208
Clifton	135	134	133
Southwest	109	100	100
Sanfran/Tambis	92	92	92
Tapsan	143	78	12
Other various projects	1,472	394	1,269
Total	29,273	28,139	26,850
Less: Impairment Losses	(3,825)	(3,778)	(3,778)
Total Deferred Exploration Costs, Net	25,448	24,361	23,072

FINANCIAL CONDITION SUMMARY (in P Millions)			
	2018	2017	2016
Cash and Cash Equivalents	871	584	458
Current Assets (excluding cash)	3,582	5,683	6,035
Non-Current Assets	36,258	33,412	32,169
Total Assets	40,712	39,679	38,662
Short-Term Loans	2,156	2,447	3,083
Current Liabilities (excluding short-term loans)	4,655	2,410	2,495
Non-Current Liabilities	10,202	10,090	9,685
Equity Attributable to Equity Holders of Parent Company	23,699	24,732	23,400
Non-Controlling Interests	(0.3)	(0.3)	(0.3)
Total Equity	23,699	24,372	24,372

FINANCIAL RATIOS			
	2018	2017	2016
Liquidity Ratios			
Current Ratio	0.65	1.29	1.16
Quick Ratio	0.17	0.32	0.17
Solvency and Debt to Equity Ratios			
Debt-to-Equity Ratio	0.72	0.60	0.65
Solvency Ratio	0.13	0.22	0.20
Financial Leverage Ratios			
Asset-to-Equity Ratio	1.72	1.60	1.65
Profitability Ratios			
Return on Assets	1.51%	4.23%	3.81%
Return on Equity	2.51%	6.89%	6.18%
Net Profit Margin	7.96%	18.14%	16.71%



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

In compliance with the Audit Committee and the Board Risk and Oversight Committee Charters, we confirm that:

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

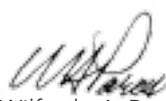
Respectfully submitted,

Signed

Board Risk Oversight Committee and Audit Risk Committee



Oscar J. Hilado
Committee Chair - Independent



Wilfredo A. Paras
BROC and Audit Com Member



Marilyn A. Victorio-Aquino
BROC and Audit Com Member



Michael G. Regino
BROC Member



Anita B. Quitain
Audit Com Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION

Roxas Boulevard, Pasay City

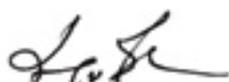
The management of Philex Mining Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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



Chairman of the Board



Eulalio B. Austin, Jr.
President & Chief Executive Officer



Danny Y. Yu
*Chief Financial Officer and
Senior Vice President-Finance*



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philex Mining Corporation

Opinion

We have audited the consolidated financial statements of Philex Mining Corporation and its subsidiaries (the Group) which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018, in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Key Audit Matters

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



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

Recoverability of Deferred Exploration Costs

As at December 31, 2018, the carrying value of the Group's deferred exploration costs amounted to P25.45 billion. Under PFRS 6, Exploration for and Evaluation of Mineral Resources, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceeds the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment.

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

Audit response

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We reviewed the summary of the status of each exploration project as of December 31, 2018. We reviewed contracts and agreements, and budget for exploration and development costs. We inspected the licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Estimation of Ore Reserves

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

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

Audit response

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



Recoverability of the carrying value of property, plant and equipment

The carrying value of the Group's property, plant and equipment amounted to ₱5.40 billion after recognizing an allowance for impairment amounting to ₱1.33 billion during 2018. The impairment mainly relates to mine and mining properties. Under PAS 36, an entity is required to assess whether indicators for impairment exist and if they exist, an impairment test is required. The assessment of the recoverability of the carrying value of property, plant and equipment requires judgement in assessing whether there is an indication that an asset should be impaired and in measuring any such impairment. The principal risk relates to Group's estimates of future cash flows and discount rates, which are used to project the recoverability of property, plant and equipment.

The Group's disclosures about property, plant and equipment are included in Note 10 to the consolidated financial statements.

Audit response

We reviewed management's assessment of the recoverability of the carrying value of mine and mining properties by evaluating whether indicators for potential impairment exist. We evaluated management's assessment of the existence of the impairment indicators. We have compared the assumptions used within the future cash flows model to approved budget business plans, forecasted metal prices, foreign exchange rates and historical production costs. We have compared the production quantities in the future cash flows model against the estimated ore reserves declared by the competent person's report. We have involved our valuation specialists to assist us in the analysis of the discount rate.

Expected Credit Loss upon adoption of PFRS 9, Financial Instruments

The Group's adoption of the expected credit loss (ECL) model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; debtor's capacity to pay, and incorporating forward-looking information in calculating ECL.

The application of the ECL model upon adoption of PFRS 9 resulted in allowance for ECL on the Parent Company's advances to a related party amounting to ₱1.31 billion which was charged to retained earnings as of January 1, 2018.

The reassessment and application of the ECL model as of December 31, 2018 resulted in reversal of allowance for expected credit losses amounting to ₱1.31 billion which was charged to consolidated statements of comprehensive income in 2018.

Refer to Notes 2 and 26 of the financial statements for the transition adjustments and details of the allowance for expected credit losses using the ECL model upon adoption of PFRS 9 and as of December 31, 2018.



Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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



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

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

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

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



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

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

SYCIP GORRES VELAYO & CO.

A handwritten signature in black ink that reads "Alexis Benjamin C. Zaragoza III". The signature is written in a cursive style with a long horizontal flourish at the end.

Alexis Benjamin C. Zaragoza III

Partner

CPA Certificate No. 109217

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

April 4, 2017, valid until April 3, 2020

Tax Identification No. 246-663-780

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

February 9, 2017, valid until February 8, 2020

PTR No. 7332637, January 3, 2019, Makati City

March 21, 2019

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

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	P870,967	P583,538
Accounts receivable - net (Note 7)	300,016	990,604
Inventories - net (Note 8)	1,137,581	1,517,097
Advances to a related party (Notes 2 and 26)	1,387,370	2,168,632
Other current assets - net (Note 9)	757,292	1,007,000
Total Current Assets	4,453,226	6,266,871
Noncurrent Assets		
Property, plant and equipment - net (Note 10)	5,404,049	6,721,022
Financial assets measured at fair value through other comprehensive income (FVOCI) (Note 11)	118,033	-
Available-for-sale (AFS) financial assets (Note 11)	-	76,036
Investment in associates - net (Notes 12 and 34)	4,455,668	1,415,604
Deferred exploration costs (Notes 1, 13, 20 and 32)	25,447,772	24,360,954
Pension asset - net (Note 21)	359,888	373,849
Other noncurrent assets (Note 14)	472,898	464,458
Total Noncurrent Assets	36,258,308	33,411,923
TOTAL ASSETS	P40,711,534	P39,678,794
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 15)	P2,155,780	P2,446,570
Accounts payable and accrued liabilities (Notes 16 and 32)	1,790,939	1,649,254
Subscription payable (Note 12)	2,312,981	2,456
Income tax payable	18	229,679
Dividends payable (Note 28)	550,995	528,836
Total Current Liabilities	6,810,713	4,856,795
Noncurrent Liabilities		
Deferred tax liabilities - net (Notes 3 and 27)	2,789,813	3,004,830
Loans and bonds payable (Note 15)	7,333,096	6,950,306
Provision for losses and mine rehabilitation costs (Notes 10 and 32)	78,707	135,086
Total Noncurrent Liabilities	10,201,616	10,090,222
Total Liabilities	17,012,329	14,947,017
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - P1 par value (Note 28)	4,940,399	4,940,399
Additional paid-in capital	1,143,981	1,143,981
Retained earnings (Note 28)		
Unappropriated	4,203,947	5,271,302
Appropriated	10,500,000	10,500,000
Net unrealized gain on financial assets measured at FVOCI (Note 11)	35,341	-
Net unrealized gain on AFS financial assets (Note 11)	-	558
Equity conversion option (Note 15)	1,225,518	1,225,518
Net revaluation surplus (Note 4)	1,572,385	1,572,385
Effect of transactions with non-controlling interests	77,892	77,892
	23,699,463	24,732,035
Non-controlling interests (Note 28)	(258)	(258)
Total Equity	23,699,205	24,731,777
TOTAL LIABILITIES AND EQUITY	P40,711,534	P39,678,794

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017	2016
REVENUES (Note 17)	P7,640,306	P9,142,460	P9,378,387
COSTS AND EXPENSES (Note 18)			
Production costs	4,407,889	4,411,694	4,614,423
Depletion, amortization and depreciation	1,600,521	1,550,530	1,460,439
General and administrative expenses	305,631	363,071	373,123
Excise taxes and royalties	506,490	452,407	452,415
	6,820,531	6,777,702	6,900,400
OTHER INCOME (CHARGES)			
Foreign exchange losses - net (Note 23)	(121,176)	(39,451)	(145,213)
Share in net losses of associates (Note 12)	(40,936)	(40,272)	(44,572)
Interest income (Note 6)	2,275	1,861	2,081
Gain on disposal of AFS financial assets (Note 11)	-	21,773	-
Others - net	91,160	58,117	(14,439)
	(68,677)	2,028	(202,143)
INCOME BEFORE PROVISIONS FOR IMPAIRMENT LOSSES	751,098	2,366,786	2,275,844
PROVISIONS FOR IMPAIRMENT LOSSES - NET OF REVERSAL (Notes 10, 12, and 26)	(67,033)	-	(2,504,850)
INCOME (LOSS) BEFORE INCOME TAX	684,065	2,366,786	(229,006)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	275,408	664,806	586,483
Deferred	(199,799)	43,894	110,742
	75,609	708,700	697,225
	608,456	1,658,086	(926,231)
INCOME (LOSS) ON DECONSOLIDATED SUBSIDIARY GROUP, NET OF TAX (Note 34)			
Loss from deconsolidated subsidiary group	-	-	(29,102)
Gain from loss of control over a subsidiary group	-	-	2,522,704
	-	-	2,493,602
NET INCOME	P608,456	P1,658,086	P1,567,371
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	P608,456	P1,658,087	P1,589,045
Non-controlling interests (Note 28)	-	(1)	(21,674)
	P608,456	P1,658,086	P1,567,371
Basic/Diluted Earnings Per Share (Note 30)	P0.123	P0.336	P0.322

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
NET INCOME	P608,456	P1,658,086	P1,567,371
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Item to be reclassified to profit or loss in subsequent periods:</i>			
Unrealized gain (loss) on AFS financial assets - net of related deferred income tax (Note 11)	-	3,652	(2,072)
	-	3,652	(2,072)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on pension obligation plans (Note 21)	9,946	94,301	(98,319)
Unrealized gain on financial assets measured at FVOCI (Note 11)	40,872	-	-
Income tax effect	(9,073)	(28,290)	29,496
	41,745	66,011	(68,823)
OTHER COMPREHENSIVE INCOME (LOSS)	41,745	69,663	(70,895)
TOTAL COMPREHENSIVE INCOME	P650,201	P1,727,749	P1,496,476
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	P650,201	P1,727,750	P1,518,150
Non-controlling interests (Note 28)	-	(1)	(21,674)
	P650,201	P1,727,749	P1,496,476

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax from continuing operations	P684,065	P2,366,786	(P229,006)
Income before income tax from discontinued operations (Note 34)	-	-	2,464,064
Income before income tax	684,065	2,366,786	2,235,058
Adjustments for:			
Depletion, amortization and depreciation (Note 20)	1,622,566	1,572,311	1,481,405
Unrealized foreign exchange losses and others - net	106,831	107,584	268,353
Movement in pension assets - net	13,961	(61,279)	(48,703)
Share in net losses of associates (Note 12)	40,936	40,272	44,572
Gain on disposal of AFS financial assets (Note 11)	-	(21,773)	-
Interest income (Notes 6 and 34)	(2,275)	(1,861)	(3,980)
Reversal of provision for expected credit losses on PXP receivables (Notes 2, 3 and 22)	(1,312,243)	-	-
Gain on loss of control over a subsidiary group (Note 34)	-	-	(2,522,704)
Impairment losses on deferred exploration costs, property, plant and equipment, and other assets - net (Notes 10, 12, and 13)	1,379,276	-	2,504,850
Share-based compensation expense (Note 29)	-	-	1,259
Operating income before working capital changes	2,533,117	4,002,040	3,960,110
Decrease (increase) in:			
Accounts receivable - net	690,588	(504,107)	295,002
Inventories - net	379,516	801,753	(441,350)
Other current assets - net	249,708	28,718	50,760
Increase in accounts payable and accrued liabilities	141,460	(180,951)	(55,086)
Cash generated from operations	3,994,389	4,147,453	3,809,436
Interest received	2,275	1,861	3,973
Interest paid	(204,091)	(121,341)	(631,374)
Income taxes paid	(505,069)	(599,392)	(435,232)
Net cash flows from operating activities	3,287,504	3,428,581	2,746,803
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Note 10)	(1,914,032)	(1,746,712)	(1,735,034)
Increase in deferred exploration costs and other noncurrent assets	(437,610)	(608,430)	(356,576)
Payment of mine rehabilitation costs	(59,889)	-	-
Additional investment in associate (Note 12)	(770,250)	-	-
Collections of advances to a related party	781,262	25,197	-
Increase in financial assets measured at FVOCI	(1,125)	-	-
Net proceeds from sale of:			
AFS financial assets	-	32,231	-
Property, plant and equipment	160,354	12,089	33,287
Cash from deconsolidated subsidiary group (Note 34)	-	-	(606,585)
Net cash flows used in investing activities	(2,241,290)	(2,285,625)	(2,664,908)

Forward

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of short-term loans (Note 15)	₱1,033,790	₱50,240	₱236,190
Payments of:			
Short-term bank loans (Note 15)	(1,449,290)	(705,230)	(638,518)
Dividends (Note 28)	(348,371)	(364,525)	(235,139)
Net cash flows used in financing activities	(763,871)	(1,019,515)	(637,467)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	5,086	2,160	4,823
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	287,429	125,601	(550,749)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	583,538	457,937	1,008,686
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱870,967	₱583,538	₱457,937

See accompanying Notes to Consolidated Financial Statements.



SUSTAINABILITY AT PHILEX

As a conscientious mining company, we constantly refine our approach to sustainability to better manage and mitigate the adverse effects of our operations on the environment and on our host and neighboring communities. And as we continue to strengthen our approach to sustainability, we will also continue to uphold and champion our unwavering commitment to right and principled mining.

As a highly regulated industry, the mining industry is always called upon to not just strengthen its economic and operational performance, but to also remain cognizant of its role in environmental protection and conservation. As such, for the past five years, the Company has focused on refining our approach to sustainability, always keeping in mind our commitment to right and principled mining.

As a publicly-listed company, we are mindful to address the concerns not only of our shareholders, but also of our host and neighboring communities, industry regulators and partners, and the greater society which we are a part of. The tenets of right and principled mining compel us to generate acceptable economic returns for our shareholders without sacrificing the well-being of the environment and the communities wherein we operate. True to the spirit of right and principled mining, we uphold transparency and accountability by reporting on our material issues with respect to sustainable development.

RIGHT AND PRINCIPLED MINING:

The Core of our Business Strategy

Right and principled mining is a commitment that evolved from the principles set out in Republic Act (RA) No. 7942, also known as the "Mining Act" and its Revised Implementing Rules and Regulations (IRR).

The Mining Act mandates mining companies to have plans for the rehabilitation, regeneration, revegetation, and reforestation of mineralized areas; the slope stabilization of mined-out and tailings covered areas; the aquaculture, watershed development, and water conservation of neighboring environments; as well as the socioeconomic development of host and neighboring communities.

The Mining Act is also supplemented by the Department of Environment and Natural Resources (DENR) Administrative Order (DAO) No. 96-40, which mandates mining companies to implement an Environmental Protection and Enhancement Program (EPEP) prior to the commencement of any mining project.



Sustainability Framework



The Mining Act, together with DAO No. 2010-21, also mandates mining companies to prepare a Social Development and Management Program (SDMP), which includes a Development of Host and Neighboring Communities (DHNC) plan; Development of Mining Technology and Geosciences (DMTG) programs; and Information, Education, and Communication (IEC) programs.

In particular, the SDMP outlines the holistic approach to the development of the host and neighboring communities. Ultimately, the aim of these programs is to improve the overall quality of life of host and neighboring communities, as well as to address specific aspects of human resource development, health, education, infrastructure, sports and socio-culture, and enterprise development during the life of mine.

As per DAO No. 2010-21, mining companies in the Philippines are also mandated to spend at least 1.5% of its annual operating costs for the development of host and neighboring communities.

Prompted by the mandates of the Mining Act and its associated rules and regulations, and guided by our own corporate values and principles, we have designed a sustainability framework that puts right and principled mining at the strategic core of our policies, processes, and standards. With this sustainability framework, our strategy is to enable safe and efficient production that has minimal negative impact on the environment, all the while providing the maximum economic and social benefits to our employees and host and neighboring communities.

OUR SUSTAINABILITY FRAMEWORK

Driven by our commitment to right and principled mining, we have developed a sustainability framework that is hinged on five unified pillars, namely: (1) adherence to good governance, (2) promotion of employee wellness, (3) community empowerment, (4) environmental protection, and (5) workplace safety. These five unified pillars are what makes right and principled mining real and tangible for our different stakeholders.

Adherence to Good Governance. As a responsible corporate citizen, we conduct our activities in accordance with the highest ethical standards. We comply with our Code of Conduct, as well as all applicable laws, rules, and regulations for the mining industry. Beyond our own operations, we also lend our expertise with our different partners in the mining industry and initiate constructive and informed conversations on issues that are relevant to the industry and the society wherein we operate.

Promotion of Employee Wellness. Our employees are the frontliners that empower our day-to-day operations. We aim to hone and develop our employees to their fullest potential. As per our Company Values, we respect and value our employees, and uphold the principles of human rights, health and safety, and non-discrimination in the workplace. Part of promoting employee wellness is providing our employees fair compensation for their hard work, constructive feedback on their performance, and meaningful opportunities for further professional growth and development. We also engage our employees on issues that affect them in the workplace, in a bid to improve our overall workplace safety and operational efficiency.

Community Empowerment. We strive to address the social, cultural, environmental, and economic impacts of our operations. We constantly engage with local government units (LGUs), non-governmental organizations (NGOs), and civil society organizations (CSOs) to achieve long-term and mutually beneficial resource development for our host and neighboring

communities. We prioritize partnerships that help promote local enterprises and build a more inclusive local economy. As such, we also prioritize hiring local content, particularly indigenous peoples (IPs), for our various exploration projects.

Environmental Protection. Due to the highly extractive nature of mining operations, we recognize our responsibility to preserve, conserve, and rehabilitate the environment wherein we operate. As a right and principled environmental steward, we promote the wise use of natural resources through proven management controls. We strive to monitor and manage the environmental impacts of our operations, and thereby implement controls to ensure compliance with relevant environmental policies and standards. We have also invested in environmental management systems that can help protect our immediate environment for future generations and safeguard the sustainability of our host and neighboring communities.

Workplace Safety. Much of a company's reputation and goodwill hinges on its ability to keep people safe. Cognizant of the inherent risks that come with large-scale mining operations, we strive to manage operational risks to ensure the health and safety of our employees. As such, we have established occupational health and safety management protocols for our employees and their families, host and neighboring communities, and our business partners. We expect all our employees and contractors to observe strict compliance with these protocols.

Our health and safety systems also provide for the necessary equipment, training, and resources that will promote safe work conditions. In addition, the Company also has effective security controls, standards, policies, and procedures that help protect its employees, assets, reputation, and host and neighboring communities without sacrificing their inherent human rights and dignity. We strive to uphold human rights for all individuals that may be affected by our operations and, as such, we do not tolerate any violations of these fundamental human rights.

Guided by these unified pillars that shape and inform our sustainability framework, we will continue to strengthen our approach to sustainability and uphold our advocacy of right and principled mining.

OUR STAKEHOLDER ENGAGEMENT

As a right and principled mining company, we recognize our responsibility to our different stakeholders. Given that our operations have a significant social and environmental footprint that may be of concern to our different stakeholders, it is to our benefit to ensure that we understand what is important to them. Through our different engagement mechanisms, we seek to understand our stakeholders' concerns in order to develop appropriate responses, as well as keep them informed of any developments in our business.

As a publicly-listed company, we acknowledge and respect the rights of our shareholders. We develop policies and guidelines that will enable us to fulfill our obligations to our shareholders and investors. We are aware that our shareholders expect the highest levels of fiduciary responsibility, care, and prudence, which prompted us to develop corporate policies and guidelines that support us in properly addressing their concerns. We hold regular stockholders' meetings in order to keep our stockholders informed of the current condition of the company, as well as of its future standing.

Stakeholder	Concerns	Response	Mode of Engagement
Shareholders and Investors	<ul style="list-style-type: none"> • Production • Financial returns • Minimum risks related to business and expansion 	<ul style="list-style-type: none"> • Continuous process improvements • Financial disclosures • Dividends 	<ul style="list-style-type: none"> • Annual Stockholders' Meeting • Direct communications through Investor Relations Group • One-on-one investor meeting
Regulators	<ul style="list-style-type: none"> • Adoption of best practices • Accurate disclosures • Legal and regulatory compliance 	<ul style="list-style-type: none"> • Development of corporate social responsibility (CSR) manuals • Adoption of ISO standards • Implementation audits 	<ul style="list-style-type: none"> • Annual, quarterly, and monthly reports • Audits • Taxes and certification processes
Local Government Units	<ul style="list-style-type: none"> • Environmental management • Socio-economic development 	<ul style="list-style-type: none"> • Rehabilitation of disturbed areas and implementation of reforestation projects • Briefings and meetings • Partnerships 	<ul style="list-style-type: none"> • Social Development and Management Program (SDMP) • Community Development Program (CDP) • Community meetings and consultations • Focus group discussions • One-on-one visits • Annual, quarterly, and monthly monitoring reports
Employees	<ul style="list-style-type: none"> • Attendance • Productivity and work performance • Proper interpretation of Collective Bargaining Agreement (CBA) and Code of Conduct • Workplace safety • Work-life balance 	<ul style="list-style-type: none"> • Manpower attendance audit • Changes in attendance monitoring procedures • Values formation seminars • Rationalization of sections, departments, and divisions to enable efficiency • Proper communication with employees and promotion of teamwork • Career advancement • Labor-management meetings • Employee advisories • Improvement and enhancement of standard operating procedures (SOP) and safe job procedures (SJP) • Strict implementation of SOP and SJP training • Representation of employees to the Human Resources Department (HRD) 	<ul style="list-style-type: none"> • Consultations • Issuance of employee advisories • Employee engagement programs

Stakeholder	Concerns	Response	Mode of Engagement
Suppliers and Contractors	<ul style="list-style-type: none"> • Labor Code practice by contractors • Availability of supplies • Supplier accreditation • On-time payments • Product specification • Integrity of bids 	<ul style="list-style-type: none"> • Proper sourcing of suppliers • Proper communication and coordination with suppliers 	<ul style="list-style-type: none"> • Accreditation process • Contractual agreements
Host Communities and Indigenous Peoples	<ul style="list-style-type: none"> • Sustainable livelihood and income generation • Education for youth • Land claims • Environmental rehabilitation during post-exploration activity 	<ul style="list-style-type: none"> • Technical assistance, infrastructure support, and financial assistance to qualified community organizations • Improvements and enhancements to education programs • Continuous negotiation and coordination • Community immersion 	<ul style="list-style-type: none"> • Social Development and Management Program (SDMP) • Community meetings and consultations
Customers	<ul style="list-style-type: none"> • Quality products • Accessibility and convenience • Account security • Improved benefits • Financial advice • Timely service 		<ul style="list-style-type: none"> • Website • Relationship teams
Partners	<ul style="list-style-type: none"> • Transparency in disclosures • Alignment of advocacies 		<ul style="list-style-type: none"> • Corporate events and fora
Media	<ul style="list-style-type: none"> • Product briefing and details • Transparency • Timeliness of announcements 		<ul style="list-style-type: none"> • Press releases and press conferences • Interviews • Official statements • Public advisories
Industry Associations	Sharing of industry standards and best practices		Industry meetings and fora

We operate in a challenging regulatory environment. As such, we strive for timeliness, transparency, and accountability in all our public disclosures. In response to the demands of our regulators, we seek to continuously improve our processes and practices in alignment with the best practices of the mining industry. We also have a duty to the local government units (LGUs) in the areas where we operate, particularly in terms of managing our environmental impact and addressing their social development concerns.

Given the significant scale of our operations, we work closely with our host and neighboring communities, including indigenous peoples' (IPs) communities. We provide various forms of assistance and support through our Social Development and Management Program (SDMP) and ensure that we maintain strong and productive relationships with our host and neighboring communities.

Our employees are at the forefront of our operations. To maintain high standards of performance and productivity, our Human Resources Division (HRD) implements programs to help ensure that we address our employees' concerns through regular consultations and labor-management meetings.

Our network of suppliers and contractors support our large-scale mining operations. We implement an accreditation process to help ensure that we work with suppliers and contractors that are aligned with our standards of safety and efficiency. This also helps ensure that we maintain close communication and coordination with our suppliers and contractors, which is necessary to meet requirements and guarantee timely and smooth operations.

OUR MATERIALITY ASSESSMENT

In 2015, we began the process of identifying the most material topics to our business operations and to our stakeholders. We continue to assess these topics every year as we assess our performance. Our feedback and engagement mechanisms with our stakeholders inform how we identify our material topics. As such, what is important to our stakeholders is important to our business, and we strive to address them effectively. Our material topics are organized into key focus areas, as seen in the following table. These material topics, in turn, will be properly addressed through the different disclosures contained in this Report.

Focus Areas	Material Topics
Financial Returns	<ul style="list-style-type: none"> • Revenue • Payments • Local Employment • Share Value (Stocks) • Fluctuation in Metal Prices (World Market) • Exploration in Mining Operations
Corporate Governance	<ul style="list-style-type: none"> • Leadership Corporate Governance • Internal Process Management
Legal Compliance	<ul style="list-style-type: none"> • Compliance with Regulatory Requirements
Labor Practices	<ul style="list-style-type: none"> • Strikes and/or Lock-outs • Freedom of Association • Recruitment and Employment • Employee Relations
Environmental Conservation	<p>Energy Management</p> <ul style="list-style-type: none"> • Electricity Generation and Consumption • Energy Efficiency in Operations • Fuel Consumption <p>Water Management</p> <ul style="list-style-type: none"> • Impact on Water Sources and of Water Pollution • Water Quality and Discharge • Tailings Pond Management • Efficiency in Water Consumption • Water Recycling <p>Waste/Chemicals Management</p> <ul style="list-style-type: none"> • Oil Spill Management • Reagents Management • Solid Waste Management <p>Land Resource Management</p> <ul style="list-style-type: none"> • Land Rehabilitation and Reforestation • Biodiversity and Ecosystem Management • Geologic Risk Assessments <p>Air Quality Management</p> <ul style="list-style-type: none"> • Ambient Air Quality Monitoring • Dust and Noise Pollution
Community Development	<ul style="list-style-type: none"> • Dust and Noise Issues • Diseases and Illness • Risks and Conflicts with Local Communities and Indigenous People • Information, Consultation, and Participation Mechanisms
Health and Safety	<ul style="list-style-type: none"> • Education and Training on Health and Safety • Safety Procedures in Place in the Facility • Safety Performance Monitoring
Facility Protection	<ul style="list-style-type: none"> • Emergency Preparedness • Social License • Supplier Screening • Security of Site



ENVIRONMENTAL CONSERVATION

The extractive nature of mining activities results in significant impacts on the environment, especially when not handled in a responsible and conscientious manner. Thus, we strive to implement best practices in environmental management which strongly adheres to right and principled mining.

Proper management of natural resource forms an integral part of our business ethics and overall approach to management. We carry out holistic environmental management program that encompasses the different stages of mining from exploration, mine development, mine operations, to decommissioning.

The Company complies with applicable local laws pertaining to environmental conservation, particularly those that promote activities, such as reforestation; an immediate and progressive rehabilitation of previously disturbed areas; soil erosion control; air and water quality monitoring; and waste management. In 2018, we invested P165 million towards protecting and enhancing the environment, bringing the Company's total environmental protection expenditures since 1967 to P 5.969 billion.

ENVIRONMENTAL COMPLIANCE

In line with right and principled mining, the Company and its subsidiaries are compliant with pertinent and applicable environmental regulations set forth by the Department of Environment and Natural Resources (DENR). We enforce environmental management measures; install pollution control devices; implement pollution control measures for identified sources of air, water, and land pollution; and regularly report the

results of our environmental inspection and monitoring to the Environmental Management Bureau (EMB) of the DENR.

We adhere with the following pertinent and applicable local environmental laws:

**Presidential Decree (P.D.)
No. 1586**

Establishing an Environmental Impact Statement System

Republic Act (R.A.) No. 6969
Toxic, Hazardous, and Nuclear Waste Act

R.A. No. 8749
Philippine Clean Air Act

R.A. No. 9275
Philippine Clean Water Act

R.A. No. 9003
Ecological Solid Waste Management Act



We also align ourselves with relevant and up-to-date international standards and best practices. In 2002, the Padcal Mine secured its first ISO 14001 Environmental Management System (EMS) Certification.

In April 2015, the Padcal Mine established its Integrated Management System (IMS), which incorporates the 2015 version of the EMS with BS OHSAS 18001:2007 Occupational Health and Safety Management Certification. The IMS was audited by international certification body TUV Rheinland, and the two certificates are valid until March 11, 2021.

In 2018, Philex's Assay Laboratory secured its ISO/IEC 17025:2005 accreditation, which specifies the general requirements to determine the competence of a laboratory to carry out tests and calibrations, including sampling. Currently, Philex is the only mining company in the Philippines with an in-house mining laboratory that has secured this accreditation. Not only is Philex's Assay Laboratory at par with

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We strive to implement best practices in environmental management which strongly adheres to the principles of right and principled mining.

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international laboratories, but its in-house laboratory personnel are also performing at par with international standards of competence. This also means that Philex’s Assay Laboratory is competent to carry out tests, calibrations, and sampling for other companies as well.

Similarly, the Silangan Mindanao Mining Corporation (SMMCI) secured its first ISO 14001:2004 Certification on June 1, 2016 and has successfully transitioned to the ISO14001:2015 Certification on June 4, 2018.

ENVIRONMENTAL PROGRAMS AND MANAGEMENT

As a right and principled mining company in the Philippines, we primarily comply with Republic Act No. 7942, also known as the “Philippine Mining Act of 1995,” and its Revised Implementing Rules and Regulations (IRR). This law requires mining companies to submit an Environmental Protection and Enhancement Program (EPEP) prior to starting any mining development project. In itself, the EPEP contains the mining company’s plans on the rehabilitation, regeneration, revegetation, and reforestation of mineralized areas; the slope stabilization of mined-out or waste management covered areas; watershed development; and water conservation.

Additionally, Department Administrative Order (DAO) No. 2010-21 mandates the implementation of an Annual Environmental Protection and Enhancement Program (EPEP), which provides the link between our responsible mineral resource utilization and our environmental protection and enhancement commitments. Pursuant to R.A. 7942, the minimum required budget for the Annual EPEP ranges from 3% to 5% of the Direct Mining and Milling Costs of the mining company.

In 2018, we invested P165 million in our Annual EPEP, which is equivalent to 4.63% of our Direct Mining and Milling Costs. This investment went towards environmental initiatives that helped manage our land resources, water resources, solid and hazardous waste, and air quality, as well as support the activities of our Multipartite Monitoring Team (MMT).

2018 Annual Environmental Protection and Enhancement Program (EPEP)

(in P Millions)



* Refers to the activities of the Mine Rehabilitation Fund Committee (MRFC) and the Multi-Partite Monitoring Team (MMT).

165
TOTAL

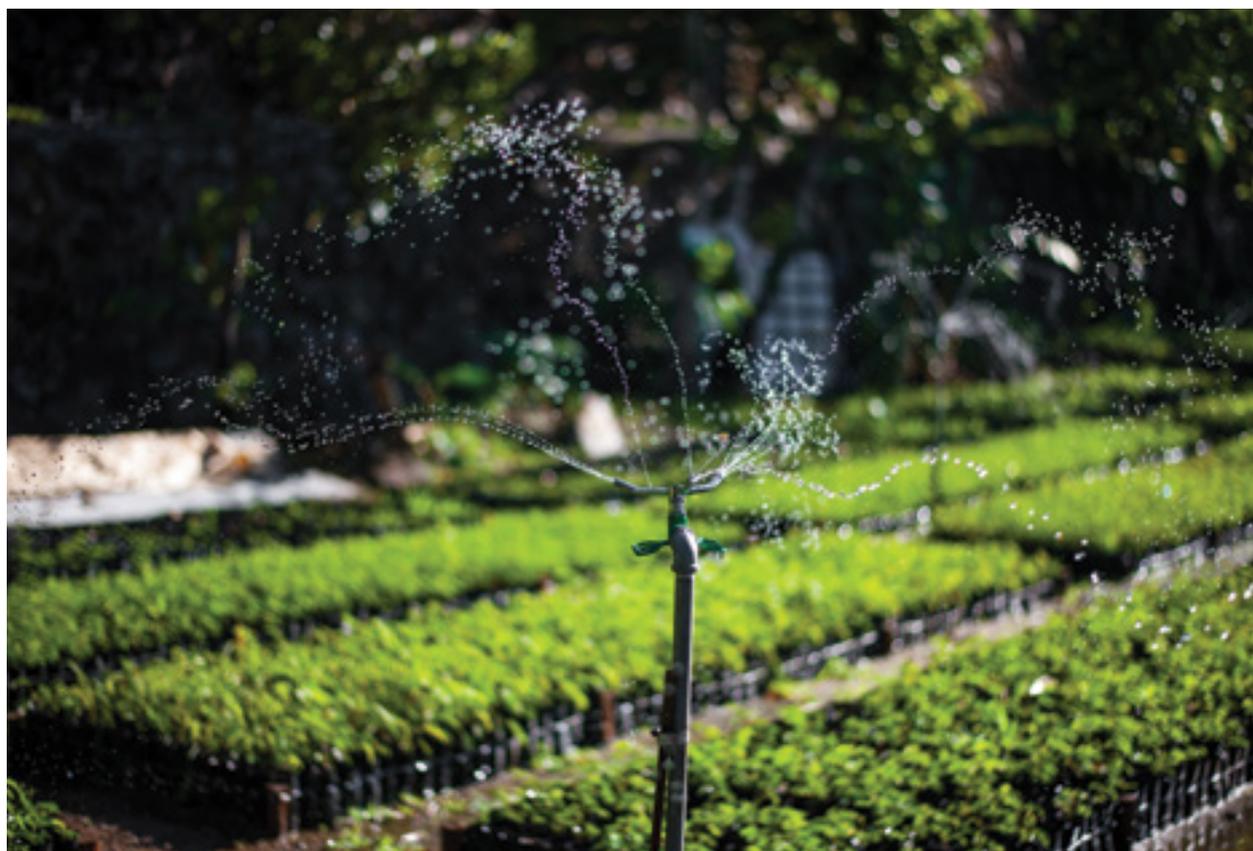
Meanwhile, the Company also invests heavily for the ongoing environmental care and maintenance activities at the Silangan, Bulawan, and Sibutad project sites. This investment covers the costs for ambient air and water monitoring, soil erosion control and prevention, the establishment of new plantations, as well as the maintenance and protection of established reforestations within the project sites. The environmental care and maintenance plans of the said projects have been submitted and approved by the Mines and Geosciences Bureau (MGB) of the DENR, in lieu of the Environmental Protection and Enhancement Program (EPEP) while the projects are not operational. Currently, Silangan is amending its approved EPEP from surface mining to underground mining method.

Land Resource Management. We promote the progressive rehabilitation of our land resources by planting seedlings in plantations within and outside our tenements, which is also part of our ongoing

commitment to the National Greening Program (NGP). With respect to soil movement, on the other hand, we also constructed engineered silt traps at strategic points to help control soil erosion and downstream sedimentation.

As part of our land resource management, we implement a long-term reforestation program which covers the 2,800 hectares of land under our care as per our Mineral Production Sharing Agreements (MPSA). We extended our reforestation program to include the 621 hectares outside of our MPSA area.

In 2018, our reforestation projects established 50 hectares of new plantation areas, which has been planted with various indigenous forest tree species during the second semester of the year. A total of 100 hectares of plantation areas were maintained in 2018.



HABITATS PROTECTED OR RESTORED				
Project	Area disturbed (in hectares)	Area reforested (in hectares)	Type of reforestation	Species planted
Padcal Mine (PMC)	580	2,890	<ul style="list-style-type: none"> Forest plantation Agro-forestry 	Calliandra, Benguet Pine, Gmelina, Kupang, Alnus, Antsoan Dilau, Eucalyptus, Agoho, Narra, Teak, Coffee, Mango, Avocado, Bougainvillea, Dapdap, Guava, Jackfruit
Bulawan PGPI)	146	821*	<ul style="list-style-type: none"> Forest plantation Agro-forestry 	Mangium, Auri, Mahogany, Gmelina, Raintree Coffee
Sibutad (PGPI)	38	179	Forest plantation	Mangium and Auri
		38	Mangrove plantation	Bakauan (Rhizophora Mucrunata)
Surigao (PMC-LMC)	24	168	Agro-forestry	Mahogany, Mangium, Falcata, Narra, Cacao, Coffee, Palawan, Cherry, Lanzones, Marang, Rambutan
Kalayaan, Surigao	14	9	Agro-forestry	Falcata, Coffee

*Areas on Assisted Natural Regeneration (ANR) are included.

WATER DISCHARGE, BY QUALITY AND DESTINATION						
Destination	Average Effluent Flow Rate* (m ³ /day)	Quality of Water				
		Average TSS** (mg/L)	Average Color	Average pH Level	Average Temperature	Average DO*** (mg/L)
Spillway	106,895.99	20.17	Clear	7.63	24.29	5.44

* Based on the detailed monthly reports of wastewater characteristics for conventional pollutants.

** Total Suspended Solids (TSS)

*** Dissolved Oxygen (DO)

Our forest nursery in the Padcal Mine serves as a major source of planting materials for the reforestation projects of various government agencies and private organizations. In 2018, our forest nursery in the Padcal Mine produced another 183,196 seedlings of various endemic tree species, 102,471 of which has been planted thanks to various tree-planting and other re-greening activities conducted in the Benguet province.

Water Resource Management. We recognize that water is a shared resource between the Company and its host and neighboring communities. Thus, we strive to prudently manage our water consumption and monitor the water quality in our areas of operation, both for surface water and drinking water sources. As such, we ensure that we limit the amount of water we extract at source based on the allowed withdrawal stipulated in our regulatory permit, which has been set at 1,700 cubic meters per day.

Different groups participate in our water quality management and monitoring, namely: (1) the Tailings Storage Facility (TSF) Team, on a daily basis; (2) the Environmental Quality and Management Enhancement Department (EQMED), on a weekly basis; (3) the government-led Multi-Partite Monitoring Team (MMT), every quarter for operating mine; and (4) the Community Technical Working Group (CTWG), every three months for exploration projects. Regular effluent monitoring is also conducted at strategic sampling points within and outside the Padcal Mine.

Since 2018, the Company has adopted the new Water Quality Guidelines and General Effluent Standards under DAO No. 2016-08. Water effluent samples collected from the downstream discharges of the Tailings Storage Facility (TSF) No. 3 are tested and have been found to be compliant with the parameters and standards set under DAO No. 2016-08 for a Class "A" water body.



WATER CONSUMPTION (in m ³)			
	2018	2017	2016
Industrial*	57,591	59,038	57,168
Residential Areas	489,520	501,826	485,930
Private	28,795	29,519	28,584
Total	575,906	590,383	571,682

* The extracted water for 2018 was lower than 2017. The extracted water was also lower than the 600,000 cubic meters (m³) budgeted per year.

WATER SOURCES SIGNIFICANTLY AFFECTED BY WITHDRAWAL OF WATER (in m ³ /year)				
Water Source	Allowed Withdrawal	Actual Withdrawal		
		2018	2017	2016
Shimada Tunnel Domestic Water Sump	600,000	575,906	590,383	571,682

Ecological Solid Waste Management. Proper waste management is part of our good housekeeping habits in the Padcal Mine. In accordance with the requirements of the Environmental Compliance Certificate (ECC) issued by the Environmental Management Bureau (EMB) of the DENR, we operate a sanitary landfill at the Tailings Storage Facility (TSF) No. 2 for residual wastes. We practice segregation at source and encourage the recycling of materials, which are sorted and then sold to the DENR-accredited recycling companies.

Hazardous and Toxic Waste Management. Oil and lubricants, and other oil-contaminated wastes are collected and stored at the Banget sludge pond and oil depository. Chemical and medical wastes are also properly stored. These wastes are all collected for disposal by the DENR accredited transporter and treaters. To prevent oil from reaching our river systems and its surrounding environment, we also installed oil-water separators at various areas, which are then monitored regularly.



WASTE, BY TYPE AND DISPOSAL METHOD

Hazardous Waste			
Item	Units	Amount	Disposal Method
Sulfuric Acid	Liters	8	Neutralization with NaOH/lime and disposed of in the Tailings Storage Facility (TSF)
Hydrochloric Acid		1,165	
Nitric Acid		852	
Ammonium Hydroxide		53	
Lime	Tons	3,497	Neutralization with volume of water and disposed of in the TSF
Sodium Isobutyl Xanthate		290	
Mine Tailings		8,443,192	
Lead-Contaminated Assay Wastes		12	Hauled for proper treatment and disposal by All Waste Services, Inc., an EMB-accredited transporter and treater of hazardous wastes
Asbestos-Containing Materials (ACM)	53	Hauled by DoloMatrix Philippines, Inc. and disposed of by the Metro Clark Waste Management Corporation	
Used Oil and Water Mixture	Kilograms	92,645	Transported by DoloMatrix Philippines, Inc. to Cleanway Environmental Management Solutions for treatment and disposal
Used Grease, Oil-Contaminated Sand, and other Oil-Contaminated Wastes		23,705	
Mercury Metal (Elemental Form)		203	
Busted Fluorescent Lamps (BFL)		430	

MATERIALS USED, BY WEIGHT OR VOLUME (in tonnes)		
Reagents	2018	2017
Collector	280	280
Frother	73	74
Lime	3,496	4,095
Total	3,849	4,448

In 2018, one of the Company's major accomplishment is the completion of the alternative spillway to an elevation of 615ML spillage level, which will not only ensure the structural integrity of the Tailings Storage Facility (TSF) No. 3, but will also sustain a 1,000-year maximum probable flood. The Company invested about P55 million to finish the project.

The Company also strengthened the maintenance of its 2.7-kilometer Tailings Tunnel and of its 4-kilometer high-

density polyethylene (HDPE) pipelines. Conveyance facilities were also developed to transport the tailings and impound at the Tailings Storage Facility (TSF) No. 3. In 2018, the Company paid about a million pesos in Mine Waste and Tailings Fees for the impounded tailings at the TSF No. 3.

Air Quality Management. Throughout the year, the Company conducts regular Ambient Air Quality Monitoring both in the industrial and administrative areas of the Padcal Mine and around the vicinity of its host and neighboring communities. We strive to maintain the allowable concentration levels stipulated in the Occupational Health and Safety Standard regulations by initiating stringent gas measurement and monitoring in our areas of operation.

In our Mill Plant, we maintain dust collectors and fume heads and provide protective personal equipment (PPE) such as dust masks and respirators for workers in their assigned areas. Well-maintained ventilation



AIR QUALITY MONITORING						
Air Pollutant	Location	Daily Average** ($\mu\text{g}/\text{m}^3$)				Maximum Permissible Limit* ($\mu\text{g}/\text{m}^3$)
		Q1	Q2	Q3	Q4	
PM _{2.5}	Mill Plant	35.85	41.00	31.33	30.86	50.00
	Outside Mill Plant	17.46	26.60	18.50	18.50	

* Pursuant with DENR Administrative Order (DAO) No. 2013-13, which provides national ambient air quality guideline values for Particulate Matter 2.5 (PM 2.5).

** Based on the results of the conducted air quality monitoring, the levels of the air pollutant were below the maximum permissible limit set by the DENR as per DAO No. 2013-13, in accordance with R.A. No. 8749, or the "Clean Air Act of the Philippines."

GAS CONCENTRATION MEASUREMENT*			
Maximum Allowable Concentration**	Oxygen (O ₂) (%)	Nitrogen Dioxide (NO ₂) (PPM)	Carbon Monoxide (CO) (PPM)
		Min. = 19.5% Max. = 23.5%	5 PPM
2018 Average	20.50	0.23	21.48

* Based on the results of the quarterly Gas Concentration Measurement conducted at selected areas underground.

** Despite the acceptable reading of gas concentration, workers were still advised to maintain the use of prescribed Personal Protective Equipment (PPE), such as respirators, at underground work areas.

equipment is important for our underground areas as this helps maintain the production and generation of good quality air for those working underground. Aside from the blowers, we also enforce the use of respirators for our workers.

Energy Management. It is imperative that we monitor and manage our energy consumption. To generate savings without sacrificing operational efficiency and productivity, we currently implement Energy Conservation Programs managed by our Mine and Mill Electrical Services Department. They continuously monitor our power consumption and check areas that can be subjected to power adjustment.

We reduce power consumption in industrial areas by shifting to energy-efficient motors and lighting fixtures. We shut off the power supply in residential areas at certain times within the day, which allows our host and neighboring communities to contribute in our energy reduction program.

ELECTRICITY CONSUMPTION PER LOAD CENTER (in kWh)		
Load Center	2018	2017
Mill	184,058,138	173,997,979
Mine	67,866,48	62,890,060
Banget Compressor	11,297,695	11,486,323
Residential	8,091,209	8,175,897
Padcal Compressor	2,807,935	2,852,742
Domestic Water	2,734,793	2,732,861
Tailings Storage Facility	935,457	1,814,657
Administration	410,915	410,007
Assay	286,651	296,563
Warehouses	278,389	277,893
Power Rented	229,732	243,215
Motorpool	117,001	110,933
Hospital	38,888	41,611
Power Plant Lightings	6,363	6,626
Total	279,159,653	265,337,367

On top of implementing Power Load Shedding (PLS), which helped achieve our energy management objectives, we also explained the benefits of energy conservation to our host and neighboring communities. We conducted a series of for a with local government units (LGUs) and the Provincial Planning and Development Office (PPDO) to inform them of our programs and create greater awareness on the importance of managing and conserving energy. This

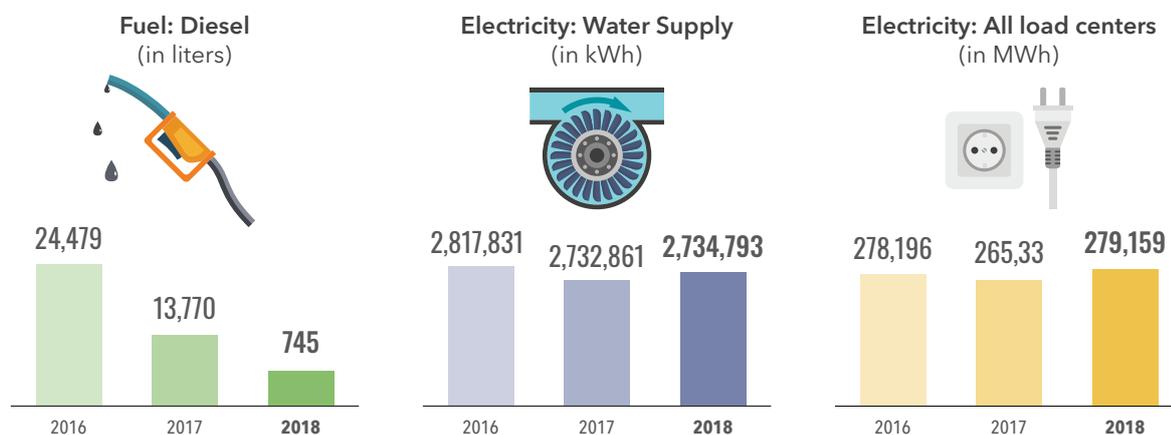
approach to energy conservation helped the Company reduce costs and improve its bottom-line.

We also conduct electrical audits which reveal data and insights that can help us improve our energy conservation initiatives. Our Daily Load Monitoring (DLM) provides us with the necessary data to analyze our power consumption from the previous day. Negative variances are checked for correction, while

positive variances assist us in benchmarking our energy performance.

In 2018, the Company enjoyed a 94.6% decrease in its consumption of diesel fuel due to the phasing out of gensets, or diesel generators. Our concerted efforts at conserving electricity also led to a 258.71% increase in kilowatt-hours (kWh) saved for 2018.

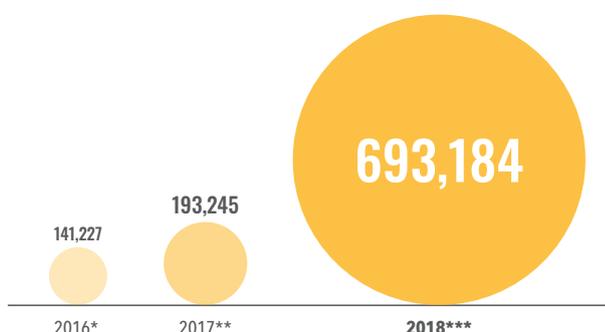
Energy Consumption within the Organization



* Decrease in consumption of diesel fuel for gensets because of the obsolescence of large gensets.

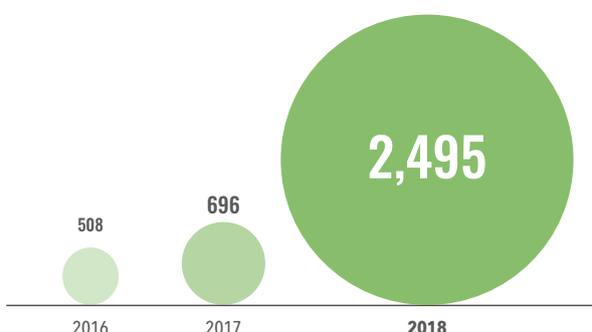
Reduction of Electricity Consumption

(in kWh)



Reduction of Energy Consumption

(in GJ)



259%

increase in kWh saved for 2018

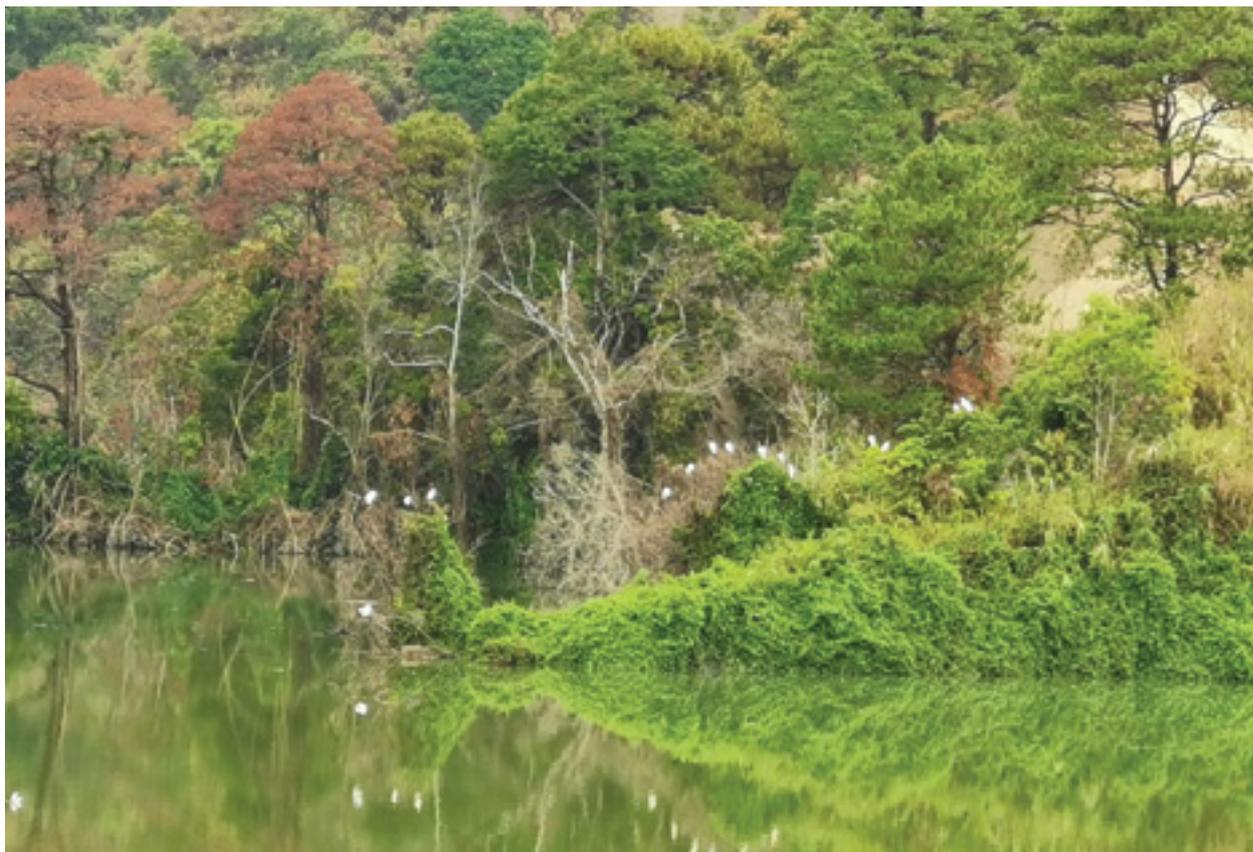
* For 2016, PLS implementation is from Monday to Friday only and is being implemented from 1:00 p.m. to 4:00 p.m.

** For 2017, PLS implementation is from Monday to Saturday and is being implemented from 1:00 p.m. to 4:00 p.m. for the first quarter of the year. PLS implementation from September to November 2017 is every day from 12:30 p.m. to 4:30 p.m.

*** The energy reduction was based from the PLS savings. The remarkable increase in savings is due to the revised PLS number of hour implementation, from three hours for the first seven months to five hours during the last quarter of the year, thus leading to a 258.71% increase in kWh saved for 2018.

Teeming with Life

Science-based assessment reveals rich biodiversity and ecology in Tuba, Benguet



Nestled between the provinces of Benguet and Pangasinan, the Agno River Basin Watershed is home to many marshland wildlife species. However, with the flurry of industrial and commercial activities surrounding the watershed area, it has now become severely deforested. Once lush forests have been taken over by grasslands, rice paddy fields, and hydroelectric plants.

Protecting the biodiversity and the ecological resources within the Agno River Basin Watershed is among the primary concerns of the Company as it conducts its mining operations. As a right and principled mining company, Philex recognizes its duty to protect the

environment and the natural resources within its areas of operation.

Science-based Biodiversity Conservation

In 2018, Philex initiated a science-based assessment of the areas near its mining sites. Done in partnership with the University of the Philippines Los Baños Foundation, Inc. (UPLBFI), the assessment studied the current state of the biodiversity and ecology in Tuba, Benguet, particularly the areas near the Agno River Basin Watershed. The assessment will also serve as a guide for Philex and its partner communities on how to ensure resilient and sustainable mountain ecosystems.

To initiate the project, Philex, together with UPLBFI, set up sampling stations to facilitate the data gathering. Initial data gathering activities were arranged to help determine the baseline ecological behavior of lifeforms in the area. These biological resources are important markers and indicators for progressive rehabilitation and biodiversity conservation strategies. Since the watershed area is also home to different indigenous peoples' communities, these biological resources also help promote ethnological preservation and determine opportunities for local livelihood and capacity building.

For the data gathering, three teams were deployed to conduct site visits in the various areas of study. To cover all the ecosystems, the teams were divided into focus areas, namely: floral and microbial, wildlife, and aquatic. In compliance with the Company's safety standards, the teams were equipped with the necessary Personal Protective Equipment (PPE) prior to deployment.

A Wealth of Life Forms

The results of the preliminary assessment revealed the richness of biodiversity in the areas of study. It also informed Philex of the various rehabilitation activities it can support to further promote biodiversity conservation.

For example, initial floral assessment showed a moderate diversity index, with 34 canopy species and 76 understory species. The mossy forest appears to be the most diverse and unique in its composition. In the area of the Tailings Storage Facility No. 1 (TSF1), there are indicators of succession after planting bamboo in the area, although TSF2 and TSF3 still have an abundance of cogon. Native species are abundant for both dipterocarps and non-dipterocarps, with 13 identified threatened species.

As for terrestrial wildlife, 66 species were recorded across five sampling sites, namely: 48 bird species, 11 species of mammals, and seven herpetofaunal species, comprised largely of amphibians and reptiles. Of the recorded terrestrial wildlife, at least 29% are endemic to the Philippines, with eight restricted to Luzon. The dipterocarp forest is home to the highest number of total endemic wildlife species.

As the project only started in August 2018, the study is still ongoing, and further assessment and analysis will help inform and shape the biodiversity conservation strategies and the future rehabilitation initiatives of the Company.



Far Better than Before

Rehabilitating, revitalizing and reinvigorating decommissioned sites in Bulawan and Sibutad.



The Company's decommissioned gold operations in Bulawan and Sibutad are living proof that, through right and principled mining, previously disturbed areas can be revitalized, reinvigorated, and rehabilitated to become better than before.

Due to the prevalence of low metal prices in the late nineties, the Company's gold operations in Bulawan and Sibutad, both held under the subsidiary Philex Gold Philippines, Inc. (PGPI), were eventually mothballed. Both projects have since been kept under care and maintenance following the Company's Mine Closure Plan. The Bulawan project in Sipalay, Negros Occidental was active from 1996 to 2002, while the

Sibutad project in Zamboanga del Norte was active between 1997 and 1999.

While both projects have since ceased operations, the Company still continued progressive rehabilitation. Thus, activities at the sites primarily entailed the reforestation, protection and maintenance of the tailings pond, erosion control and water quality monitoring, all done in accordance to world-class standards exceeding the rehabilitation provisions set forth in the Philippine Mining Act of 1995.

Progressive Rehabilitation in Action

In Bulawan, a central nursery served as the primary source of seedlings for the reforestation activities of the Company and its partner local government units (LGUs), schools, and other people's organizations in the area. The Bulawan central nursery housed seedlings of fast-growing and endemic hardwood species, which were propagated for replanting.

A total of 574.29 hectares has been converted into mining forest. And while the Bulawan project initially committed to planting 250,000 seedlings over the course of a five-year reforestation program, it has since exceeded this goal. Currently, the Bulawan project has planted 1,055,837 seedlings across 821.31 hectares, with the seedlings enjoying a 90% survival rate.

In Sibutad, while only 38 hectares had been utilized for actual mining operations, the project has planted 509,011 trees across 157.11 hectares. To involve local communities in environmental stewardship, reforestation projects in Sibutad were contracted out to residents to also train them for livelihood development.

Aside from reforestation activities, the Company also implemented various erosion control measures, periodic water monitoring, and waste segregation to ensure compliance with applicable laws on environmental protection. Care and maintenance also entailed the regular monitoring and inspection of tailings ponds, silt ponds, spillways, and canals within the mine sites.

The right and principled mining is further exemplified in the transformation projects initiated in the rehabilitated TSF1 and 2 at the Bulawan Project. In 2015, the Company piloted income generating projects at TSF1 converting the tailings deposit into integrated agriculture livestock food forest. In 2018, these projects were enhanced and maintained in partnership with the community. The projects at the TSF include rice production, vegetable garden, corn, free range poultry farming, ducks, cows and goat raising.

At TSF2, a tilapia aqua-culture project was introduced in 2015 and has since expanded production from 100 square meter pen to 275 square meter with a maximum carrying capacity of 6,000 fingerlings. Animal and plant products produced at TSFs are tested and pass the standard maximum levels of contaminants in food, based on CODEX STAN 193-1995 or General Standards for contaminants and toxic in food and feed adopted by the Food and Agricultural Organization (FAO).

Revitalized, Reinvigorated, and Rehabilitation

Thanks to progressive rehabilitation, previously disturbed areas have become not just productive parcels of land, but also home to a wealth of biodiversity.

Sibutad, a vast area that was once just covered with sparse cogon grass, is now teeming with endemic and exotic trees. The area's lush vegetation has attracted diverse species of fauna and is now home to many exotic animals such as the Philippine cobra, monitor lizards, and the red-tailed green rat snake.

The tailings ponds in Bulawan have been maintained according to proper specifications and are now totally rehabilitated with adequate vegetative cover. Thanks to the combination of fresh water and fast-growing trees and shrubs in the area, the rehabilitated tailings ponds in Bulawan now serve as a bird sanctuary, where the hunting and trapping of wild ducks is prohibited.

Fresh water from the rehabilitated tailings ponds in Bulawan can now also be used as irrigation for farmlands and other community projects. To maximize the use of other deactivated structures as well, the Company allows the host communities to plant rice in the rehabilitated silt ponds in Bulawan. Three silt ponds have since been converted from small rice paddies into larger rice farms to increase their rice production and benefit more members of the host communities.

Indeed, through the care and maintenance of the Company, deactivated mining sites in Bulawan and Sibutad have emerged greener and better than they have ever been. This is the power of right and principled mining.

EMPOWERING COMMUNITIES

Our host and neighboring communities remain our strongest partners for local development and nation-building. As such, the unwavering involvement and participation of our host and neighboring communities are crucial to the success of our social development programs, which endeavor to help uplift their socio-economic conditions and further develop their human potential.

We actively engage with our host and neighboring communities, national and local government units, non-governmental organizations (NGOs), people's organizations, civil society organizations (CSOs), and other interest groups within our areas of responsibility to achieve long-term resource development that benefits all our stakeholders.

In accordance with DENR Administrative Order (DAO) No. 2010-21, pursuant to Republic Act (RA) No. 7942 or the "Philippine Mining Act of 1995," we seek to operate in a manner that considers broader social and environmental concerns, as well as economic factors. DAO No. 2010-21 mandates that mining companies, and other contractors, permit holders, and lessees involved in mining, shall assist in the development of their host and neighboring communities.

We primarily focus our local community engagement, impact assessments, and development programs in our host and neighboring communities in the Padcal Mine, our base of operations and main source of revenue.

As such, our social responsibility is anchored on our in-depth understanding of the social and cultural dynamics of our host and neighboring communities, as framed within the context of human and natural resource development. Our commitment to local capacity building also compels us to prioritize the employment of locals, particularly from different indigenous groups,

as supported by community training that empowers them to plan, implement, monitor, and assess projects.

Through our active Information, Education, and Communication (IEC) programs, we are also able to provide accurate and timely information to all our stakeholders, and to listen and respond to their feedback and grievances appropriately. This helps ensure that local communities are empowered to make informed decisions regarding the activities, projects, and programs that might affect them. This reflects our desire to operate in a manner that respects the interests of all our stakeholders, while promoting open and constructive dialogue and engagement with them.

Guided by the tenets of right and principled mining, we work together with our host and neighboring communities to create social development programs that serve to empower them towards resilience and self-sufficiency.

CORPORATE SOCIAL RESPONSIBILITY MANUAL

In 2018, we strengthened our commitment to corporate social responsibility by crafting an ISO 26000 Declaration: Corporate Social Responsibility Manual, which contains all the commitments, policies, and practices of the Company in adherence with the ISO 26000 Guidelines.



The ISO 26000 Guidelines is an international standard developed to help organizations assess and address social responsibilities relevant to their mission and vision, operations and processes, stakeholders, and environmental impact. The ISO 26000 Guidelines is anchored on the principles of accountability; transparency; ethical behavior; and respect for stakeholder interest, the rule of law, international norms of behavior, and human rights.

To measure and evaluate its strength as a guiding document, our Corporate Social Responsibility Manual has been audited by the ECC International Corporation (ECCI), a leading process improvement solutions provider, and has been found to be comprehensive and aligned with the ISO 26000 Guidelines.

SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM

Our Social Development and Management Program (SDMP) serves as the primary platform for our social responsibility work, and is anchored on the pillars of health, education, livelihood, and public infrastructure support.

Pursuant to RA No. 7942's Implementing Rules and Regulations (IRR) and DAO No. 2010-21, Section 134, the amount allocated to the SDMP should be equivalent to at least 1.5% of the mining company's total operating costs, with corresponding allocations for the Development of Host and Neighboring Communities (DHNC); Information, Education, and Communication (IEC); and the Development of Mining Technology and Geo-Sciences (DMTG). Further, an additional 10% of our exploration cost is allocated for the Community Development Program (CDP) of areas under exploration.

2018 SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM (SDMP) (in P millions)	
Item	Amount
Human Resources and Capacity Development	0.7
Health	9.8
Education	21.6
Livelihood	5.7
Public Infrastructure	39.9
Socio-Cultural Development	3.1
Community Development	1.3
Development of Host and Neighboring Communities (DHNC)	81.5
Information, Education, and Communication (IEC)	23.2
Development of Mining Technology and Geosciences (DMTG)	19.6
	124.2*

* Includes project expenses carried over from 2015 to 2017.

In 2018, we spent P124.2 million for the SDMP, a bulk of which went towards the Development of Host and Neighboring Communities (DHNC) (P81.5 million).

As mandated by DENR regulations, the SDMP shall be done in consultation and in partnership with our host and neighboring communities, and should

cover and include all plans, projects, and activities of the mining company aimed towards enhancing their social development.

To determine the most pressing social needs of our host and neighboring communities in the Padcal Mine, we conduct a socio-economic baseline survey, or a rapid situation analysis, to identify the various resources, funds, skills, potentials, weaknesses, threats, and opportunities already present within the communities. Through annual planning and community fora, we then provide community leaders and stakeholders a channel to express their opinions on issues affecting their communities. We regularly monitor the implementation of our social programs, and then evaluate them to assess and document their effects on the communities.

Through this approach to SDMP, we have determined that the most pressing social needs of our host and neighboring communities in the Padcal Mine are health, education, and livelihood. As such, the Company's corporate social responsibility (CSR) initiatives geared towards addressing these social needs in the Padcal Mine are managed by our Community Relations Department which primary mandate is to empower our partner-communities to becoming socio-economically independent.

Our SDMP Methodology



HEALTH PROGRAMS FOR 2018	
Initiative	Description
Socialized health care	The Barangay Council endorses a list of qualified or indigent members of the community as beneficiaries of socialized health care identified by their respective Barangay Health Workers (BHWs). In 2018, through PhilHealth, the Company shouldered the socialized health care of about 935 indigents.
Medical assistance	The Punong Barangay endorses the request of residents applying for medical assistance. In 2018, the Company provided medical assistance to indigents and conducted medical missions in one barangay, which benefitted 400 households.
Medical equipment and facilities	The communities may request for new medical equipment or facilities, for the renovation of an existing health center, or for the construction of a new health center, depending on the need. In 2018, in a bid to improve medical services within the community, the Company provided medical equipment to the Ansagan Health Center.
Support to health workers and nutrition scholars	The Company continuously supports and capacitates Barangay Health Workers (BHWs) so that they can continue to provide quality medical services and response to our host and neighboring communities. In 2018, the Company continued to provide monthly incentives to the BHWs and the Barangay Nutrition Scholars (BNS) of Barangay Dalupirip, together with a capability training and seminar to both the BHWs and the BNS.
Health care services at the Sto. Niño Hospital	The same health services, treatments, and medicines given to our employees and their dependents are also provided to outlying residents.
Sanitation	In 2018, the Company supported sanitation programs through the construction of a septic tank and the provision of sewer lines in Barangay Camp 3.

Health. We believe that a healthy population is a productive population, and that improved access to basic health services can help elevate the standards of living of our host and neighboring communities.

The host and neighboring communities help determine their specific health needs. These are health

insurance (under PhilHealth), medical assistance, medical and dental missions, health facilities, and health center improvements, among others. We also ask the communities during annual planning to identify the target number of beneficiaries for the year, as PhilHealth premiums are paid yearly.



To manage the health needs of our partner-communities, we actively coordinate with the Department of Health (DOH), the Municipal Health Offices (MHOs), the Barangay Health Workers (BHWs), and the community elders and leaders of Tuba and Itogon.

The Municipal Health Officer leads in the implementation of medical missions, with the inputs of the BHWs as to the prevailing health conditions of their respective areas of responsibility. The Company, in turn, sources out the medicines and other medical supplies, facilitates the transportation and food of the medical teams, and generally sees to it that the environment is conducive for a successful conduct of a medical mission.

Medical and dental services are also offered through the Philex Sto. Niño Primary Hospital, accessible to both our employees and the residents of our host and neighboring communities. The Company also provides support in terms of provisions such as medical kits, medical tools, and hospital equipment.

In 2018, the Company invested P9.8 million to respond to the health needs of its host and neighboring communities in the Padcal Mine.

Education. We believe that an educated population has increased chances of seizing opportunities that will improve their standards of living. As such, our educational programs aim to upgrade the quality of education through scholarships and financial assistance, as well as through teaching and learning enhancement projects.

The host and neighboring communities helped determine their specific education needs. These are scholarships in college; financial assistance through allowances for senior and junior high school students; as well as subsidized education for elementary and junior high school students.

Primary education at the Philex Mines Elementary School is free, while secondary schooling at the St. Louis High School–Philex is heavily subsidized. Technical-vocational training is also provided through the Technical Education and Skills Development Authority (TESDA) and the Special Program for the Employment of Students (PSES). Infrastructure support to schools, as well as support to school activities, are also included in the assistance we provide to our partner-communities.

EDUCATION PROGRAMS FOR 2018

Initiative	Description
College scholarship	The Company's scholars are afforded tuition, semestral book allowance, and monthly allowances. For School Year (SY) 2018-2019, the Company assisted 202 college scholars. The Company also grants scholarship packages for college students at the University of the Philippines (UP) and the University of Asia and the Pacific (UA&P). In 2018, the Company supported an additional 15 scholars in UP, 42 scholars in UA&P and 15 scholars in technical-vocational schools.
High school scholarship and financial assistance	In 2018, the Company granted scholarships to 471 high school students. In addition, at least 205 junior high school students, and another 212 senior high school students, received monthly allowances from the Company. These student-beneficiaries have been screened and endorsed by select faculty members and barangay officials.
Subsidized elementary and high school education	The law mandates that children from outlying communities be given access to elementary and high school education within the camp. For SY 2018-2019, the Company subsidized the schooling of 190 high school students and 228 elementary school pupils from outlying communities.
Student employment	The Company aided 40 students through the special program for student employment done in partnership with the Department of Labor and Employment (DOLE).
School equipment and facilities	The communities may request for new school equipment or facilities, for the renovation of outdated school laboratories, or for the construction of a new classroom or school, depending on the need. In 2018, the Company constructed and renovated 11 school buildings and facilities; constructed two slope protection walls; provided learning equipment to one school; distributed 4,155 books to 23 remote schools in Tuba and Itogon, Benguet; and backed various school activities.



We manage the education needs of our partner-communities by actively coordinating with the Barangay Education Committee of the Barangay Local Government Unit (BLGU), the teachers assigned at the various schools within our partner-communities, and the community elders and leaders.

In 2018, the Company invested P21.6 million to respond to the education needs of our host and neighboring communities in the Padcal Mine. Our free and subsidized education benefits approximately 2,000 students, including our employees' children and other deserving students within our partner-communities.

Livelihood. With the declared life-of-mine of the Padcal Mine expected to end by the year 2022, it is thus the responsibility of the Company to help ensure that its host and neighboring communities will have sustainable livelihood opportunities that will help cushion the impact of the loss of economic activity due to mine closure.

Currently, we give equal opportunities for employment to the members of our host and neighboring communities, including the indigenous peoples (IPs)

in our areas of operation. We also build capacity and foster self-reliance among our host and neighboring communities such that they can pursue sustainable livelihood opportunities even after the end of life of the Padcal Mine.

Our host and neighboring communities helped determine their specific livelihood needs. On the other hand, Philex provides seed capital and technical assistance for their various livelihood projects; livelihood and skills development trainings and seminars; cooperative development training; and infrastructure support to livelihood programs.

Livelihood development requires numerous partnerships with various line agencies. As such, the Company strengthens its relationship and partnerships with the Department of Trade and Industry (DTI); the Department of Health (DOH); the Department of Agriculture (DA); the Bureau of Fisheries and Aquatic Resources (BFAR); the Cooperative Development Authority (CDA); and the Bureau of Internal Revenue (BIR), among other line agencies involved in livelihood development.

We manage the livelihood development of our host and neighboring communities by actively coordinating with the Barangay Livelihood Committee (BLC), the community elders and leaders, and the officers and members of our active livelihood associations and cooperatives. We do this to prevent the major deterrents to the growth of the livelihood associations and cooperatives we support, which are the lack of continuity and succession planning in program implementation.

Primarily, the Company provides seed capital to qualified community organizations, as well as infrastructure support to agricultural micro-enterprises through farm-to-market roads. With help from local government units (LGUs) and regional government offices, we are also able to provide technical assistance to community organizations.

In 2018, the Company invested P5.7 million to fund the livelihood development of its host and neighboring communities within and around the Padcal Mine.

LIVELIHOOD PROGRAMS FOR 2018	
Initiative	Description
Assistance to livelihood programs	The Company requires that all associations and cooperatives must be registered with government regulatory agencies such as the DTI, CDA, and the Securities and Exchange Commission (SEC), among others. Assistance is not given as cash to lessen the chances of misuse of funds. Instead, the Company pays the suppliers for materials or services rendered to the association or cooperative, which must then maintain and submit a yearly accounting of its resources.
Equipment and facilities, trainings, and seminars	<p>The communities, through their associations and cooperatives, may request for new equipment or facilities for their livelihoods. They may also request to build new facilities, such as a multi-purpose center, or to renovate existing ones. They may also identify trainings and seminars that can help them begin or sustain their livelihoods.</p> <p>In 2018, the Company facilitated 13 skills development and capacity building training to empower various livelihood associations, cooperatives, and elders. The Company also provided new technologies and facilities to different livelihood associations and cooperatives, as well as improved the farm transport tramlines and irrigation channels.</p>





Public Infrastructure. We promote safe and convenient access to basic services for our host and neighboring communities through meaningful public infrastructure projects. In 2018, the Company invested P39.3 million to construct public infrastructure that improves the quality of life within and around the Padcal Mine.

PUBLIC INFRASTRUCTURE PROJECTS FOR 2018	
1	Constructed all-weather farm-to-market roads
2	Constructed pathways and footbridges with installed railings to provide safer road access to pedestrians
3	Constructed rip rap and retaining walls for better slope protection and flood control
4	Constructed and improved water systems and delivered water analysis equipment to improve access to potable drinking water
5	Installed secondary electrical lines and house wirings to improve access to electricity

Worth the Weight in Gold

Effective community livelihood development proves there is life after mining.

As the Padcal Mine nears the end of its life of mine, Philex and its Community Relations Department are working hard to support the organizations in their host and neighboring communities towards achieving secure and sustainable livelihoods.

Over the years, Philex has supported the development of different livelihood programs as part of its advocacy to elevate the quality of life of its host and neighboring communities. In 2018, the Company invested P3.67 million towards livelihood financial assistance and infrastructure projects, such as farm-to-market roads, to support the community livelihood development in Tuba and Itogon, Benguet.

Effective Livelihood Practices

On January 31, 2018, the Company's Community Relations Department organized and hosted a one-day conference to impart effective livelihood practices to the active community organizations and cooperatives supported by Philex. The event also served as a venue for the Company to inform their beneficiaries of the different government programs that might affect their existing livelihood projects.

During the conference, the active community organizations and cooperatives shared their best livelihood practices, current status, and aspirations on how to improve their current economic situations. As such, the event served as an effective venue for the beneficiaries to learn from each other, thereby strengthening their ties in community livelihood development.

Also present during the conference were representatives from different government agencies, including the Mines and Geosciences Bureau (MGB), Department of Labor and Employment (DOLE), Department of Trade

and Industry (DTI), National Irrigation Administration (NIA), Department of Agriculture (DA), Bureau of Fisheries and Aquatic Resources (BFAR), Bureau of Internal Revenue (BIR), and the Cooperative Development Authority.

The representatives from these government agencies discussed their respective programs and interventions that can help boost the existing livelihood projects of the community organizations and cooperatives supported by Philex.

Organic Farming

Philex also continuously trains and supports farmers associations to improve their production and yield of organically grown fruits and vegetables. In October 2018, the Company taught fertilizer making through vermiculture technology to 19 members of the Masters Organic Skilled Farmers Association, Inc. (MOSFAI), most of whom are involved in organic farming. Philex tapped instructors from the Benguet State University (BSU) to share their expertise on organic agriculture, particularly vermiculture technology, or the preparation of vermicompost through earthworms.

The farmers who attended the training are hopeful that, with the help of the vermicompost as an organic fertilizer, they would be able to increase the yield of their organic fruits and vegetables. Farmers from Camp One and Camp 3, for example, produce organic lettuce, broccoli, pechay, carrots, and strawberries, among other crops. Additionally, the vermiculture method can also help the farmers lower their expenses on costly fertilizers, as they can now make their own organic fertilizers using raw materials available within their communities.

Livestock Raising

For a time, Walter Sonson and Marcelo Ci-o enjoyed their own “gold rush” as gold panners in Barangay Ampucao, Itogon, Benguet. However, when the gold in the mine tailings finally dwindled, they both needed to look for new ways to support their families.

Mang Walter and Mang Marcelo decided to try their luck with poultry raising, as they believe it is an easier and more cost-effective livelihood activity. Not only can they sell the chickens once grown, but they can also produce and sell eggs by the bulk. In 2016, Philex provided Mang Walter and Mang Marcelo around P900,000 in additional capital so that they can expand their poultry business.

Today, Mang Walter has approximately 400 chickens, while Mang Marcelo has more than 200 chickens. The two former gold panners now sell eggs within

the community, which is an easy task since eggs are a staple food among Filipinos. Mang Walter even calls eggs “white gold,” as he now earns P2,000 daily from selling 370 eggs a day.

Other community members have followed the lead of Mang Walter and Mang Marcelo, taking their chances as well in poultry raising and even hog raising activities.



PROMOTING EMPLOYEE WELLNESS

Philex recognizes that workforce management is paramount to business continuity. As such, we prioritize management of our employees to ensure that we maintain a high-performing workforce that is at par with the best in the industry. This, in turn, helps ensure our competitiveness as a business by having a world-class talent pool on hand at all times.

As of 2018, Philex had a total of 2,114 regular employees, as supported by accredited third-party suppliers and contractors recruited for certain mining activities and projects. As a right and principled mining company, we uphold the values of integrity and accountability. Therefore, we expect members of our workforce to comply with pertinent rules and regulations and hold them accountable for any violations that may occur in the conduct of their duties.

MANPOWER POOL MAINTENANCE PROGRAM

The lack of competent manpower can cause significant delays in our operations, as key positions might be left unoccupied in the event of employee resignation or retirement. As such, we have established our Manpower Pool Maintenance Program to create a pool of competent individuals who will be readily available to fill in vacated or open positions.

Managed by the Recruitment Section of our Human Resources Department, the program aims to fast-track the replacement of retiring or resigning employees so that there will be an easier turnover of workloads, thereby lessening work backlogs. Our workforce is usually composed of the Company's regular employees and is often augmented by accredited third-party suppliers and contractors for certain activities and projects.

We also pursue other initiatives to further strengthen this program. For example, we post career opportunities and job openings in the mine site, as well as through

local newspapers, to widen the reach of our talent sourcing. We also coordinate with professional groups and tertiary schools to get recommendations for potential hires.

NEW EMPLOYEE HIRES DURING THE REPORTING PERIOD				
Age	Head Office	Padcal Mine	Total	%
<30 years old	4	67	71	53%
30 - 50 years old	7	56	63	47%
>50 years old	-	-	-	-
Total	11	123	134	100%



6%
rate of new employee hires

EMPLOYEE TURNOVER DURING THE REPORTING PERIOD				
Age	Head Office	Padcal Mine	Total	%
<30 years old	2	17	19	16%
30 - 50 years old	6	40	46	37%
>50 years old	1	57	58	47%
Total	9	114	123	100%



6%
employee turnover rate



Once on-boarded, we continue to build their skills and capacities to enable them to fill in available positions quickly. Through our apprenticeship program, we provide young practitioners on-the-job training with additional conventional reading and classroom study. Succession planning, in turn, allows our managers to look for potential employees who can be trained and developed to fill in more challenging roles within the organization.

In 2018, the rate of employee turnover increased (from 3% in 2017 to 6% in 2018), particularly among employees 50 years old and older, primarily due to early and scheduled retirement. As part of our commitment to employee wellness, we provided our retiring employees the necessary transition training and assistance to help them move forward in this new stage in their lives.

EMPLOYEES BY EMPLOYMENT CONTRACT

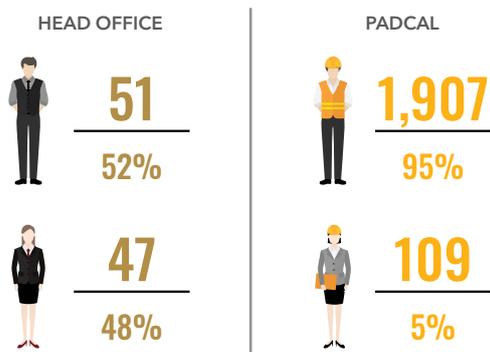
Contract Type	Head Office	Padcal Mine	Total	%
Regular	98	1,994	2,092	99%
Probationary	-	22	22	1%
Total	98	2,016	2,114	100%

REGULAR EMPLOYEES, BY EMPLOYEE CATEGORY

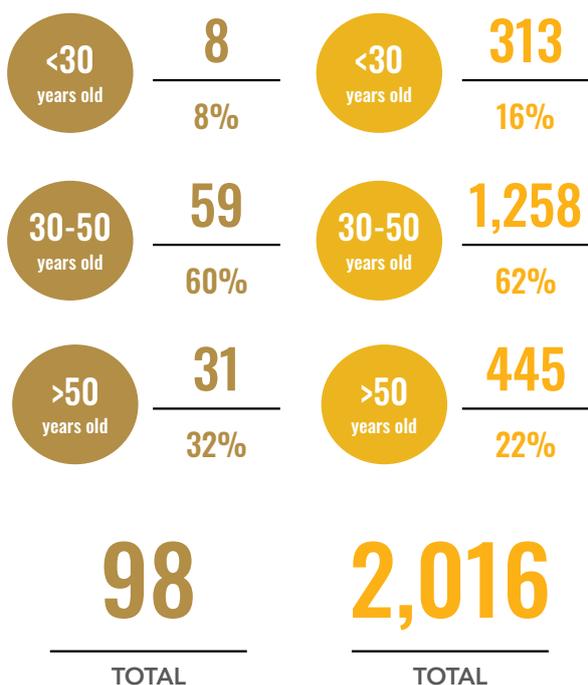
Employee Category	Number	%
Top Level (Above Senior Manager)	6	1%
Middle Level (Manager to Senior Manager)	114	5%
Junior Level (Below Manager)	1,994	94%
Total	2,114	100%

Employee Diversity

Regular Employees, by Gender



Regular Employees, by Age



EMPLOYEE TRAINING AND DEVELOPMENT

To develop our workforce further, we prioritize training and capacity building. By focusing on scaling up the skills and capacities of our employees, we can help them grow and take on new roles and responsibilities.

As such, we developed an apprenticeship program to give young practitioners the opportunity to experience on-the-job training, supplemented with additional reading and classroom study. Career and succession planning, in turn, allows our managers to spot potential employees who can be trained and developed to fill in more challenging roles within the organization.

In 2018, our Human Relations Department implemented a Manpower Attendance Audit, which incorporated changes in procedures for monitoring attendance. Additionally, the Human Relations Department also conducted values formation seminars and further educated employees on the proper implementation of the Company's grievance mechanism.



GEOLOGIC ACADEMY TRAINING

We continue to assist our employees and members of our host and neighboring communities through our programs geared towards developing mining technologies. In 2017, we introduced a program called the Philex Geologic Academy Training to educate our employees and our beneficiaries about basic geology, which can lead to advanced studies on mining and exploration.

In 2018, our second batch of 27 trainees finally graduated from the program. From June 13 to October 9, 2018, the 27 trainees attended lectures on basic geology, including megascopic identification of rocks and minerals, structural geology, mapping, and geologic mapping. They were also introduced to drilling concepts, sampling procedures, the conduct of basic geophysics surveys, geohazard and underground mapping, stages of exploration, and the impact of drilling on the water table.

Aside from attending the lectures, the trainees also did actual fieldwork and undertook comprehensive exams. On December 6, 2018, the program culminated with a recognition ceremony for the trainees held at the Smith Hall of the Padcal Mine.



BENEFITS PROVIDED TO FULL-TIME EMPLOYEES

Standard Benefits

Cash Fringe Benefits	Non-Cash Fringe Benefits
<ul style="list-style-type: none"> • Annual Vacation Leave Pay • Annual Sick Leave Pay • Retirement Pay • Medical Assistance • Rice Subsidy Cash Equivalent • Loyalty Service Award 	<ul style="list-style-type: none"> • Gasoline Allowance • Rice Subsidy • Raincoat Supply • Rubber Boots Supply • Skullguard and Accessories Supply • Cooking Gas Subsidy • Bulb Supply



Employee Training Programs for 2018

- 1. Basic Management Program**
- 2. Kepner Tregoe**
- 3. Behavior Based Safety**
- 4. Problem Solving and Decision Making**
- 5. Mine Team Building**
- 6. Mill Team Building**
- 7. Hazardous Materials Management**
- 8. Cross Functional Team Building**
- 9. Basic Occupational Health and Safety**
- 10. Construction Occupational Health and Safety**

LABOR-MANAGEMENT COOPERATION

Maintaining a harmonious relationship between the management and our labor force is an important facet of our operations, as it helps ensure employee engagement and business continuity. As such, we strive to manage our Labor-Management Cooperation (LMC) in order to accomplish goals through mutually accepted solutions and processes.

As a right and principled mining company, we aim to create a labor environment that is conducive to open discussion and collaboration, with the goal of enabling everyone to work together towards improving our working conditions and enhancing our overall productivity.

To achieve this, we conduct monthly and quarterly LMC meetings, which serves as a platform to promote workers’ participation in the decision-making process. Through these LMC meetings, we listen to and address the concerns raised by employees, all the while soliciting their cooperation to achieve common goals and aspirations. Ultimately, we envision the LMC meetings to create a labor relations climate that is open to improvements in overall working conditions and productivity, which can in turn help the Company achieve and sustain stellar economic and operational performance.

Failure to manage and sustain these monthly and quarterly LMC meetings can threaten the harmonious relationship between the Company and its employees, especially those who are members of labor unions. Ultimately, failure to maintain industrial peace can lead to strikes and lock-outs, which can halt business operations for an undetermined period.

Our Human Resources Department ensures the regular conduct of these LMC meetings, as supported by other Division and Department Heads of the Company, labor union officers, and third-party representatives from the National Conciliation and Mediation Board (NCMB).

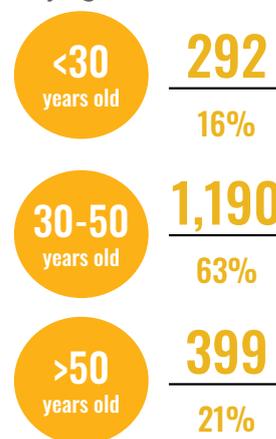
On top of conducting regular labor-management meetings, the Company also issues advisories to employees to reiterate company policies and to inform them of any relevant changes in company procedures. With respect to the unions, the Company also strives to correctly interpret the provisions of their collective bargaining agreements and to ensure the consistent implementation of these provisions.

Percent of Employees Covered by Collective Bargaining Agreements

By Gender, Padcal Mine



By Age, Padcal Mine



1,908

employees are covered by collective bargaining agreements, including **27 employees** from the Head Office

Currently, the Padcal Mine has two collective bargaining agents: the Philex Rank-and-File Employees Union-Association of Labor Unions (Trade Union Congress of the Philippines) [PRFEU-ALU (TUCP)] for rank-and-file employees, and the Philex Mining Supervisory Employees Union-Association of Professional Supervisory Office Technical Employees Union (Trade Union Congress of the Philippines) [PMSEU-APSOTEU (TUCP)] for supervisory employees. The five-year collective bargaining agreements (CBAs) with both unions were signed in January 2016, with effectivity up to January 2, 2020 for PRFEU-ALU (TUCP) and up to May 1, 2020 for PMSEU-APSOTEU (TUCP). (102-41)

Meanwhile, rank-and-file employees from the Corporate Head Office are members of the Philex Pasig Employees Union (PPEU-ALU-TUCP). The collective bargaining agreement with the PPEU-ALU-TUCP was signed on April 6, 2017 and was registered with the Department of Labor and Employment (DOLE) on February 20, 2018. The agreement is set for renegotiation in 2019.

The collective bargaining agreements with the labor unions contain, in detail, specific provisions on employee concerns such as minimum notice periods in case of operational changes, as well as agreed processes for consultation and negotiation. As a testament to our approach to labor-management cooperation, there have been no major labor disputes or strikes in the past six years.

VIOLATIONS OF COMPANY RULES AND REGULATIONS (CRR)

We believe that true and lasting industrial peace cannot be achieved if employees remain free to commit violations because management has failed to hold them accountable for their actions. As such, part of the management's measures to ensure a harmonious relationship with our labor force is holding our employees accountable for any violations of the Company Rules and Regulations (CRR).

The Employee Relations Section of our Human Resources Department checks the different types of violations that an employee can commit and their corresponding penalties. These guidelines and protocols, in turn, have been aligned with the pertinent provisions of the Labor Code of the Philippines, the Camp Administration Code of Conduct, and the collective bargaining agreements (CBAs) for supervisory (PMSEU) and rank-and-file (PRFEU) employees.

One of the ways by which we manage this material aspect of our business is through our grievance mechanism, which not only gives employees an opportunity to voice out their concerns, but also provides a peaceful and systematic way to resolve disputes through fact-finding. In some cases, the mechanism even provides individual union members with the ability to appeal a decision, ultimately allowing them to exhaust their rights under the grievance procedure or to overturn the decision of the management through arbitration.

We understand that, for some violations, there may be different interpretations between two parties. In order to arrive at a well-thought-out resolution that is fair for all parties involved, we conduct focus group discussions (FGDs) and consultations with different department managers, union representatives, company lawyers, and even the employees concerned prior to meting out a decision.

ENSURING A SAFE WORKPLACE

As part of our commitment to right and principled mining, we strive to provide our employees with a healthy and safe workplace environment. We extend this responsibility to all our employees, as well as our third party suppliers and contractors. To make this possible, we develop and implement pertinent policies and protocols that help promote workplace safety and manage any negative impacts our business operations may have on overall employee health and productivity.

All of this is anchored on the belief that a safe workplace results in increased productivity and sustained stakeholder support. Through our more than 60 years in the industry, we have also found that managing workplace safety is crucial to preventing negative impacts such as manpower loss, government sanctions, and the disruption of operations. Failure to manage workplace safety would negatively impact employee health and productivity, and therefore also affect our mine's production targets.

Thus, we strive to protect the health of all our employees and contractors, as well as keep them free from injury during and after their daily work shifts. We enforce occupational health and safety protocols for the benefit of our employees and contractors, as well as their families and host communities. We also provide the necessary equipment, training, and resources to enable our employees and contractors to work safely.

We comply with rules and regulations relevant to human rights; Philex respects the rights of all stakeholders affected by our operations, and we do not tolerate any human rights violations. We also adopt the necessary controls, standards, policies, and procedures for the security, safety, and protection of our employees, company assets, and host communities. These policies are critical to maintaining our reputation as a right and principled mining company and keeping our social license to operate. Owing to these measures, we have successfully renewed our ISO certification

for OHSAS 18001 (Occupational Health and Safety Assessment Series).

As an added layer of protection, our workers are also represented in the following formal joint management-worker health and safety committees that operate within the organization, namely:

- Audit and Assessment Committee (AAC)
- Training, Communication, and Documentation Committee (TCDC)
- Incident Prevention and Investigation Committee (IPIC)
- Occupational Health and Control Services Committee (OHCSC)
- Emergency Preparedness, Road Safety, and Off-The-Job Safety Committee (EPRSOJSC)
- Housekeeping Committee (HC)

HEALTH AND SAFETY TRAINING

We believe that training is crucial in fostering a culture of safety within an organization. We recognize that mining comes with its own set of inherent risks, and our more than 60 years of experience in the industry has allowed us to deeply understand the risks and negative impacts associated with our mining operations. As such, we strive to impart this wealth knowledge to our workers and contractors through relevant health and safety training.



Through proper training and follow-up mechanisms, we can equip our employees and contractors with the right knowledge on how to assess and manage workplace hazards. Failure to do so may lead to increased occurrence of incidents in the workplace which, in turn, can stifle employee morale and productivity. By properly managing and implementing health and safety trainings, we strive to develop and maintain healthy workers that can handle their jobs safely, for the benefit of the organization and all our stakeholders.

Our trainings are guided by our Safety, Health, and Environmental Policy (SHEP), which is embedded in our Integrated Management System (IMS). The policy reflects our commitment to safeguard our workers and other stakeholders from sickness and injury, as well as to protect and preserve the environment over the life of our mining operations.

As such, we conduct Health and Safety Trainings in the Padcal Mine throughout the year, following the calendar of training submitted to the concerned regional office of the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR). The calendar of training, prepared by the Company's Safety, Health, and Risk Management Department, was created to maintain a high level of health and safety awareness among our rank-and-file, supervisory, and managerial employees.

These training sessions can be a mix of classroom lectures and practical learning activities, such as field work, workshops, and other immersion activities, to help employees relate the theories to their on-the-job activities. Tenured employees are subject to retake these training sessions to refresh their memory.

In 2018, we intensified the implementation of the Safe Start Seminar for employees with tenure of less than five years. The seminar was designed to introduce them to various safety programs and standards, rules and regulations, and standard operating procedures relevant to their respective job assignments to enhance safety awareness on and off the workplace. We also intensified our implementation of the Supervisors’ Safety Awareness Training to constantly enhance the awareness of our supervisors on basic safety responsibilities.

At Philex, we strive to continuously implement our Safety Training Programs to better equip our employees with the knowledge and skills necessary to properly respond to safety issues and to promote safe working practices to the whole workforce.

To continuously improve the quality of our Health and Safety Trainings, we measure their effectiveness at four levels:

HEALTH AND SAFETY TRAINING EVALUATION		
Level	Title	Description
1	Subject/Topic Evaluation	Pre-test and post-test done in classroom and/or workplace after the session
2	Post-Training Program Evaluation	Evaluation done in classroom and/or workplace after the session
3	Workplace Effect Evaluation	Workplace survey and focus group discussion (FGD) conducted by peer group and supervisors
4	Organizational Effect Evaluation	Organizational level survey and FGD conducted by the Human Resources Department (HRD) and the training providers

MEASURING SAFETY PERFORMANCE

As a right and principled company committed to preventing not just adverse impacts to the environment, but also injury, ill health, and loss of life among our workers and other key stakeholders, we regularly monitor and measure our safety performance.

Through our Safety, Health, and Environmental Policy (SHEP), we demonstrate our desire and commitment

to attain an excellent safety performance, an advocacy that is cascaded down the ranks to gather support within the organization. We believe that safety performance must be measured and managed to see the big picture when it comes to our safety programs, targets, and objectives. Ultimately, safety performance measurement serves as a tool for management to know if our safety programs are carried out properly, and if we have achieved the desired results of our safety targets and objectives.

We measure our safety performance through periodic audits, which are carried out by a group of internal auditors who have been trained according to the requirements of OHSAS 18001:2007, a globally recognized health and safety management system.

Initially, these internal audits were carried out monthly; but, as the program took root, third-party auditors, such as TUV Rheinland Philippines, have observed that monthly audits can be too close to each other. Thus, the internal audits are now done quarterly by the Audit and Assessment Committee (AAC) of the Central Safety, Health, and Environment Council to allow for more flexibility in the implementation of corrective actions and to gain a period of stability.

Supervisors and managers on the operations side also conduct safety audits twice a month, which are then reported to the Safety Department. Safety Officers, in turn, monitor the findings and the observations from these safety audits to address safety risks in a timely manner.

Aside from internal audits, the regional office of the MGB of the DENR also conducts monthly, quarterly, annual, and special audits using their independent system for measuring safety performance.

Safety Training and Development Programs for 2018

1. Safe Start
2. Supervisory Safety Awareness
3. Surface Emergency Response Management
4. Underground Emergency Management
5. Overhead Crane Safety
6. Mine Rescue and Recovery Operations
7. Fire Safety
8. Industrial First Aid and Basic Life Support
9. Defense Driving Course
10. Incident Investigation, Analysis, and Reporting Seminar

FACILITY PROTECTION

To ensure the continuity of our mining operations and the delivery of our social programs in line with our commitment to right and principled mining, we strive to protect our facilities and create an atmosphere of security and safety amongst our employees and host communities residing within the Padcal mine site.

By ensuring facility protection, we discourage, if not ultimately prevent, threats of sabotage, subversion, pilferage, and other criminal acts that could undermine operational integrity, business continuity, and peace and order within our mine sites and host communities.

As facility protection has always been one of our general policies, which started with the General Security Policy established on September 9, 1987, we maintain a Company Security Unit composed of regular employees who have direct supervision over two contracted private security agencies, who man fixed and roving security posts. Currently, bulk of our facility protection is stationed within the Padcal Mine, while a smaller force is deployed in Poro Point.

Managing facility protection is spearheaded by our Security Department, which is in turn supported by other departments, such as the Legal Department, which provides statutory guidance in the implementation of security operations. Other departments and offices also have their own internal controls to safeguard their respective facilities, which include physical security measures and control procedures in the movements of materials and supplies such as logbooks, records, and gate passes, among others.

For external threats, we seek the support of local law enforcement units stationed in our host municipalities.

For 2019 and beyond, we will further strengthen our facility protection by conducting specialized security trainings both through external and internal trainers, and by continually upgrading our protection equipment and tools.

TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES

Type of Injury Recorded	2018	2017	2016
Non-Lost Time Accident	10	38	17
Mine	1	1	3
Banget Compressor	5	9	8
Total Incidents	16	48	28
Days Lost	8,194	6,717	20,734
Total Safe Manhours	5,945,740	5,774,221	6,078,916
Incidence Rate (per million manhours)	2.69	7.97	4.61
Frequency Rate (per million manhours)	1.73	1.73	1.81
Severity Rate (per million manhours)	1,378.13	1,163.27	3,410.81
Number of Work-related Fatalities	1*	1	3

* Two fatal cases inclusive of contractor.

CORPORATE GOVERNANCE

As a publicly-listed Philippine company, Philex conforms to the corporate governance rules, requirements, and regulations of the Philippine Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). The Company is committed to the highest standards of corporate governance and continues to benchmark its procedures against internationally recognized best practices. To ensure constant improvement, PMC monitors developments in corporate governance to uphold its corporate governance framework, processes, and practices in accordance to global standards.

CORPORATE GOVERNANCE CONFIRMATION STATEMENT

The Company also advocates an ethical corporate culture guided by its core values of integrity, teamwork, respect for individuals, work excellence, and corporate social and environmental responsibility. In relation to this, PMC has adopted a Revised Manual on Corporate Governance (RMCG), which was completed and approved by the Board on May 30, 2017, substantially adopting the SEC-issued Code of Corporate Governance for Publicly-Listed Companies ("Corporate Governance Code").

A. RIGHTS OF SHAREHOLDERS

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

A.1. Basic Shareholders Right

Dividend Policy

Beginning 2010, the Company's Board of Directors has instituted a policy to declare cash dividends of up to 25% of the Company's core net income should the circumstances allow for its declaration. In August 2014, the Company formalized a policy on the timing

of cash dividend payments, which should be within 30 calendar days from the date of declaration.

In 2018, the Company declared and paid out cash dividends that satisfy both these conditions.

Date of Declaration	Record Date	Payment Date	Amount
27 February 2018	13 March 2018	26 March 2018	P0.040
25 July 2018	08 August 2018	24 August 2018	P0.035

A.2. Right to Participate in Decisions

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

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



During the Annual General Stockholders' Meeting (AGSM) held on June 27, 2018, shareholders exercised these rights via personal casting of votes or online voting, the results of which were disclosed immediately after the Stockholders' Meeting in the Company's website under <https://bit.ly/31iCX8n> and included in the minutes of meeting in the Company website under <http://www.philexmining.com.ph/wp-content/uploads/2017/04/PX-2018-ASM-Minutes-June-27-2018.pdf>.

A.3. Right to Participate Effectively and Vote

PMC shareholders have the right to participate and vote in the general shareholders' meetings. The Company ensures that shareholders are informed of the rules, including the voting procedures that govern the general shareholders' meetings.

Shareholders have the opportunity to approve remuneration, in terms of profit sharing, which is

contained in the Company's By-Laws. Any amendment to the By-Laws will require a vote of a majority of the total outstanding capital stock.

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

In 2018, deadline for nominations was set on April 16, 2018 as approved by the Board and disclosed to the PSE on February 27, 2018. Nominations were submitted to the PSE on May 11, 2018; the election, in turn, was

conducted during the AGSM for personal voting, or from May 12 to June 26, 2018 for online voting.

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

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

Voting Procedures

Voting is done by balloting and shareholders are entitled to vote either in person or by proxy. Shareholders who are present and did not submit proxies before the meeting are given ballots upon registration. In the case of proxies submitted prior to the meeting, the proxies designated by the shareholders to represent them at the shareholders' meeting are provided with ballots for casting in accordance with the shareholders' instructions, as indicated in the proxy. Proxies and ballots will be tabulated by the Company's stock transfer agent, the Stock Transfer Services, Inc. (STSI), and the results of the tabulation will be announced for the relevant items on the agenda during Stockholders' Meeting and will be disclosed at the Company's website right after the meeting.

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

The Company has also initiated an online voting mechanism for certificated shareholders since 2016 to allow voting in absentia. The procedures for online voting are disclosed in the Notice to Annual

General Stockholders' Meeting—Definitive Information Statement (DIS) sent to shareholders 30 days before the scheduled AGSM.

In 2018, online voting mechanism was made available from May 12, 2018 to June 26, 2018.

Stockholders' Meeting

The Company recognizes the right of all shareholders to attend all scheduled shareholders' meetings. Regular shareholders' meetings are held annually in June in accordance with the Company's By-Laws. It also serves as a venue to ask questions and raise relevant issues or concerns. On the other hand, special meetings, as needed, shall be held at any time and for any purpose. The 2018 AGSM was held on June 27, 2018 at the Marco Polo Hotel in Ortigas, Pasig City.

The minutes of the AGSM are posted in the Company's website within five business days from the date of the meeting. The minutes consist of the open forum during the AGSM, voting results per agenda, the resolutions taken up during the AGSM, and the attendance of directors and key officers. As a matter of practice, the members of the Board, the Chairman, the President and Chief Executive Officer (CEO), the Audit Committee Chairman, the Risk Committee Chairman, the Corporate Governance Officer, the Internal Relations Officer, representatives of the external auditors, and other key officers and employees are present during the scheduled meetings of the shareholders.

They shall have the opportunity to make a statement, should they desire to do so, and will be available to respond to appropriate questions. Minutes of the 2018 AGSM were posted in the Company website. (<http://www.philexmining.com.ph/wp-content/uploads/2017/04/PX-2018-ASM-Minutes-June-27-2018.pdf>).

Disclosure and Release of Notice of AGSM to Shareholders

The Company disclosed to the PSE the Company's SEC Form 2018 Definitive Information Statement (DIS) on May 11, 2018.

The Company likewise sent out the Notice of AGSM on May 24, 2018 to shareholders which was more than 30 days prior to the AGSM, which states the date, time, and place of meeting, including the rationale and explanation for each item in the agenda that requires shareholders' approval.

The AGSM was announced on February 27, 2018, months before the actual date of the meeting and was published in at least two major newspapers of general circulation. For 2018, the Notice of AGSM was published in BusinessWorld and The Philippine Star on June 13, 2018.

A.4. Markets for Corporate Control

In cases of mergers, acquisitions, and/or takeovers requiring shareholders' approval, the Board, as a matter of practice, appoints an independent party to evaluate the fairness of the terms and conditions of such transactions. Furthermore, in cases of mergers and acquisitions, the CEO and the Chief Finance Officer (CFO), together with external financial and technical consultants, prepare a detailed recommendation for consideration by the Board. An independent consultant or independent financial advisor and legal counsel is retained to review the terms and conditions of contracts and to evaluate the merits of each specific transaction. In 2018, there were no cases of mergers, acquisitions, and/or takeovers that required shareholders' approval.

A.5. Institutional Investors

The exercise of ownership rights by all shareholders, including institutional investors, is recognized by PMC. The Philippine Social Security System (SSS with 20.09% shareholdings) is the only institutional investor with a share ownership greater than 5% as of December 31, 2018. The Company does not have any shareholders owning more than 50%.

B. EQUITABLE TREATMENT OF SHAREHOLDERS

B.1. Shares and Voting Rights

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

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

The Notice of AGSM contains the resolutions to be passed by shareholders for each item on the agenda at the AGSM. There is no bundling of several items into the same resolution. For wider appreciation, all Company notices and circulars are written and published in English. The Notice of AGSM also provides the following information:

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

The Notice of the 2018 AGSM was published in BusinessWorld and The Philippine Star on June 13, 2018 and was also available in the Company's website through the following link: <https://bit.ly/2XsHumq>

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

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

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

The blackout period begins 30 calendar days prior to the disclosure of the annual financial results until two full trading days thereafter. For the quarterly results, the blackout period begins 15 calendar days before the structured disclosure until two full trading days after the date of the disclosure. In cases of non-structured disclosures of other material information, employees in possession of price-sensitive information are reminded not to trade in the Company's shares from the time

they come into possession of any material information and up to two full trading days after the information is disclosed to the public. Below is the schedule of the Company's blackout period vis-a-vis the date of disclosures for 2018.

Nature of Report	Date of Disclosure (2018)	Blackout Period (2018)
FY 2017 Financial and Operating Results	27 February	26 January - 01 March
1Q 2018 Results	09 May	23 April - 11 May
1H 2018 Results	25 July	10 - 27 July
9M 2018 Results	24 October	09 - 26 October

In 2018, there were no cases of Insider Trading and Abusive Dealing during Trading Blackouts that were reported nor received by the Company.

Policy on Dealings in Company Shares of Stocks

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

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

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

In 2018, there were no reported violations of the Company's Policy on Dealings in Company Shares of Stocks.

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

The Company strictly adheres to the guidelines covering security dealings to comply with existing government regulations and to promote fairness. Changes in the

personal shareholdings of directors and key company officers resulting from open-market transactions, or the grant of shares from incentive-based schemes implemented by the Company, are reported to the SEC and the PSE within the specified deadlines.

In 2018, the Initial Beneficial Ownership of Mr. Gonzalo T. Duque, a nominee Director of SSS was disclosed February 28, 2018, the date of his appointment as approved by the Board of Directors.

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

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

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

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

For 2018, the committee reviewed the Subscription Agreement in relation to the Company's subscription to 260,000,000 common shares of PXP Energy Corporation.

Conflict of Interest Policy

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

The directors, employees, or consultants concerned shall inhibit themselves from any direct or indirect participation or involvement at any stage of the transactional process flow where they are conflicted. These persons are also not allowed to sign any paper or document related to the transaction. The Company shall not, directly or indirectly through any subsidiary or affiliate, grant or arrange for any credit, or extensions thereof, in the form of personal loans to any directors or officers, unless allowed by applicable laws and regulations.

In 2018, there were no violations of the Conflict of Interest Policy reported by Company directors, employees, and consultants.

B.5. Protecting Minority Shareholders from Abusive Actions

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

1. Emphasis on the fiduciary responsibilities of the Board, the officers of the Company and its shareholders, as well as the duties of care and exercise of prudence;
2. Avoidance of conflicts of interest and prompt disclosure of potential conflict;
3. Prompt, full, and fair disclosure of material information;
4. Formulation of other policies towards prevention of actions that will favor the controlling interest or major shareholders at the expense of the minority shareholders; and
5. Adoption of policies on Related Party Transactions which ensures that:
 - Related Party Transactions, that can be classified as financial assistance to entities that are considered as the Company's subsidiaries, are all disclosed in the Company's financial statements; and
 - Related Party Transactions should be conducted in a way that ensures fair and at-arm's-length dealings.

In 2018, the Company complied with all the key guidelines discussed above.

C. ROLE OF STAKEHOLDERS

C.1. Respecting Rights of Stakeholders

Customers

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

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

The following are the activities conducted to ensure the health and safety of the Company's customers:

1. Product Safety

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

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

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

In 2018, the Company satisfied the conditions for the 12 shipments of copper concentrates to Pan Pacific Copper Co., Ltd. Transamine Trading SA, and IXM S.A.

2. Shipment Safety

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

- Single deck bulk carrier, seaworthy in all respects;
- With clear holds and hatchway suitable for normal grab discharge;
- Classified as 100A at Lloyd's of London or equivalent;
- Compliant with the ISM code;
- No more than 20 years of age; and
- Able to meet berth accommodation restrictions.

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

In 2018, all of the Company's 12 shipments of concentrates followed and complied with the guidelines cited above.

3. Customer Safety

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

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

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

Vendor Relations

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

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

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

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

1. For vendor accreditation:
 - Prospective vendors must accomplish detailed forms that require information regarding their financial condition, ownership, product lines, agreements with respective principals/OEM,

experience, and expertise.

- For new vendors seeking accreditation, a New Vendor Accreditation Application Form (NVAAF) must be filled up. Existing vendors, on the other hand, must update their information periodically through the submission of a duly accomplished Existing Vendor Information Update Form (EVIUF).
- A review of each vendor's selected financial ratios is undertaken as part of the accreditation process.
- Vendors must submit a written statement confirming that all information provided are true and correct, that they will comply with terms of contract and that they will avoid conflict of interest and observe ethical and fair practices.

2. Purchases will be made on the basis of a competitive bidding.
3. The Company shall monitor risk indicators that may impact its supply chain operations to avoid delays or the stoppage of operations.

In 2018, the Company did not receive any reports of violations of the Company's Vendor Relations Policy.

Environment

The Company contributed P165 million to Environmental Protection and Enhancement Program (EPEP) initiatives in 2018.

2018 ANNUAL ENVIRONMENTAL PROTECTION AND ENHANCEMENT PROGRAM (EPEP) (in P Millions)	
Land Resource Management	44
Water Resources Management	109
Hazardous and Toxic Waste Management	6
Air Quality Management	2
Conservation Values	3
Environmental Research and Monitoring Activities*	1
TOTAL	165

* Refers to the activities of the Mine Rehabilitation Fund Committee (MRFC) and the Multi-Partite Monitoring Team (MMT).

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

In the care and maintenance projects at SMMCI, PGPI's Bulawan and Sibutad, the cost incurred for environment protection and enhancement totals to P19 million, comprising of ambient air and water monitoring, soil erosion control and prevention, establishment of new plantations and maintenance and protection of established reforestations.

The care and maintenance plans/programs of the projects are submitted and approved by the Mines and Geosciences Bureau–Department of Environment and Natural Resources in lieu of the Environmental Protection and Enhancement Program (EPEP), while the projects are not operating.

For further details of the Company's Environmental Protection and Enhancement activities, please see page 62.

Communities

*Social Development and Management Program (SDMP)
Compliance to DENR Regulations*

Pursuant to R.A. 7942's Implementing Rules and Regulations (IRR), DAO 2010-21 Sec.134:

- The amount of SDMP should be equivalent to at least 1.5% of a mining company's total operating costs, with allocation on Development of host and neighboring communities (DHNC) Information Education Communication (IEC) and Development of Mining Technology and Geo-Sciences (DMTG)
- The SDMP shall be, in consultation and in partnership with the host and neighboring communities, actively promoted and should cover and include all plans, projects, and activities of the Contractor/Permit Holder/Lessee towards

enhancing the development of the host and neighboring communities.

In 2018, the Company spent 124.2M for its mandated SDMP as shown in the table below.

2018 SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM (SDMP) (in P millions)	
Item	Amount
Human Resources and Capacity Development	0.7
Health	9.8
Education	21.6
Livelihood	5.7
Public Infrastructure	39.9
Socio-Cultural Development	3.1
Community Development	1.3
Development of Host and Neighboring Communities (DHNC)	81.5
Information, Education, and Communication (IEC)	23.2
Development of Mining Technology and Geosciences (DMTG)	19.6
	124.2*

* Including carry-over project expenses from 2015-2017

For further details of the Company's Social Development Management Program (SDMP) activities, please see page 76.

Anti-corruption Programs and Procedures

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

a. Policy on Gifts, Entertainment and Sponsored Travel

Issued on February 26, 2014, the Company's Policy on Gifts, Entertainment, and Sponsored Travel is available on the Company's website through the following link: <https://bit.ly/2xC3lzk>.

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

In 2018, the Company did not receive any reports of violations of the Company's Policy on Gifts, Entertainment, and Sponsored Travel.

b. Supply Chain Management Conduct

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

To promote this endeavor, a Supply Chain Management Conduct Policy has been adopted since 2012 to avoid impropriety in the conduct of purchasing supplies and services. The policy also contains provisions to avoid conflict of interest where an employee has an interest in another company dealing with the PMC, among others.

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

In 2018, the Company did not receive any reports of violations of the Company's Supply Chain Management Conduct Policy.

Creditors

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

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

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

As a testimony to this, the Parent Company repaid P415 million bringing total short-term debt to P2.2 billion as of December 31, 2018.

Programs and Activities

The rights of major creditors are protected by publicly disclosing all material information, such as earnings results and risk exposures relating to loan covenants. PMC's disclosures, controls, and procedures also include periodic reports to creditors, such as the latest certified financial statements, among others. The Company also conducts regular investors', analysts', and press briefings for updates on the Company's operations and current financial position. In 2018, the Company submitted 69 disclosures covering periodic reports to creditors, such as the latest certified financial statements, among others.

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

The Company provides contact details, via the Company's website, which stakeholders (e.g., customers, suppliers, general public, etc.) can use to

voice their concerns and/or complaints for possible violation of their rights.

In 2018, there were no reports of violations of shareholders' rights received through different communication channels.

C.3. Performance-enhancing Mechanisms for Employees

Employee Development Programs

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

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

1. Pay for performance;
2. Pay for competencies and skills;
3. Pay competitively versus local competitors and other comparative companies;
4. Provide a total rewards package that includes pay, benefits, employee recognition, employee development, and a work environment conducive to high performance; and
5. Benchmark against an effective performance management process.

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

1. Enable qualified participants who are largely responsible for the further growth and development of the Philex Group of Companies to obtain an ownership interest in the Company;
2. Encourage long-term commitment to the Group;
3. Motivate them to continue their efforts in contributing to the long-term financial success of the Group; and
4. Encourage other talents needed for the business to join the Group.

Please see page 86 for further details.

Environment, Health, and Safety Programs

The Company is committed to maintain good environmental, health, and safety (EHS) practices and standards at all times.

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

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

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

Please see page 76 for further details.

Site Safety Policy

Having a certificate on Occupational Safety and Health Standards (OSHAS 18001), the Company adheres to a Site Safety Policy and is committed to the highest levels of health and safety programs to ensure every stakeholder's safety, and espouses loss prevention as a way of life. PMC strives to maintain a sound and safe working place to prevent injury, illness, property damage, and loss to processes in compliance with all relevant legislations and the preservation of the environment as well.

Safety Performance

Personnel health and safety is of paramount concern and regarded with utmost priority. In 2018, the

Company reported for its Padcal Mine one (1) Lost Time Accident-Fatal incidents. Meanwhile, in terms of Lost Time Accident Non-Fatal events, there were five recorded in 2018.

The Company is targeting a "zero-harm" record through constant reviews of safety policies and procedures. Various initiatives are being implemented to minimize the occurrence of accidents and injuries in the workplace. Third-party experts are likewise engaged to assess existing safety performance and identify risk areas.

C.4. Means of Communication of Illegal or Unethical Whistle Blowing Policy

In accordance with the Company's adherence to the principles of good governance, the Whistle Blowing Policy has been adopted since February 25, 2014 to provide a system and venue for the proper submission, handling, or resolution of employees' complaints or disclosures regarding violations of corporate governance rules, questionable accounting or auditing matters, and offenses covered by the Company's existing Code of Discipline or equivalent policy.

Confidentiality

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

Anonymous Reporting

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

Protection from Retaliation

Subject to the provisions of Malicious Allegations, and without prejudice to legally mandated courses of action to protect one's right, baseless and illegal retaliation against any whistleblower or witness is

prohibited and will be dealt with in accordance with this Policy, other relevant Company policies and rules, and applicable laws. A whistleblower or witness who will identify himself or herself shall be protected from retaliation.

Malicious Allegations

In case the Appropriate Investigating Unit (AIU), to which a (whistleblower) complaint has been referred to, should determine that, after investigation, the whistleblower and/or witness has made baseless, untruthful, fabricated, malicious, or vexatious allegations, and particularly if he/she persist in making such, disciplinary action may be taken against the whistleblower and witness in accordance with pertinent Company policies and rules and applicable laws in order to protect the good name of the persons that may have been unjustly accused or implicated.

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

In 2018, there were no instances of whistleblowing received by appropriate Company officials. The policy is available in the Company's website: <https://bit.ly/2JBuqZh>

D. DISCLOSURE AND TRANSPARENCY

D.1. Transparent Ownership Structure

The list of registered stockholders owning five (5%) percent or more of the Company's stock as of December 31, 2018 are as follows:

Title of Class	Name of Beneficial Owner and Relationship with Record Owner	No. of Shares	%
Common	PCD Nominee Corporation (PCD)	1,037,997,267	21.0
Common	Asia Link B.V.	1,023,275,990	20.7
Common	Social Security System	992,679,729	20.1
Common	Two Rivers Pacific Holdings Corp.	738,871,510	15.0

Direct and Indirect Shareholding of Directors and Senior Management (Section D.4) : page 108
Corporate Structure: page 5

D.2. Quality of Annual Report

The Company's Annual Report contains the following information, which can be found on the sections and pages specified below:

- Major Business Risks 117
- Corporate Objectives 11
- Key Performance Indicators (Financial and Non-Financial) 10
- Dividend Policy 96
- Details of Whistle Blowing Policy 106
- Biographical Details of Directors 18
- Training and/or Continuing Education Programs Attended by Directors 116
- Number of Board of Directors meetings held and attendance during the year 113
- Details of Remuneration of Each Director 114
- Corporate Governance Confirmation Statement 96

D.3. Disclosure of Related Party Transactions

Related Party Transactions

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

The Company has extended loans and advances to some of its subsidiaries, which were presented under Notes 13 and 23 of the Notes to the Company's 2018 Consolidated Financial Statements on Related Party Transactions.

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

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

There were no changes in the dealings and shareholdings of the Company's directors and senior management for 2018.

Dealings and Shareholdings of the Company's Directors and Senior Management for 2018:

Title of Class	Number of Shares (Direct Ownership)
DIRECTORS	
Manuel V. Pangilinan	4,655,000
Eulalio B. Austin Jr.	1,360,937
Barbara Anne C. Migallos	203,875
Michael G. Regino	1
Edward A. Tortorici**	3,285,100
Gonzalo T. Duque	1
Anita B. Quitain	1
Marilyn A. Victorino-Aquino	500,100
Oscar J. Hilado	173
Robert C. Nicholson**	1,250
Wilfredo A. Paras	1
KEY OFFICERS	
Common	
Danny Y. Yu	40,000
Joan A. De Venecia	-
Redempta P. Baluda*	20
Victor A. Francisco	50,000
Michael T. Toledo	-
Directors and Key Officers as a Group	10,096,459

* Ms. Redempta P. Baluda officially retired on January 02, 2018

** Messrs. Edward A. Tortorici and Robert C. Nicholson officially retired on January 30, 2018. The above directors and executive officers have no indirectly owned shares other than the above.

D.5. Audit Fees

Audit and Audit-Related Fees

The Company's external auditors were engaged primarily to express an opinion on the financial statements of the Company and its subsidiaries. The audit, however, included the auditors providing assistance to the Company in the review of its income tax return in as far as ensuring the agreement of the reported income and costs and expenses in the return with the recorded amounts in the books. The procedures conducted for this engagement included those that are necessary under auditing standards generally accepted in the Philippines but did not include detailed verification of the accuracy and completeness of the reported income and costs and expenses. The audit fees for these services for the entire Philex Group (excluding PXP group) P5.04 million for 2018.

Non-Audit Fees

The Company has not engaged the external auditors for any other services for 2018.

All audit and non-audit engagements were approved by the Company's Audit Committee

D.6. MEDIUM OF COMMUNICATIONS

Quarterly Reports

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

PMC addresses various information requirements of the investing public through the Investor Relations Division. The Company dutifully accomplishes and submits quarterly and annual reports on or even before the deadline prescribed by the regulatory agencies.

In 2018, the Company submitted to the PSE and filed with the SEC the required quarterly reports on or before the prescribed deadline.

Company Website

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

The Company is committed to the highest standards of disclosure, transparency, and fairness in information dissemination. The Company provides the public with

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

Analysts' Briefings

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

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

In relation to this, the Company held four analysts' briefings in 2018, three quarterly briefings and one annual briefing all conducted via teleconference, to update the investing public and shareholders on the Company's performance.

Media Briefings and Press Conferences

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

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

The Public and Regulatory Affairs Group handles the Company's public, media, and government relations functions.

Media briefings are conducted after the Annual Shareholders' Meeting. Copies of the media releases can be found in the above link in the Company's website. In 2018, the Company disclosed 12 press releases on various developments affecting the Company.

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

Financial Reports

The Company's audited annual results were disclosed on March 21, 2019.

The Company's SEC Form 17-A (Annual Report) was released on April 12, 2019 to the PSE and the SEC. The true and fair representation of the Audited Financial Statements and the Annual Report has been affirmed by the Chairman of the Board of Directors, the President/CEO, and the CFO in the Statement of Management Responsibility.

Company Website

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

Information Website Links:

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

D.8. Investor Relations

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

Mr. Paul C. Cheah

Division Manager - Investor Relations

Telephone No.: (632) 631-1381 to 88

Email: philex@philexmining.com.ph

E. RESPONSIBILITIES OF THE BOARD

E.1. Board Duties and Responsibilities

Corporate Governance Manual

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

The structures and processes set forth in the RMCG, the Articles of Incorporation and the By-Laws, are in conjunction with the Company's commitment to the corporate governance principles of transparency, accountability, fairness, and integrity. In addition, the various corporate governance policies adopted by the Board and the revised Charters of the different Committees, form the Company's basic framework of governance, by which its Board, officers, executives, and employees shall strive to achieve. These ensure that the Company achieve its strategic objectives, create value for all its shareholders, and sustain its long-term viability.

The RMCG shall apply suppletorily to the Company's Articles of Incorporation, as amended, Corporate By-Laws, the Securities Regulation Code, and the

Corporation Code of the Philippines but shall, in no way, supersede the same.

Types of Decisions that Require Board Approval

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

Roles and Responsibilities of the Board

Each director has a three-fold duty of obedience, diligence, and loyalty to the corporation he/she serves. A director shall:

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

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

On May 30, 2017, the Board approved the Company's Board Charter which sets forth the Board's purposes, authority, duties and responsibilities, structures, and procedures in accordance with the SEC-issued Code of Corporate Governance. The Company's Board Charter is available in the following link in the Company's website: <https://bit.ly/2kOvhqG>.

Vision and Mission

The Company's vision is to be a highly respected, world-class natural resource company, committed to deliver

excellent value to its investors, employees, and other stakeholders. Its mission is to become a responsible mining corporation that discovers and processes minerals and energy resources for the use of society.

On November 28, 2018, the Company's management and the Board of Directors reviewed, revised and approved its vision, mission, core business principles of integrity, teamwork, work excellence, respect for individuals, corporate responsibility, and social and environmental responsibility, and the updated corporate strategy for 2019.

E.2. Board Structure

Code of Business Conduct and Ethics

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

Board Structure and Composition

Independent Directors

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

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

The Board Committee

The Company, at the meeting of the Board of Directors held last April 26, 2017, approved the creation of the Company's Related Party Transaction Committee and its Committee Charter, and the Amended Corporate

Governance Committee Charter. On a separate meeting held on May 30, 2017 the Board likewise approved the:

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

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

Nomination Committee Charter

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

Work Done and Issues Addressed

In 2018, the Nomination Committee had 2 meetings.

During the May 2018 meeting the Nomination Committee screened the nominee directors to determine whether they have all the qualifications and none of the disqualifications for election to the Company's Board of Directors.

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

Compensation Committee

Charter

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

Work Done and Issues Addressed

The Compensation Committee did not meet in 2018.

Audit Committee

Charter

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

Work Done and Issues Addressed

In 2018, the Audit Committee had five meetings. On

February 27, 2018, the Committee reviewed the 2017 AFS, discussed Key Audit Matters with the external auditor and recommended the financial reports and corresponding disclosures for Board approval. It likewise reviewed and approved the external auditors' scope of work and all audit fees. On May 2, July 24, and October 22 and November 26, 2018, the Chief Audit Executive, Geraldine B. Ateo-an, presented the Internal Audit Plan, the Internal Audit Quarterly Accomplishment Reports, and various Internal Audit findings. The Chief Financial Officer also presented Quarterly Financial Performance vis-à-vis the previous years and against budget. The Committee likewise reviewed the Company's internal control and risk management system and discussed First Pacific Code of Corporate Governance practices questionnaire for compliance and submission to First Pacific Company Limited. On November 26, 2018, the Committee approved the 2019 audit plan.

Corporate Governance Committee

Charter

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

Work Done and Issues Addressed

The Corporate Governance Committee had two meetings. On May 02 and 29, 2018, the Committee discussed the Integrated Annual Corporate Governance Report and likewise endorsed for Board approval the following Corporate Governance policies:

1. Succession Planning Policy;
2. Revised Board Diversity Policy;
3. IT Governance Framework; and
4. Assessment Forms for Chief Audit Executive, Chief Compliance Officer, and Chief Risk Officer.

Finance Committee

Charter

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

Work Done and Issues Addressed

In 2018, the Finance Committee held two meetings, on January 08 and April 19 to discuss and evaluate the management's recommendations for a possible hedging position.

Board Risk Oversight Committee

Charter

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

Work Done and Issues Addressed

The Board Risk Oversight Committee had two meetings.

On February 26 and October 22, 2018, the Committee reviewed the Top 5 Enterprise Risks (Regulatory, Financial, Strategic, and Operational) of the Philex Group for the first and second semesters of 2018, respectively, and recommended the action plans and corresponding mitigating measures to address the said risks.

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

E.3. Board Processes

Attendance

The Board has a predetermined schedule of meetings at the beginning of the calendar year. Discussions during these meetings are open, and independent views are given due consideration. As necessary, the Board likewise holds meetings through telecommunications or other electronic media.

A separate meeting of non-executive directors without the presence of the CEO or any of the executive officers is held at least once a year. A separate meeting without the presence of the CEO and other executive officers was held on July 25, 2018 to evaluate the performance of the CEO for the year 2017.

Director's Attendance in Board and Board Committee Meetings for 2018:

Directors	Board Attendance	Committees						
		Nominations	Audit	CG	BROC	Silangan	Finance	RPT
Manuel V. Pangilinan	7/7	2/2						
Eulalio B. Austin Jr.	7/7					3/3	2/2	
Barbara Anne C. Migallos	7/7							
Michael G. Regino	7/7		1/2		2/2	3/3		
Edward A. Tortorici	5/7					2/3		
Gonzalo T. Duque	7/7	2/2					2/2	
Anita B. Quitain	7/7		3/3					
Marilyn A. Victorino-Aquino	7/7	2/2	5/5	2/2	2/2	3/3		1/1
Oscar J. Hilado	7/7		5/5	2/2	2/2		2/2	1/1
Robert C. Nicholson	7/7	2/2	5/5		2/2	3/3	2/2	
Wilfredo A. Paras	7/7	2/2	5/5	2/2	2/2			1/1

Access to Information

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

Corporate Secretary

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

Board Appointments and Re-election

The directors are elected by the shareholders at the ASM. Each director shall serve a one-year term and until their successors are elected and qualified. Any vacancy in the Board before the end of the term shall be filled in accordance with applicable law and rules. As needed, the Board may use professional search firms to fill in the vacancies of the Board. The guidelines are set forth in the link provided below: <https://bit.ly/2xNuOy3>

Remuneration Matters**Remuneration Policy**

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

Total Remuneration of Directors:

Individual Director Remuneration

In 2018, a total of P21.8 million was paid to all executive and non-executive directors, details of which are as follows:

Name	Position	Amount (P)
Manuel V. Pangilinan	Chairman	1.9
Eulalio B. Austin Jr.*	President & Chief Executive Officer	1.9
Marilyn A. Victorio-Aquino	Non-Executive Director	2.3
Oscar J. Hilado	Independent Director	2.2
Barbara Anne C. Migallos	Executive Director	2.3
Robert C. Nicholson	Non-Executive Director	2.2
Wilfredo A. Paras	Independent Director	2.2
Edward A. Tortorici	Non-Executive Director	1.7
Jose Gabriel M. La Vina**	Non-Executive Director	1.3
Michael G. Regino	Non-Executive Director	1.8
Anita B. Quitain	Non-Executive Director	1.7
Gonzalo T. Duque	Non-Executive Director	0.3
Total		21.8

* The amount paid to Mr. Eulalio B. Austin, Jr. is inclusive of his compensation as President and Chief Executive Officer as stated in the summary compensation table above.

** Mr. Jose Gabriel M. Lavina officially resigned as Director of Philex Mining Corporation effective on February 22, 2018.

A total of P5.08 million was remitted directly and made payable to SSS, which covers the director fees paid to SSS nominee directors, Jose Gabriel M. Lavina, Michael G. Regino, Gonzalo T. Duque and Anita B. Quitain.

President and CEO

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

Key Officers

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

Compliance Officer

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

Internal Audit

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

The role of the Internal Auditor is to provide independent, objective assurance and consulting services to the management designed to add value and improve the Company's operations.

The role also includes ensuring the adequacy of the network of risk management, control, and governance processes.

As provided in the Audit Committee Charter, the CAE provided a Quarterly Internal Audit Report to the Audit Committee on February 27, May 02, July 24, and October 22, 2018, on the internal audit organization's activities, purposes, authorities, responsibilities, and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report includes significant risk exposures and control issues, corporate governance issues, evaluation of compliance with the Code of Conduct for the management, and other matters requested by the Committee or the Board.

E.4. People on the Board

Chairman

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

The President and CEO attended all nine meetings held in 2017 and has been responsible for the general care, management, and administration of the Company's business. He likewise reported on the results of the Company's operations, ensuring that financial and internal controls are adequate and effective.

The President and CEO has provided leadership in developing and implementing business strategies, policies, processes, and budgets to the extent approved by the Board, and took the lead in identifying and managing operational, financial, and other business risks.

Board Diversity Policy

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

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

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

E.5. Board Performance

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

Assessment of Chief Audit Executive, Chief Risk Officer and Chief Compliance Officer

The Board shall include in the Performance Appraisal the assessment of the Chief Audit Executive, the Chief Risk Officer and the Chief Compliance Officer.

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

Performance Evaluation	Self-Assessment	Evaluated By
Board of Directors	/	Individual Director
Individual Director	/	Individual Director
Board Committees	/	Member of the Committee
President & CEO	n/a	Individual Director
Chief Audit Executive	n/a	Audit Committee Members
Chief Compliance Officer	n/a	CG Committee Members
Chief Risk Officer	n/a	BROC

The Board conducted a performance evaluation last July 25, 2018 covering the year 2017 performance individually and as a Board.

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

Directors' and Officers' Orientation and Training Policy

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

Name	Date of Training	Program	Name of Training Institution/Sponsor
Manuel V. Pangilinan Robert C. Nicholson Edward A. Tortorici	October 19, 2018	Cyber Security and Synopsis on Corporate Governance, Legal and Regulatory Issues	PWC and Mr. Graham Winter of Gibson Dunn/ First Pacific Company Limited
Eulalio B. Austin, Jr.	October 11, 2018	Sustainability, Block Chain Technology and Data Privacy	GGAPP 6 th Annual Forum on Good Governance, Ethics and Compliance: Keeping Pace with a Dynamic Corporate Landscape
Marilyn A. Victorio-Aquino Michael G. Regino Anita B. Quitain Gonzalo T. Duque Barbara Anne C. Migallos Wilfredo A. Paras	November 16, 2018	Sustainability Strategy in a Disruptive Business Environment: ESG Best Practices and Compliance Issues; and Blockchain Technology Use Cases and Strategic Benefits, Risks and Governance Issues	Annual Corporate Governance Enhancement Session of PLDT, SMART, MERALCO, MPIC and Philex Mining Corporation
Oscar J. Hilado	July 02, 2018	Corporate Governance Seminar	SGV & Co.
Danny Y. Yu Joan A. De Venecia Victor A. Francisco	October 11, 2018	Sustainability, Block Chain Technology and Data Privacy	GGAPP 6 th Annual Forum on Good Governance, Ethics and Compliance: Keeping Pace with a Dynamic Corporate Landscape
Redempta P. Baluda	Dec. 11-12, 2018.	"Building the Country, Securing the Future: The Role of Filipino Geoscientists"	Annual Geological Convention (GEOCON 2018)
Michael T. Toledo	November 16, 2018	Sustainability Strategy in a Disruptive Business Environment: ESG Best Practices and Compliance Issues; and Blockchain Technology Use Cases and Strategic Benefits, Risks and Governance Issues	Annual Corporate Governance Enhancement Session of PLDT, SMART, MERALCO, MPIC and Philex Mining Corporation



RISK MANAGEMENT

RISK MANAGEMENT SYSTEM

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

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

The statement of adequacy of the Company’s internal controls and risk management system can be found on page ___ of this Annual and Sustainability Report.

Regulatory

Regulatory risks are changes in regulations, policies, and law that will affect the mining industry and Company in particular.

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

- Issuance of DENR show cause order for the cancellation of 75 MPSAs. In addition to the closure order on 23 operating mines, the DENR also issued a show cause order for the cancellation of 75 MPSAs across the country, which includes those that were awarded to PMC and its subsidiaries. As of this writing, the DENR has yet to respond to PMC’s

reply to the show cause letter dated 24 February 2017, stating the validity of the Company’s MPSAs.

- Release of DAO-2017-10 banning the use of open-pit mining. The DENR also ordered the ban on the use of open-pit mining method in the country under DENR Department Administrative Order (“DAO”) 2017-10. The MICC, co-chaired by the Department of Finance and the DENR, recommended the lifting of DAO-2017-10. The Philippine Mining Act of 1995 allows surface mining, similar to the open-pit mining method practiced in advanced economies like Canada, Australia, and the United States of America.

Strategic

Strategic risks are internal and external events and scenarios that could impede the organization’s ability to achieve its strategic objectives and long-term growth targets.

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

- Failure to extend Padcal’s life of mine. While exploration activities for new ore sources within surrounding areas of Padcal are on-going, PMC is contending with various issues in identifying potential sites causing unforeseen delays in exploration timelines.
- Delay in launching Silangan due to DAO-2017-10. The Company’s Silangan project has secured and currently maintains all major permits from the (“DENR”) including environmental compliance certification (“ECC”), a tree-cutting permit and approved Declaration of Mining Project Feasibility. However, DAO-2017-10, which bans the use of open pit mining method, is still being enforced. As a result, the Company is currently working

to secure all major and requisite approvals to employ underground mining for the Silangan project. In the meantime, community development and environment enhancement programs are continuing in compliance with the ECC conditions and environmental, social and governance (ESG) commitments to the local communities.

Financial

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

- Difficulty in raising funds due to industry sentiment. The next step in Silangan's development is project financing, which is currently on hold due to DAO-2017-10. In addition, the regulatory environment in the mining industry has undermined the true value of the Silangan project. The Company is constantly engaging concerned parties and educating the public on the real benefits of mining. Likewise, the Chamber of Mines of the Philippines, through the initial steps taken by Philex, has formally signed an agreement with the Mining Association of Canada to adopt the Towards Sustainable Mining (TSM) Initiative in the local setting.
- Possible write-off of mining assets. The Company has a number of mining tenements in various areas nationwide. These assets are the subject of provisions, which can have material impact on the Company's financial position. PMC is constantly exploring joint ventures or farm-in/out agreements, with interested parties, to reflect their fair value in the balance sheet. In addition, the Company has provided appropriate allowance for long outstanding projects.

Operational

Operational risks are developments that could disrupt normal operations and affect the overall occupational health and safety performance at Padcal Mine, whether natural or man-made.

- Declining ore-grade situation and tonnage due to the mature state of the Padcal ore body. Marginal ore grades are inherent within the fringes of the

mineral body contributing to lower overall metal output. Less valuable mineral concentrations are typically encountered when extracting ore away from the core of the deposit.

- Acts of terrorism and insurgency threats. An incident of terrorism transpired in 2017, which affected the transport of ore from the Padcal mine site to the Poro Port installation for shipment. The Company has since increased vigilance among residents within the camp and coordinated with various groups to identify and deter possible threats.
- Adverse underground conditions at Padcal mine. The unpredictable ground conditions in the current ore body, coupled with the presence of bouldery ore and risks of mud rush events, have impacted operations, resulting in lower tonnage and metal output in 2018. To improve operating performance, the Company is presently installing new equipment and commissioning other sub-mining levels. Initial results have shown positive outcome.

Environmental, Natural and Social

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

- Environmental incidents. To manage the risk, the Company puts a great amount of effort and invests a substantial amount of resources into environmental protection and rehabilitation through its Environmental Protection and Enhancement Program. This is in addition to ensuring compliance with all applicable environmental laws and regulations. As a manifestation of its commitment to responsible and sustainable mineral resource development, the Company has adopted an environmental policy statement, which is consistent with ISO 14001 Certification on Environmental Management Systems. The Company is currently negotiating for pollution liability insurance coverage in case of environmental pollution-related events.

- Natural calamities. In addition, natural disasters, such as earthquakes, floods and landslides, could also hamper Company operations. Such natural disasters could, among other things, damage Company facilities and surrounding infrastructure, block access to its mining assets, injure personnel and result in a suspension of its operations for an undeterminable period of time, all of which could materially and adversely affect its business, financial condition, results of operations and prospects. The Company is covered by a comprehensive insurance policy, with a business interruption clause, to respond to such eventualities and disruptions.
- Social License to Operate. The Company ensures strict compliance with all the applicable social laws, rules, and regulations covering it as a mining company. In addition, the Company

strongly adheres to its Social Development Management Program, and oftentimes exceeds the requirements set by the government, through the provision of health, educational, livelihood, and public infrastructure services to its host and neighboring communities, to constantly secure community endorsement and public approval for its operations. In addition, the Company is aligning with ISO 26000 - Guidelines on Social Responsibility standards to assess and address corporate social responsibility concerns and effectively strengthen its social license to operate.



OFFICERS AND STAFF

Philex Officers

Eulalio B. Austin, Jr.

President and Chief Executive Officer

Barbara Anne C. Migallos

Corporate Secretary

Danny Y. Yu

*Chief Finance Officer, Chief Compliance Officer,
Chief Risk Officer, and Corporate Governance Officer*

Michael T. Toledo

Senior Vice-President, Public and Regulatory Affairs

Vic Morris A. Yodong

Vice-President, Padcal Resident Manager

Victor A. Francisco

Vice-President, Environment and Community Relations

Jonas Emanuel S. Santos

*Vice-President, General Counsel
and Data Privacy Officer*

SMMCI Officers

Eulalio B. Austin, Jr.

President and Chief Executive Officer

Barbara Anne C. Migallos

Corporate Secretary

Michael T. Toledo

Chief Operating Officer

Danny Y. Yu

Treasurer

Paraluman M. Navarro

Controller

Philex Head Office Staff

Paraluman M. Navarro

Assistant Vice-President, Corporate Finance

Geraldine B. Ateo-an

Division Manager, Internal Audit

Francis Joseph G. Ballesteros, Jr.

Division Manager, Public and Regulatory Affairs

Paul C. Cheah

*Division Manager, Investor Relations, Corporate
Governance and Risk Management*

Victor B. Maglambayan

Division Manager, Exploration

Noel C. Oliveros

Division Manager, Exploration

Vengal A. Romero

*Division Manager, Corporate Technical Services and
Business Development*

Horacio R. Hernandez, Jr.

Group Manager, Corporate Information Technology

Roy Ronald C. Luis

Group Manager, Exploration

Eileen C. Rodriguez

Group Manager, Treasury

Jocelyn S. Sinajon

Group Manager, Human Resources

Philex Padcal Mine Staff

Roy P. Mangali

*Assistant Vice-President, Padcal Assistant
Resident Manager*

Milton L. Agyao

Division Manager, Mill

Eduardo M. Aratas

Division Manager, Legal

Ricardo S. Dolipas III

Division Manager, Mine

William D. Agustin

Group Manager, Mine Mechanical

Roselyn M. Dahilan

Group Manager, Padcal Finance

Paul M. Lumpias

Group Manager, Mine Operations

Lionel L. Wanawan

Group Manager, Legal

Victor J. Andalesio

Group Manager, Assay

CORPORATE DIRECTORY

Head Office

2nd Floor, Launchpad
 Reliance Street corner Sheridan Street,
 Mandaluyong City 1550
 Philippines
 Tel: +63 2 631-1381 to 88
 Fax: +63 2 633-3234 / 634-4441
 Email: philex@philexmining.com.ph

Padcal Mine Site

Tuba, Benguet
 Philippines
 Smart FCT: +63 919 540-0796
 +63 918 919-3266

Poro Installation

Poro Point
 San Fernando, La Union
 Philippines
 Tel: +63 72 242-1346

Silangan Mindanao Mining Co., Inc.

2nd Floor, LaunchPad
 Reliance Street corner Sheridan Street,
 Mandaluyong City 1550
 Philippines
 Tel: +63 2 631-1381 to 88

Barangay Timamana, Tubod,
 Surigao del Norte

Independent Public Accountants

SyCip Gorres Velayo & Co.

Transfer Agent

Stock Transfer Services, Inc.
 34th Floor Rufino Plaza, Ayala Avenue,
 Makati City
 Tel: +63 2 403-2410 or +63 2 403-2412
 Fax: +63 2 403-2414
 Email: amlavina@stocktransfer.com.ph

Legal Counsel

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

Bankers

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

Corporate Website

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

Philippine Stock Exchange Code:

PX

