

A BRAVE NEW DAY

2020 ANNUAL AND SUSTAINABILITY REPORT



PHILEX MINING
CORPORATION



ABOUT THE THEME



2020 was a difficult and challenging year for everyone. With COVID-19 threatening lives and livelihoods, we acted swiftly to safeguard our employees, contractors, and communities, and to keep our operations running safely and smoothly.

Our response to the pandemic, our safety performance, as well as our sustained operations that resulted in a strong financial position were a demonstration of Philex at its best. Our success was also due, in no small part, to the remarkable effort of our entire workforce who stood by the Company and for each other during this difficult time.

While economies and businesses all over the world are transitioning to the "new normal" and dealing with the economic fallout from COVID-19, we are already setting our sights on a BRAVE NEW DAY.

We see this "new day" filled with fresh opportunities for the development of our Silangan Mine with the government's extension of our Mineral Production Sharing Agreement. It also conveys hope for the Philippine economy, with the mining industry playing a unique role in the recovery, as it continues to generate much-needed employment in the countryside, assistance through social expenditures, and export revenues, among others.

We remain brave and committed to playing our part in the nation's recovery efforts — efficiently, responsibly, and sustainably — creating value for all stakeholders while safeguarding the environment and respecting our host communities.



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ABOUT OUR REPORT



This is the third integrated Annual and Sustainability Report (ASR) of Philex, which combines our financial and sustainability performance disclosures to provide the public with a more holistic view of our Company.

Reporting Scope and Boundary

The Report covers the financial and sustainability performance of the Padcal Mine, our main source of revenue, for the reporting period of January 1 to December 31, 2020. We also provide 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.

Reporting Standards

We prepared the Report 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.

Based on the guidelines, we reported key information in two parts: disclosures and management approaches. Disclosures reflect our most material economic, environmental, and social topics based on the results of our comprehensive materiality assessment and stakeholder engagement. Disclosures are quantifiable and measurable and provide a snapshot of our financial and sustainability achievements for the reporting period. Management approaches explain how we manage our impacts on the economy, environment, and society. These management approaches are in the form of company policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, as well as processes, projects, programs, and initiatives.

Feedback

We welcome feedback and appreciate suggestions on how to make the Report more applicable and useful to our various stakeholders. You may contact us at:

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OUR RESPONSIBLE BUSINESS

Philex: One of Southeast Asia's Oldest Gold and Copper Producers

Philex is engaged in the large-scale exploration, development, and utilization of mineral resources in the Philippines. For more than six decades, it has been operating the Padcal Mine in Padcal, Tuba, Benguet Province - the first underground block cave mining operation in the Far East. The Company was incorporated in 1955 and listed in the Philippine Stock Exchange on November 23, 1956.

Our Corporate Objectives

2021



2022

Pushing Boundaries

- Relentless operational improvements
- Optimization of the Sto. Tomas II ore body
- Cost management
- Creation of value from previously deposited tailings

Expediting Options

- Silangan Project investor search
- Downscaled plan for Silangan Project as a fallback
- Pursuit of mergers and acquisition

Continuous Enhancement of Corporate Image

- Effective corporate social responsibility (CSR) programs geared toward right and principled mining
- Trailblazing initiatives with the inclusion of biodiversity preservation in our operations
- Involvement with the programs of government and mining organizations to promote the mining industry

Business Structure

Company	Location of Operations	Status of Operations
Philex Mining Corporation (Parent company)	Padcal Mine in Tuba and Itogon, Benguet Province	Operational until 2022
Philex Gold Philippines, Inc. Wholly owned mining business	Bulawan Mine in Sipalay, Negros Occidental	Decommissioned in 2002, and has residual resource estimates of around 29.6 million tonnes containing 1.7 million ounces of gold
	Sibutad Project in the Municipalities of Rizal and Sibutad, Zamboanga del Norte	Under care and maintenance
Silangan Mindanao Exploration Co., Inc Wholly owned mining business	Silangan Copper and Gold Project (Silangan Project) in Surigao del Norte, Northeastern Mindanao	2010: Completed the acquisition of Silangan
		July 2019: Granted ECC for underground sub-level cave (UG-SLC) mining method September 2019: DENR-EMB approval granted amendment of DMPF using UG-SLC mining method December 2020: 3-Year Development and/or Utilization Work Program submitted to the Mines and Geosciences Bureau; renewal for another 25-year term of MPSA No. 149-99-XIII approved by the DENR December 2020: DENR approval of MPSA No. 149-99-XIII renewal for another 25-year term from December 29, 2024 December 2024: Target commencement of commercial operations of Phase 1 of Silangan Project
Silangan Mindanao Mining Co., Inc. Wholly owned mining business		
PXP Energy Corporation (formerly Philex Petroleum Corporation) Energy and hydro-carbon business affiliate (30% owned)	Recto Bank (SC 72) Peru Block Z-38 SC 75 NW Palawan SC 74 Linapacan SC 40 North Cebu	



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

1.

Corporate Responsibility

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

2.

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

3.

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

4.

Integrity

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

5.

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
- Actively participates in the Company's community development and environmental programs

6.

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



AT A GLANCE

Gross Revenues

(in Php millions)



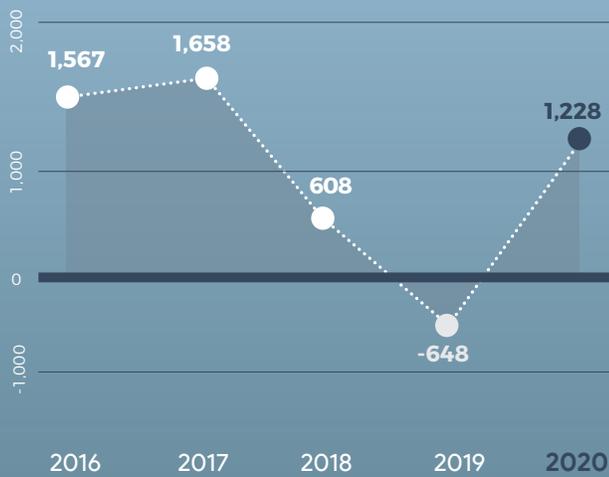
EBITDA

(in Php millions)



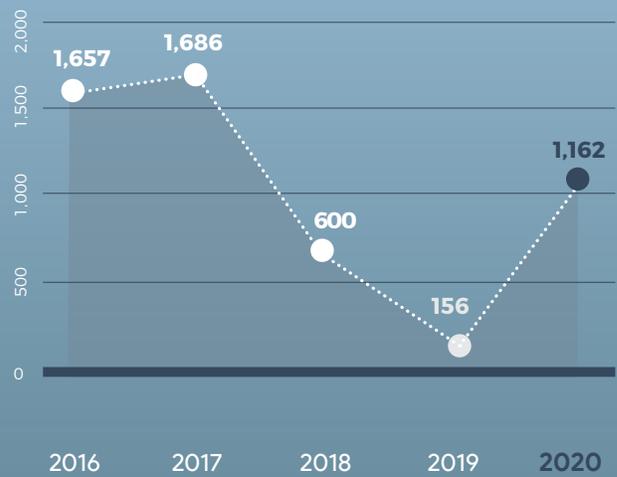
Net Income

(in Php millions)

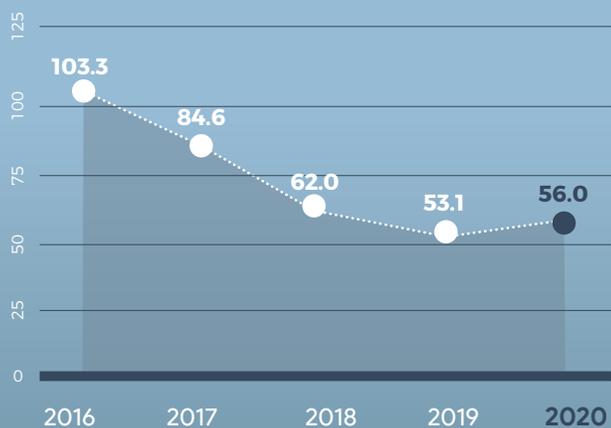


Core Net Income

(in Php millions)



Gold Output (‘000 ounces)



Copper Output (Million lbs.)



2020 KEY FIGURES SUMMARY

Gross Revenues
(in Php millions)

8,450

EBITDA
(in Php millions)

2,703

Net Income
(in Php millions)

1,228

Core Net Income
(in Php millions)

1,162

Gold Output
(‘000 ounces)

56.0

Copper Output
(Million lbs.)

26.4



FINANCIAL HIGHLIGHTS

	2020	2019	2018	2017	2016
Profit and Loss (In Php millions)					
Revenues					
Gold	4,794	3,740	4,200	5,432	6,209
Copper	3,579	3,592	4,051	4,475	3,976
Silver	77	67	63	77	86
Total	8,450	7,399	8,314	9,985	10,272
Smelting Charges	616	610	674	842	893
Operating Cost and Expenses	6,298	6,917	6,821	6,778	6,900
Income from Operations	1,536	127	820	2,365	2,478
Other and Non-Recurring Income (Charges)	(5)	(877)	(136)	2	(213)
Net Income/Loss	1,228	(648)	608	1,658	1,567
EBITDA	2,703	1,664	2,493	3,977	3,854
Core Net Income	1,162	156	600	1,686	1,657
Per Share Data					
Earnings Per Share	0.249	(0.131)	0.123	0.336	0.322
Dividends per Share	0.01	-	0.04	0.08	0.07
Financial Condition (in Php millions)					
Property, Plant and Equipment	3,043	3,185	5,404	6,721	6,736
Deferred Exploration Cost	27,365	26,616	25,448	24,361	23,072
Total Assets	38,939	37,899	40,712	39,679	38,662
Current Liabilities	4,221	4,929	6,811	4,857	5,578
Total Liabilities	14,713	14,930	17,012	14,947	15,263
Total Equity	24,226	22,969	23,699	24,372	23,399
Capital Expenditure	1,168	1,745	2,261	2,438	2,360
Book Value Per Share	4.190	4.65	4.80	5.00	4.74
Price and Costs					
Gold					
Realized Price / oz (US\$)	1,757	1,388	1,294	1,273	1,254
Operating Cost / oz (US\$)	1,362	1,296	1,112	929	919
Copper					
Realized Price / lb (US\$)	2.87	2.72	2.92	2.96	2.35
Operating Cost / lb (US\$)	2.22	2.54	2.50	2.16	1.72
Financial Ratios					
Net Profit Margin	15.7%	-9.5%	8.0%	18.1%	16.7%
Return on Assets	3.2%	-1.6%	1.5%	4.2%	3.8%
Return on Equity	5.2%	-2.8%	2.5%	6.9%	6.2%
Asset-to-Equity Ratio	1.6	1.7	1.7	1.6	1.7
Other Information					
Cash Dividend Yield	0.2%	-	1.1%	1.3%	0.8%
Number of Shareholders	43,971	43,986	44,029	44,072	44,219
Number of Employees	1,844	1,845	2,114	2,119	1,982



KEY PERFORMANCE INDICATORS

Philex regards mining as an essential activity in our economy and carries both social and environmental challenges that we must effectively address as a responsible miner. Finding solutions to these challenges requires exceptional commitment, operational excellence, and innovation. We use the following as key indicators of our financial and non-financial performance.

Indicators		Impact on Operations	Measurement	Performance	
				2020	2019
Safety Performance 	Safeguarding employee welfare, and reducing vulnerability and exposure to hazardous elements in the workplace	<p>A safe working environment would result in zero or minimal untoward incidents and business interruptions.</p> <p>This would translate to improved operational risk assessments, leading to lower insurance premiums.</p>	Number of Lost Time Accident (Fatal) incidents	1	5
			Lost Time Accident (Non-Fatal)	6	5
Exploration Activities 	Scouting for new ore deposits based on the knowledge, experience, and expertise of the Company	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.	Exploration Cost	Php245 million	Php673 million
			Total Deferred Exploration Costs	Php27.365 billion	Php26.616 billion
Tonnes Milled and Metal Production 	Total tonnage is the quantity of mine output annually, which provides the basis for gold and copper production, metal grade and recovery rate.	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.	Total tonnes milled	7,837,536	8,112,791
			Copper production	26,378,914 pounds	25,737,207 pounds
			Gold production	56,000 ounces	53,064 ounces
Operating Cost Per Tonne 	Average cost per tonne, a key measure for the Company's operating performance	At the same cost level, the higher the production volume, the lower the cost per tonne becomes, which will also be similar if the same production volume incurs a lower operating cost. Thus, a lower cost per tonne would generally reflect an improvement in operating efficiency.	Total production cost	Php5.468 billion	Php5.873 billion
			Average cost per tonne	Php698	Php724
Earnings per Share (EPS) 	Net income attributable to equity holders of the Company, expressed in the amount per share of the Company's average outstanding capital stock	EPS is a primary indicator of the Company's profitability. Assuming a constant outstanding number of shares, the EPS correspondingly rises as the Company's earnings increase. The EPS ultimately reflects the Company's financial and operational growth as a result of its performance in cost management, technical efficiency, and productivity.	EPS	Php0.249	(Php0.131)



MESSAGE FROM THE CHAIRMAN



MANUEL V. PANGILINAN
CHAIRMAN OF THE BOARD

To Our Shareholders:

By any measure, the COVID-19 pandemic is undoubtedly the defining crisis – not just of 2020 – but of our time.

More than a year since the outbreak of the coronavirus and the start of lockdown restrictions, we are still racing against time to contain the spread of the virus, reduce the toll on human lives, and roll out vaccinations.

In its latest World Economic Outlook (WEO) forecast as of March 2021, the International Monetary Fund (IMF) projected that global GDP growth contracted by 3.3% in 2020. While this was considered the weakest since the 2008 financial crisis, the IMF said swift policy action taken worldwide, including US\$16 trillion worth of fiscal support, prevented a far worse outcome.¹

Mirroring the global downturn, the Philippine economy fell into recession in 2020. After sustaining 84 quarters of consecutive growth, GDP growth contracted by 9.5% for the year, weakened by a string of natural disasters, namely, the Taal volcano eruption and the three strong typhoons (Rolly, Ulysses, and Quinta), on top of the COVID-19 pandemic.

While the pandemic brought untold social and economic hardships to many, it has given the mining industry a refresh— opportunity to be seen in a favourable light.

Notwithstanding the challenges in the operating environment, the mining industry was able to remain resilient, thanks to robust demand, better production, and higher metal prices. According to the Mines and Geosciences Bureau (MGB), the mining industry managed to grow by 1.13% in 2020, contributing Php102.3 billion to the Philippine economy.

The value of the industry's metallic mineral production increased to Php132.21 billion from Php130.74 billion in 2019, mainly due to robust nickel production which continued to cater to China's growing demand for stainless steel. In addition, metal prices in 2020 were also higher than pre-pandemic levels due to the decline in US dollar-peso exchange rate and lower interest rates. This offset the overall decline in the country's mineral production as lockdown restrictions caused disruptions in export shipments and supply chains and health risks to miners.

¹<https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>

Survival of the Fittest

COVID-19 served as a painful reminder that businesses operate in a Darwinian landscape. It is not the biggest or the smartest who will survive, but those who can best adapt to change. For the past 65 years, Philex has learned and practiced that Darwinian principle.

Our swift response to the pandemic demonstrates our quick adaptation to the occasion. This is driven by three key priorities: protecting the health and safety of our employees and local communities, assisting the Government in caring for those most affected, and laying the groundwork to support the country's longer-term economic recovery.

Being a totally export-oriented company, Philex was permitted to operate by Government despite the community quarantine. While working hard to ensure business continuity, we made everyone's health and safety our paramount concern. Health and safety, after all, is a fundamental shared value for the mining industry, and at the center of every responsible and principled miner's business strategy. We shifted to a work-from-home arrangement at corporate office wherever possible and followed Government guidelines to help slow and isolate the pandemic. All employees who carry out essential work especially our underground miners are required to adhere to strict health, safety, and hygiene protocols.

In 2020, Philex invested Php107.5 million in its Social Development and Management Program (SDMP), which was equivalent to 1.5% of its total operating cost, in compliance with Republic Act 7942. This amount includes funding to support livelihood, protect severely disrupted supply chains, and help build long-term community resilience in any future crises.

In addition to our SDMP, we also maintain a special relationship with, and a deep commitment to, our host communities. Our teams onsite are in a unique position to listen to concerns and act quickly where needed. This was shown during the pandemic when the MVP Group, including Philex, donated food parcels, medical assistance and supplies (ventilators, PPEs, and medicine), educational materials, basic infrastructure, and information about COVID-19. In 2020, Philex extended Php2.25 million in donations to its host communities on top of its SMDP commitment.

Mining in the New Normal

COVID-19 has been a steep learning curve for us all. One of the biggest lessons we have learned during this pandemic is that companies, governments, and communities must work hand in hand to hasten our pace of recovery and rebuilding.

While the mining industry was still able to rise above the challenges of the pandemic, it would need Government support to sustain its momentum. Mining has the potential to become a major vehicle for economic recovery and inclusive national growth. It can provide much-needed export revenue that the Government needs to purchase much-needed vaccines and fund its other pandemic response.



MESSAGE FROM THE CHAIRMAN

This is why we welcome the Department of Environment and Natural Resources (DENR) renewal of our Mineral Production Sharing Agreement (MPSA) for our wholly owned subsidiary, Silangan Mindanao Mining Co. Inc. The MPSA covers an additional 25-year term that will begin on December 29, 2024, subject to the same terms and conditions provided under the previous MPSA. It covers the Boyongan deposit and is part of the Silangan project's large-scale, high grade, copper-gold development with a number of greenfield and brownfield components located in Surigao del Norte. Once operational, Silangan mine will propel the Philippines as a major regional copper producer and will give the Government billions in yearly revenues.

The pandemic has slowed the global business climate and the interest in mergers and acquisitions. However, we remain optimistic that our Silangan project will generate interest among global investors. To this end, we are closely working with our financial advisor to bring Silangan into operation in the soonest possible time while optimizing the remaining life of Padcal Mine.

Outlook

Several positive trends give us reason to be optimistic about our Silangan prospect. Among these are the long-term outlook for gold and copper metal prices, the strength of the peso against the dollar, our strategies in adapting to the new normal, and the policy support from the Government in terms of tax reforms, ease of doing business, and amendments to the Foreign Investment Act.

Beyond the Silangan horizon, we expect continued demand for metals and minerals, particularly as the pandemic accelerated the shift to digitalization and created greater demand for electronic products. This enabled the mining industry, as the supplier of copper and other commodities, to contribute to a greener and more sustainable future.

The pandemic has shown that adaptability, resilience, and compassion are what makes a right and principled miner like Philex endure.

As we brave the new day and meet the post-pandemic demand, we will continue to help protect our workers and safeguard livelihood, while assisting communities recover and build resilience towards a kinder, better world.

On behalf of the Board of Directors, thank you for believing in a brighter and more vibrant future for Philex.

MANUEL V. PANGILINAN
Chairman



“The pandemic has slowed the global business climate and the interest in mergers and acquisitions. However, we remain optimistic that our Silangan project will generate interest among global investors. To this end, we are closely working with our financial advisor to bring Silangan into operation in the soonest possible time while optimizing the remaining life of Padcal Mine.



REPORT FROM OUR PRESIDENT AND CEO



EULALIO B. AUSTIN JR.
PRESIDENT AND CEO

Braving the New Day

The year 2020 was a trying time for many people and businesses across the world. While many were forced to temporarily halt their operations or shut down, Philex braved the challenges brought about by the COVID-19 global pandemic and turned the year into an opportunity leading to a dramatic turnaround.

Thanks to the commitment of our people who safely and efficiently adhered and adapted to our precautionary measures, and the support of our host communities and the government, we were able to operate continuously.

While the crisis is not uncharted territory for Philex, which has been operating since 1955, the ongoing pandemic is unique. We have faced operational challenges and dealt with mining-related issues in the past, but COVID-19 outbreak is like no other. The crisis became even more complex because we are working in an underground mine with artificial ventilation and dwelling in a confined community.

Grit, experience, hard work, and agility, however, enabled us to still meet our key performance indicators and made significant progress towards our key strategic objectives in 2020.

In the first two weeks of the implementation of the Enhanced Community Quarantine (ECQ) or nationwide lockdown on March 15, 2020, we immediately mitigated the operational risk from the disruption to our supply chain by finding alternative supply chain sources and working closely with concerned government agencies who provided utmost support that paved the way for uninterrupted operations of our Padcal mine.

When the government allowed the mining industry to continue operating to cushion the effect of the virus to the economy, we quickly responded by strictly implementing health and safety protocols. Our priority agenda was to safeguard our workers and avoid the risk of shutting down our operations due to COVID-19 infection. While remaining cognizant of the risks and vigilant about everyone's safety, the Company was able to deliver on its commitments to copper concentrate shipments, and made good on its promise to our suppliers, contractors, employees, and to our host communities.

Solid testament

Our stellar financial performance in 2020 speaks volumes about the resilience Philex has demonstrated amidst the difficulties.

The Company's core net income surged by 645% to Php1.162 billion for full-year 2020 from Php156 million in 2019. At the height of the COVID outbreak and lockdowns in the first quarter of 2020, Philex already posted a complete turnaround – from a core net loss of Php112 million a year ago to a core net income of Php103 million. This was mainly due to higher metal output and higher realized gold prices during the period resulting to a gross revenues of Php1.860 billion, a 15% increase from Php1.613 billion for the same period in 2020.

For the full year of 2020, gross revenues rose by 14% to Php8.450 billion in 2020 from Php7.399 billion, previously, due to the significant increase in gold and copper prices and higher metal production. However, this was partially offset by a lower peso-dollar exchange rate in 2020.

Amidst the pandemic, the Company exceeded its operations performance against target and milled a total of 7,837,536 tonnes in 2020, only 3% lower than the 8,112,791 tonnes in 2019. In the first three quarters of 2020, Philex was riding on a positive momentum but its production output was tempered in the last quarter due to a power supply disruption and the temporary stoppage of the underground mining operations so all our miners can undertake the RT-PCR testing for COVID-19. This is a necessary measure to minimize the risk of community transmission of the virus among Philex employees and their families.

Our favorable performance also resulted from the prices of gold and copper worldwide which were on a positive trend in 2020. Realized gold prices reached their highest level in the third quarter of 2020, at \$1,915 per ounce. Copper reached \$3.43 per pound in December 2020. With favorable metal prices coupled with higher metal output, our total operating revenues, net of smelting charges, jumped by 15% to Php7.834 billion in 2020 from 2019's Php6.790 billion. This enabled the Company to take advantage of the favorable business environment, operate profitably, and pursue its mission for the benefit of its stakeholders.

Our overall positive results were also attributable to the consistent improvement in our operational efficiency and prudent cost management. These efforts led to a 9% decline in the Company's full-year operating cost and expenses to Php6.298 billion in 2020 from Php6.917 billion in 2019. The continued implementation of our debt reduction program led to lower Parent company's short-term debts of \$31 million as of end-2020 from \$46 million a year ago.

We shared the fruit of our good performance in 2020 by declaring a cash dividend of 5.9 centavos per share to our shareholders on record as of February 24, 2021, which will be paid on March 26, 2021. This represents 25% of our 2020 core net income.



REPORT FROM OUR PRESIDENT AND CEO

2021 Outlook

We anticipate 2021 to be another challenging year as the coronavirus mutates and a majority of the population have yet to be vaccinated. However, these challenges will not stop us from pursuing these growth strategies that will sustain our business even in the New Normal and beyond.

First is our focus on optimizing the Padcal Mine, which has a projected end of mine life that is just a year away. We will continue to improve on how we do things that would redound to lower operating cost and allow the remnants of our ore body with marginal grades to be mined, eventually extending our mine life. We will keep looking for ways to maximize our Sto. Tomas II Ore Body.

Second. While we are pursuing the extension of Padcal's mine life, we are also aggressively on the lookout for investors in our Silangan Project. We are already working with a financial advisor to identify and sign up a strategic business partner to put Silangan into stream.

These twin strategies will undoubtedly ensure our business continuity. In addition, mergers and acquisition will also be a major part of our business strategy.

Yet while we continue to do these trailblazing initiatives, we should also continue to raise the bar when it comes to our environmental, social, and governance (ESG) practices. ESG is an issue that has only recently moved from the margins to the core of investment decision-making and hence operational management. For Philex, however, sustainability has long been an integral part of the way we do business. In fact, ESG principles are deeply embedded in our organizational DNA.

The pandemic has only brought the importance of strong ESG governance into sharper focus for investors, governments, and communities alike. Operating as a right and principled mining advocate, however, is not something new to Philex. It is entrenched in our company working culture as the oldest and one of the most prestigious mining companies in the country.

As we face the new realities together post-pandemic, we will continue to count on your untiring efforts and cooperation in sustaining our business.

Philex has emerged stronger from a very difficult year, thanks to all our people, our shareholders and partners, our host communities, as well as our management team, and our Board of Directors.



Grit, experience, hard work, and agility, however, enabled us to still meet our key performance indicators and made significant progress towards our key strategic objectives in 2020.

There remains more to do, and more challenges to bear. The light at the end of the tunnel will be our guiding lamp in our journey. With your unwavering commitment and support, we will brave the new day together.

There remains more to do, and more challenges to bear, but we will keep training our sights on the light at the end of the tunnel. With your unwavering commitment and support, we will brave the new day together.


Eulalio B. Austin Jr.
President and CEO



BOARD OF DIRECTORS



MANUEL V. PANGILINAN
CHAIRMAN, NON-EXECUTIVE DIRECTOR

EULALIO B. AUSTIN JR.
PRESIDENT AND CEO, EXECUTIVE DIRECTOR



BARBARA ANNE C. MIGALLOS
CORPORATE SECRETARY,
EXECUTIVE DIRECTOR



MARILYN A. VICTORIO-AQUINO
NON-EXECUTIVE DIRECTOR

JOSEPH H.P. NG
NON-EXECUTIVE DIRECTOR





RICHARD P.C. CHAN
NON-EXECUTIVE DIRECTOR

MICHAEL G. REGINO
NON-EXECUTIVE DIRECTOR



ANITA B. QUITAIN
NON-EXECUTIVE DIRECTOR



**BAI NORHATA
DEMARUNING
MACATBAR ALONTO**
NON-EXECUTIVE DIRECTOR



OSCAR J. HILADO
INDEPENDENT DIRECTOR



WILFREDO A. PARAS
INDEPENDENT DIRECTOR





DIRECTORS' PROFILES



MANUEL V. PANGILINAN
CHAIRMAN, NON-EXECUTIVE DIRECTOR

Age: 74

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 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 Philex 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., Incorporated, the largest sugar producer in the Philippines, announced the election of Mr. Pangilinan as Vice Chairman.



EULALIO B. AUSTIN JR.
PRESIDENT AND CEO, EXECUTIVE DIRECTOR

Age: 59

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

Mr. Austin has been a Director of Philex and PGPI since June 29, 2011 and was re-elected on June 24, 2015. He became President and Chief Operating Officer on January 1, 2012 and President and Chief Executive Officer of the Company on April 3, 2013. He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998, and Mine Engineering & Draw Control Department Manager from 1996 to 1998.

Mr. Austin concurrently serves as Director of PXP Energy Corporation and Silangan Mindanao Mining Co., Inc. Outside of Philex, 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.

Mr. Austin was awarded Most Outstanding Engineer in Mine Management by the Philippine Society of Mining Engineers (PSEM) in 2016, aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset on December 14, 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.



BARBARA ANNE C. MIGALLOS
CORPORATE SECRETARY, EXECUTIVE DIRECTOR

Age: 66

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.



MARILYN A. VICTORIO-AQUINO
NON-EXECUTIVE DIRECTOR

Age: 65

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.



JOSEPH H.P. NG
NON-EXECUTIVE DIRECTOR

Age: 57

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.

Business and Professional Background/ Experience:

Mr. Ng joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. He was appointed as Associate Director in April 2019. Prior to that, he was Executive Vice President of Group Finance and served in several senior positions within First Pacific Group, including as the Head of 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 China. 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 associate.



DIRECTORS' PROFILES



RICHARD P.C. CHAN
NON-EXECUTIVE DIRECTOR

Age: 50

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 a 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, Group Financial Controller in April 2019, Mr. Chan was Vice President, Group Financial Controller.



MICHAEL G. REGINO
NON-EXECUTIVE DIRECTOR

Age: 59

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 of Bachelor of Science, Major in Economics. He later obtained his Master's degree 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. On March 7, 2018, he was duly appointed as Director of Unionbank of the Philippines. Prior to these current positions, he engaged in multifarious activities which marked the significant milestones in his career. 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.



ANITA B. QUITAIN
NON-EXECUTIVE DIRECTOR

Age: 74

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. She also completed two years of Masters in Public Administration (37 units) for Career Civil Service Eligibility.

Business and Professional Background/ Experience:

Ms. Quitain is currently a Commissioner of the Social Security System (SSS). She previously held the following SSS positions: Section Head of Membership, Real Estate, Operations, Accounting, Membership Assistance Center and Sickness, Maternity and Disability in Region 9. She also headed the SSS Representative Office in Digos, Davao del Sur. Ms. Quitain officially retired from the SSS in 2009 after 31 years of continuous and dedicated service.



**BAI NORHATA DEMARUNSING
MACATBAR ALONTO**
NON-EXECUTIVE DIRECTOR

Age: 70
Date of First Appointment: February 24, 2021

Academic Background:

Ms. Alonto received an MA in Psychology at the University of the Philippines in 1976 and graduated AB Psychology at Philippine Women's University in 1970.

**Business and Professional Background/
Experience:**

Ms. Alonto was appointed as a Commissioner at Social Security Commission in December 2019. She is a member of Information Technology & Collection and Coverage Committee and Executive Committee. She is a Director of Ionics Inc. Member, and Philam Life Tower. She was also Head Secretariat of the All Moro Convention in Mindanao, and the Chief of Staff to the Chairman, Mindanao Development Authority from October 2017 to May 2019. She worked in the Office of President from 2003 to 2004 as a member of the Board of Directors in ARMM Social Fund Board and Bataan Shipyard and Engineering Corporation and a Commissioner of Presidential Commission for Urban Poor from 2001-2002 and Presidential Assistant for Muslim Mindanao from 1999-2001. She was a College Instructor, College of Arts and Sciences, Mindanao State University, 1972-1979 and Guidance Counselor, Preparatory High School, Mindanao State University, 1972-1979.

She is currently serving as President of Philippine Muslim Women Council, a Vice President of 16th President Cabinet Spouses Foundation and a Regional Governor of National Council of Women in the Philippines.



WILFREDO A. PARAS
INDEPENDENT DIRECTOR

Age: 74
Date of First Appointment: June 29, 2011

Academic Background:

Mr. Paras completed his undergraduate studies at the University of the Philippines in 1969 with Bachelor of Science, Industrial Pharmacy and his Master's degree 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 reelected on June 26, 2019. 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; Business Director, Union Carbide Asia Pacific; and President of Union Carbide Philippines.



OSCAR J. HILADO
INDEPENDENT DIRECTOR

Age: 83
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. He holds the following positions: Chairman of Philippine Investment Management (PHINMA), Inc.; Phinma Corporation; and Phinma Property Holdings Corporation; Vice-Chairman of Union Galvasteel 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 Solar Energy 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.



OFFICERS

PHILEX MINING CORPORATION



EULALIO B. AUSTIN JR.
PRESIDENT AND CHIEF EXECUTIVE OFFICER



BARBARA ANNE C. MIGALLOS
CORPORATE SECRETARY

ROMEO B. BACHOCO
SENIOR VICE PRESIDENT FOR FINANCE,
CHIEF FINANCE OFFICER AND
TREASURER



VIC MORRIS A. YODONG
VICE PRESIDENT AND PADCAL
RESIDENT MANAGER



VICTOR A. FRANCISCO
VICE PRESIDENT FOR ENVIRONMENT
AND COMMUNITY RELATIONS

JONAS EMANUEL S. SANTOS
VICE PRESIDENT AND GENERAL COUNSEL



* Mr. Michael T. Toledo served as Senior Vice President for Public and Regulatory Affairs up to December 30, 2020.

**SILANGAN MINDANAO
MINING CO., INC.**



EULALIO B. AUSTIN JR.
PRESIDENT AND CHIEF EXECUTIVE
OFFICER



BARBARA ANNE C. MIGALLOS
CORPORATE SECRETARY



MICHAEL T. TOLEDO
CHIEF OPERATING OFFICER



PARALUMAN M. NAVARRO
CONTROLLER



ROMEO B. BACHOCO
TREASURER



MINING PROPERTIES AND EXPLORATION ACTIVITIES

Mining for a Sustainable Future

Philex has been operating in Padcal mine since 1958 – the first underground block cave operation in the Far East. Since the mine started commercial operations, it has been producing copper concentrates, with gold and silver as by-products, for the past 63 years.

Our mineral properties or tenements are covered by several Mineral Production Sharing Agreements (MPSAs) and applications. MPSAs are mineral sharing agreements between the mining company and the government. Under these MPSAs, a mining contractor provides the necessary financing, technology, management, and personnel needed in the project. In return for granting the mining company the right to mine, the government gets a share in the production in return.

Padcal Mine

Padcal Mine and its vicinity have a total area of 11,834 hectares, located within the municipalities of Tuba and Itoyon in Benguet Province.

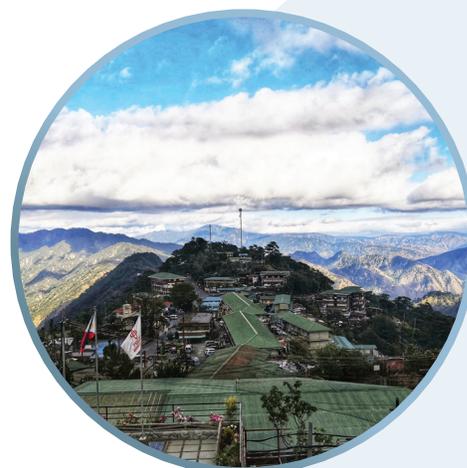
Padcal Mine, where Sto. Tomas II deposit is situated, is covered by MPSA 276-2009-CAR, valid up to January 19, 2034, with an area of 81 hectares. The MPSA was issued under the names of the heirs of the Nevada family (Baldomero Sr., Trinidad, and Baldomero Jr.) who transferred to PMC their rights to explore, develop, and utilize the mineral property under the mineral agreements covered by MPSA-276-2009-CAR. This was 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 the MPSA are two other mineral agreements covered by MPSA-156-2000-CAR and MPSA-157-2000-CAR, both issued on April 10, 2000 and valid until April 10, 2025, and applications under EXPA-075-CAR, EXPA-078-CAR, and EXPA (unnumbered).



Summary of the Padcal Vicinity Mining Tenements and Applications

Tenement	Operator / Contractor	Area (in hectares)	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	January 19, 2034
EXPA-075-CAR	PMC	262	n/a
EXPA-078-CAR	PMC	4,561	n/a
EXPA (formerly APSA-98)	PMC	124	n/a
Total		11,834	



Padcal Mine Mineral Resources

As of December 31, 2020

Ore Sources	Classification	Tonnes (Mt)	Cu %	Au g/t	Contained Cu (M lbs.)	Contained Au (ozs.)
782ML	Measured + Indicated	9.9	0.22	0.32	48	104,000
798ML	Measured + Indicated	31.0	0.21	0.28	138	280,000
Subtotal	Measured + Indicated	41.0	0.21	0.29	186	383,000
800-700ML	Measured + Indicated	72.0	0.19	0.34	300	783,000
Total	Measured + Indicated	113.0	0.20	0.32	487	1,166,000

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

Padcal Mine Proved Reserves

As of December 31, 2020

Ore sources	Tonnes (Mt)	Cu %	Au g/t	Recoverable Cu (M lbs.)	Recoverable Au (ozs.)
798-ML	12.6	0.18	0.27	41	83,900
782-ML	3.1	0.19	0.21	10	16,100
760-ML	1.7	0.16	0.39	5	16,700
Total	17.4	0.18	0.27	56	116,700

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 26 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.



MINING PROPERTIES AND EXPLORATION ACTIVITIES

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

On February 22, 2016, Philex 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. 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 undertaken by our in-house Exploration Division, with assistance from consultants and other service providers such as engineering and/or drilling contractors.

Year	Expenses on Exploration and Development (In Php million)
2020	245.0
2019	673.0
2018	589.0
2017	691.0

In 2020, exploration and development was focused on supporting the Padcal Sto. Tomas II underground operations, completing confirmatory resource drilling in Tailings Storage 12 Facility (TSF) 1, and scout drilling in TSF-2 for additional resources and providing technical support to the studies being completed for the Silangan project.

In support of Padcal Operations, validation drilling was conducted in the Sto. Tomas II orebody during the third quarter of 2020 to increase data support on new mining blocks. No other ground exploration activities were conducted in MPSAs-156 & 157 in 2020.

Padcal Projects in Benguet

Padcal Sto. Tomas II Underground Validation Drilling

Several areas along the edges of the orebody were identified as additional resources for possible conversion to reserve, potentially extending the Life of Mine (LOM) of Padcal. These areas were found to have sparse drilling data and would require several validation drill holes to confirm the estimated block grades. There were seven drill holes completed within the identified LOM extension blocks. Validation drilling commenced on September 6, 2020 and was completed on October 23, 2020. A subsequent update of the Padcal Mine Mineral Resource Estimate (MRE) incorporating these new drilling results was completed on November 2, 2020.

The resulting resource estimate is 18 million tonnes at 0.22% Cu and 0.27g/t Au.

Tailings Storage Facility 1

Philex has been keen in exploring the mineability of spillages and tails in TSF-1 since 1980s. In 2020, a campaign to recover gold and copper from TSF-1 was launched. A prospective better grade area adjacent to the Mill Plant thickeners was identified as top priority (called Phase 1) on the basis of historical data. Confirmatory and resource drilling program commenced in Phase 1 in January 2020. Follow-up activities including mapping, sampling, test pitting, trenching, and scout drilling in the area outside Phase 1 were also conducted.

Overall, a total of 11 test pits, one 30m x 2m trench, and 50 drill holes were completed in TSF-1 by July 2020. A mineral resource estimate for Phase 1 was released in June 2020, with an estimated 440,000 tonnes of Indicated Resource at 0.24% Cu and 0.46g/t Au. This corresponds to 2.3 million lbs. of copper and 6,500 ounces of gold contained in Phase 1 area of TSF-1.

Tailings Storage Facility 2

There has been a renewed interest in tailings deposit in light of better metal grades and prices. In 2020, the exploration target in TSF-2 was the subsurface extension of magnetite and other heavy mineral accumulations, as well as possible Cu and Au similar to TSF-1. Initial ground activities for magnetite studies on TSF-2 started in April 2020. A 40x40m grid was laid out, covering the entire TSF-2 area. Grab samples collected from the grid location points were analyzed for magnetic susceptibility, multi-element analysis using Niton tabletop XRF and submitted to Padcal Assay Laboratory for Au, Cu and Fe content. Scout drilling operations were carried out from July to September 2020, with a total of five drill holes completed for the year equivalent to 249.7m drilled. The samples collected are being analyzed and studied as of year-end.

Support to Operations

The underground mapping and sampling was continuously undertaken as part of the geological data gathering of all newly developed openings. For 2020, the Mine Geology crew mapped an aggregated survey length of 2,325 m against the projected annual development advance of 2,350 m, attaining a 98.94% rate of completion. Within the mapped area, the team collected a total of 757 bags of rock samples. Active underground workings comprised the bulk of the mapping and sampling, covering development openings in levels 908ML, 814ML, 798ML, 782UCL, 782ML, 773ML, and 760ML. Aggregate assay grades of all collected samples reflected a total average grade of 0.189 % Cu and 0.222 g Au/t.

Other technical works done by the department is the geological hazard monitoring and mapping activities at the Subsidence Area consisting of the assessment of the crest limit, pit floor and slope conditions. With restrictions imposed on entry within areas beyond the crest line by the surface claimants, work was limited only within the pit floor and benches at the down slopes of the crest boundary. Monitoring of the subsidence using drone imaging was introduced during this period after the acquisition of one unit of DJI Phantom drone. The geo-hazards and ground disturbances identified were mostly in the form of cracks, debris slides, slumps, rock falls and slope failures.

The geo-hazard monitoring team also continuously assessed and monitored the ground condition of all mine camps and facilities focusing on detecting potential ground movements and formulating possible mitigating measures. Due to mobility restrictions related to COVID-19, geo-hazard monitoring and assessment activities along Philex Kias Road and neighboring communities had been very minimal.

Geotecnica Corporation (Geotecnica) is continuously engaged with Philex to monitor the stability of TSF 1, 2 & 3. The company requires to conduct a site visit, followed by the creation of a geotechnical report, every two months. In 2019, Geotecnica conducted a validation of the liquefaction potential of TSF-3, focusing on the tailings of Dikes 3, 5, 6, 7, 8, 9, 10, 11, 12, Offset Dike, Offset Dike Extension and the beach of the land lake in Padcal, Benguet. These points are close to those that were earlier drilled by the firm GHD. The information Geotecnica collected from their study were turned over to Coffey Mining for its perusal.

Philex engaged the geotechnical services of Coffey Services Australia Pty Ltd (Coffey) for the design of TSF-3 Embankment Raising from 635mRL to 640mRL late 2018. All data GHD amassed from its stint with Philex were turned over to Coffey. After obtaining data from additional boreholes (drilled by Geotecnica), Coffey completed the geotechnical analysis of the TSF-3 in November 2019. This led to the creation of a geotechnical report that recommended the construction of a buttress and installation of several geotechnical apparatuses to secure the facility from liquefaction. Philex is committed to construct the buttress that is in line with the suggested parameters Coffey assigned. The construction of the buttress is projected to finish in 2022. Philex will also install additional geotechnical apparatuses as part of the recommendations of Coffey in order to monitor the subsurface condition of TSF-3 in more detail.



MINING PROPERTIES AND EXPLORATION ACTIVITIES

Silangan Project

The Silangan Project, located in Surigao del Norte province, consists of the following deposits: Boyongan, Bayugo-Silangan, and Bayugo-Kalayaan (a joint venture with Manila Mining Corporation). Individual deposit areas and proposed sites for waste and storage facilities will be built within tenement covered by MPSA 149-99-XIII and EP 00013-XIII. All mineral rights with respect to the Silangan Project area held by Silangan Mindanao Mining (SMMCI), a wholly owned subsidiary of Philex, are valid and subsisting.

The Definitive Feasibility Study (DFS) completed in July 2019 for the Boyongan ore body indicates a feasible mining project. The Phase I covering the Boyongan ore body has a mineable ore reserve of 81 million metric tons which will be mined for 22 years at a rate of 4 million metric tons per year, using Underground Sub-Level Caving (UGSLC) method which is an underground mining method.

A pre-feasibility study for Bayugo ore body, which will come in as Phase II of the project, is being undertaken with Ausenco's Brisbane Australia office as the lead technical consultant. The updated mineral resource estimates for all the deposits and mineable reserves estimate for Boyongan orebody, indicates a large high-grade gold and copper deposits within the tenement areas. To facilitate the search for investors, Philex has engaged the services of reputable financial advisory services firm to assist in its search for investors to put Silangan Project into operation.

SMMCI is registered with the Board of Investments (BOI) and has been granted a six-year income tax holiday, extendable by another two years subject to meeting some conditions, as a pioneer copper cathode producer, effective start of operations or March 2025, whichever comes first.

SMMCI secured the ISO 14001:2004 Environmental Management System (EMS) issued by Certification International Philippines Inc. (CIPI) in June 2016 and successfully transitioned to ISO 14001:2015 EMS in June 2018 that was later re-certified in June 2019. SMMCI's EMS certification will be valid through May 31, 2022.

In November 2016, the MGB Regional Office No. XIII approved the reduction in area of MPSA-149-99-XIII to 2,308 hectares, which involved a relinquishment of 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.

After then DENR Secretary-Designate Regina Paz Lopez issued Department Administrative Order No. 2017-10 entitled, Banning the Open Pit Method of Mining for Copper, Gold, Silver and Complex Ores in the Country, on April 27, 2017, SMMCI revisited and reviewed its mine development plan. The results of the third-party peer review showed that the Silangan Project can be progressed through Underground Sub-Level Caving (UG-SLC) method.

In October 2019, SMMCI submitted its Letter of Intent to Renew MPSA-149 for an additional 25-year term.

In December 2019, the National Commission on Indigenous Peoples issued a Certificate of Non-Overlap (CNO) attesting that the MPSA contract area did not affect or overlap with any ancestral domain.

In an Order dated December 7, 2020, the DENR Secretary approved the renewal of the term of MPSA-149 for an additional 25 years commencing from expiration of the initial term on December 29, 2024.

The MPSA 149-XIII and EP-00013-XIII held by SMMCI are surrounded by other Philex tenements and applications within Surigao del Norte, as listed below:

Tenement	Operator / Contractor	Area (in hectares)	MPSA Date of Expiration
MPSA-149-99-XIII	SMMCI	2,308	December 29, 2049
EP-XIII-013 Lot-A&B	SMMCI	5,000	
EPA-XIII-012	SMMCI	2,330	
EPA-000039-XIII	SMMCI	6,683	
Total		16,215	

The mineral resource estimate at 0.5% Copper equivalent cut-off grade for Boyongan and Bayugo as of August 1, 2019, are as follows:

	Tonnes (Mt)	Cu %	Au g/t	Contained Cu (M lbs.)	Contained Au (M ozs.)
BOYONGAN					
Measured	160	0.58	0.86	2,039	4.43
Indicated	119	0.44	0.48	1,151	1.84
Measured + Indicated	279	0.52	0.70	3,190	6.27
Inferred	218	0.36	0.49	1,735	3.42
Sub-Total BOYONGAN	497	0.45	0.61	4,925	9.69
BAYUGO-SILANGAN					
Measured	161	0.60	0.61	2,113	3.17
Indicated	12	0.29	0.39	73	0.15
Measured + Indicated	172	0.57	0.60	2,186	3.31
Inferred	4	0.27	0.42	22	0.05
Sub-total Bayugo-Silangan	176	0.57	0.59	2,208	3.36
BAYUGO-KALAYAAN					
Measured	118	0.43	0.47	1,124	1.79
Indicated	3	0.64	0.37	37	0.03
Measured + Indicated	120	0.44	0.47	1,160	1.82
Inferred	2	0.81	0.40	28	0.02
Sub-total Bayugo-Kalayaan	122	0.44	0.47	1,189	1.84
BOYONGAN AND BAYUGO					
Measured	438	0.55	0.67	5,276	9.39
Indicated	133	0.43	0.47	1,260	2.01
Measured + Indicated	571	0.52	0.62	6,536	11.40
Inferred	224	0.36	0.48	1,786	3.49
TOTAL Boyongan and Bayugo	795	0.47	0.58	8,322	14.9

Mr. Noel C. Oliveros, Exploration Division Manager and Head of the Exploration and Resource Estimation Group of Philex, 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. He 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.



MINING PROPERTIES AND EXPLORATION ACTIVITIES

Ore Sources	Tonnes (Mt)	Cu (%)	Au (g/t)	Recoverable Cu (M lbs.)	Recoverable Au (M Ozs.)
East Cave	34	0.75	1.38	451	1.42
West Cave	38	0.56	1.10	391	1.30
Deep's Cave	9	0.45	0.98	76	0.28
Total Reserves	81	0.63	1.20	918	3.00

Mr. Eulalio B. Austin Jr., President and Chief Executive Officer of Philex and SMMCI, has given his consent to the release of this mineable ore reserves estimate. The mineable ore reserves estimate is compliant with the rules and guidelines as set forth by the Philippine Mineral Reporting Code (PMRC). Mr. Austin has sufficient experience in mineable ore reserve estimate evaluation relevant to copper and gold deposit. He is a Competent Person for Mining Copper and Gold Deposits under the definition of the PMRC. He has given his consent to the public reporting of this estimate following the PMRC guidelines concerning Mineable Ore Reserve Estimation.

Mr. Venancio Gel A. Romero, Corporate Technical Services and Business Development Division Manager of Philex, has given his consent to the release of this mineable ore reserves estimate. The mineable ore reserves estimate is compliant with the rules and guidelines as set forth by the PMRC. Mr. Romero has sufficient experience in mineable ore reserve estimate evaluation relevant to copper and gold deposit. He is a Competent Person for Mining Engineering under the definition of the PMRC. He has given his consent to the public reporting of this estimate following the PMRC guidelines concerning Mineable Ore Reserve Estimation.

To date, the site is on pre-mine development under slowdown operations phase undertaking care and maintenance activities to ensure that all legal, environmental, social and technical compliance measures are maintained. Participative community relations and responsible environmental programs are being undertaken on a regular basis.



SILANGAN PROJECT MILESTONES



Significant Mineral Resources and Superior Ore Grades

A definitive feasibility study completed in July 2019 for the Boyongan ore body indicates a feasible mining project. The studies strongly indicate substantially higher mineral resource estimates from previously declared levels. The presence of sizable 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

Reputable international mining consultants, led by Australian-based engineering firm Ausenco, concluded its feasibility studies for the Silangan project in 2019. Ausenco was 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. PMC has also appointed financial equity and project financing advisors for the project. It 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

A definitive feasibility study completed in July 2019 for the Boyongan ore body indicates a feasible mining project. The studies strongly indicate substantially higher mineral resource estimates from previously declared levels. The presence of sizable 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.



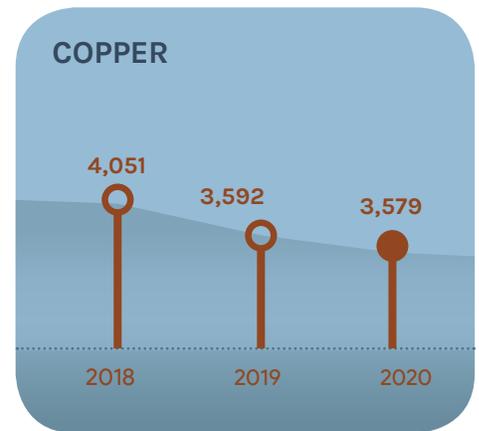
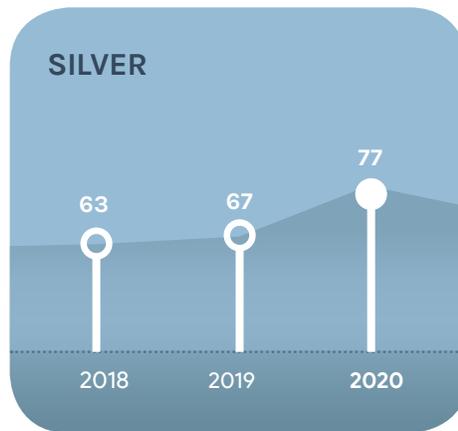
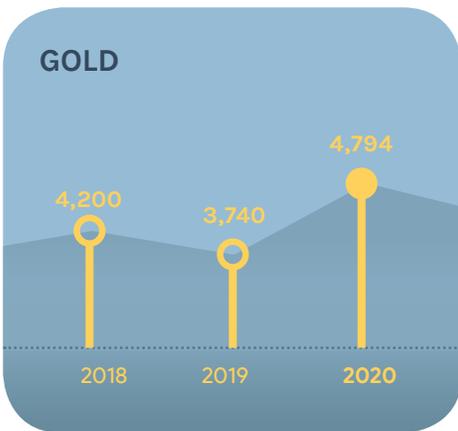
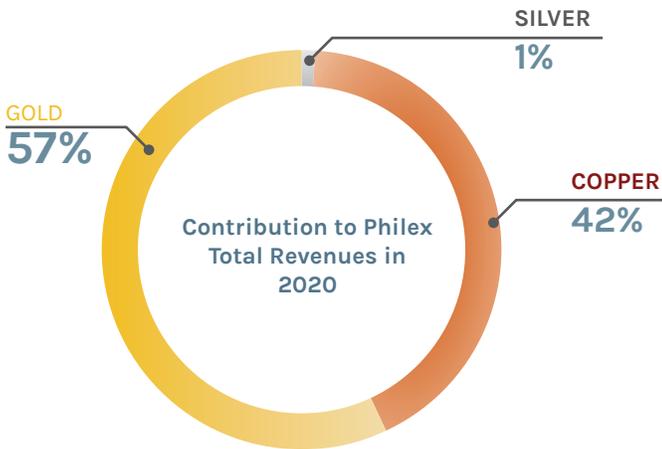
RESULTS OF OPERATIONS

Despite the supply chain disruptions at the start of the COVID-19 global pandemic and the continuous decline in metal production as Padcal Mine nears the end of its mine life, Philex managed to post a dramatic turnaround in its operations in 2020.

Gross revenues grew by 14% to Php8.450 billion in 2020 from Php7.399 billion in 2019, and also higher than 2018's Php8.314 billion. The significant increase in gold and copper prices, in addition to higher metal production, served as revenue boosters in 2020. This was partially offset by a lower peso-U.S. dollar exchange rate. Philex is evaluating the potential impact of the favorable and increasing metal prices to the declared mine life of Padcal Mine.

Breakdown of Revenues

(In Php millions, except for metric units and prices)	2020	2019	2018
Gold			
Revenues	4,794	3,740	4,200
Ounces Produced	56,000	53,064	61,977
Realized Price	1,757	1,388	1,294
Copper			
Revenues	3,579	3,592	4,051
Pounds Produced	26,378,914	25,737,207	26,574,686
Realized Price	2.87	2.72	2.92
Silver Revenues	77	67	63
Gross Revenues	8,450	7,399	8,314



Gold production

Gold revenues amounted to Php4.794 billion in 2020, 28.07% higher than the Php3.740 billion in 2019, and 14.05% than Php4.200 billion in 2018. This was mainly attributable to the 28% increase in gold prices and higher gold output in 2020. Realized gold prices per ounce stood at \$1,757, \$1,388 and \$1,294, respectively, in 2020, 2019, and 2018.

Gold production increased by 6% to 56,000 ounces from 53,064 ounces in 2019, but lower than the 61,977 ounces in 2018. Better ore grades from the 798 Meter Level (ML) contributed to the higher gold output in 2020.

Copper production

Copper revenues amounted to Php3.579 billion in 2020, slightly lower than the Php3.592 billion in 2019 and the Php4.051 billion in 2018.

Copper production increased to 26,378,914 pounds from 25,737,207 pounds in 2019, but slightly lower than the 26,574,686 pounds in 2018. Copper prices were also higher in 2020, averaging \$2.87 versus \$2.72 in 2019, but lower than the \$2.92 in 2018. Despite higher copper output and copper prices, copper revenues decreased due to the lower foreign exchange rate. In 2020, the peso-U.S. dollar rate average was 5% lower at Php49.12 compared with Php51.49 in 2019 and Php53.03 in 2018.

Silver production

Revenues from silver amounted to Php77 million in 2020, 14.92% higher than the Php67 million in 2019, and 22.22% more than the Php63 million in 2018. This was mainly due to higher metal output and metal prices.

Net Revenues after considering the smelting charges increased to Php7.834 billion in 2020 from Php6.790 billion in 2019, and Php7.640 billion in 2018.

As part of its risk management strategy, Philex regularly monitors the prices of gold and copper in the world market. This forms the basis for its assessment on the need to enter into hedging contracts to mitigate the potential risk from fluctuating metal prices to the Company's revenues.

Based on its outlook on the movement of gold and copper prices for the first half of 2020, Philex entered into gold put option hedging contracts on January 13, 2020 covering the period January to June 2020.

Also in May 2020, after assessing the trend of the metal prices for July to December 2020, the Company entered into additional gold and copper collar hedges.

Production

Tonnes milled and ore grade determine the volume of concentrates produced and sold. Tonnes milled totaled 7,837,536 in 2020, lower than the 8,112,791 in 2019, as well as the 8,516,915 in 2018. Despite the lower tonnage, copper production was higher in 2020 at 26,378,914 compared with 25,737,207 pounds in 2019, but slightly lower than the 26,574,686 pounds in 2018. Gold production was also higher at 56,000 ounces versus 53,064 ounces in 2019, but lower than the 61,977 ounces in 2018.

Production

	2020	2019	2018
Tonnes Milled	7,837,536	8,112,791	8,516,915
Copper Concentrates (DMT)	58,101	55,962	57,779
Gold			
Ounces	56,000	53,064	61,977
Head Grade (g/t)	0.283	0.264	0.298
Recovery (%)	78	77	76
Copper			
Pounds	26,378,914	25,737,207	26,574,686
Head Grade (%)	0.188	0.177	0.181
Recovery (%)	81	81	78

Operating Costs and Expenses

Operating Costs and Expenses (Opex) include cash production costs; excise taxes and royalties; depletion, depreciation and amortization; and General and Administrative Expenses (G&A). Opex amounted to Php6.298 billion in 2020, significantly lower than the Php6.917 billion in 2019, and the Php6.821 billion in 2018. The decline was mainly brought about by lower cash production costs, and depletion, depreciation, and amortization. This was partially offset by higher excise taxes and royalties on account of significantly higher revenues, the basis in computing taxes and royalties.



RESULTS OF OPERATIONS

Production Costs decreased further in 2020 to Php4.216 billion from Php4.388 billion in 2019 after showing declines from Php4.408 billion in 2018 and Php4.412 billion in 2017.

This is attributed to the continued implementation of efficient operating practices and prudent cost management, particularly the reduction in the consumption of materials and supplies in 2020 and lower contracted power rates. In 2019, the reduction was due mainly to lower power costs and the manpower rationalization program, the full impact of which was felt mid-2019. For 2018, production costs were similarly maintained from 2017, driven by lower renegotiated electricity rates and fewer purchased contracts.

Depletion, Amortization and Depreciation in 2020 has significantly gone down to Php1.252 billion from Php1.814 billion in 2019, mainly as a result of the recognition of the impairment provision against mine and mining assets in 2019 that reduced the rate per tonne for the depletion and block amortization expenses. This reduction, however, was partially offset by the depreciation of recently acquired equipment, and amortization for additional costs incurred in maintaining the tailings storage facility. In 2019, Depreciation, Amortization and Depreciation was higher versus Php1.601 billion in 2018, and Php1.551 billion in 2017, mainly due to additional asset depreciation in the first quarter, with partial offset from the reduction of block amortization as an effect of the 2018 impairment of block development costs.

General and Administrative Expenses (G&A) was maintained at Php287 million in 2020 after a continuous reduction for the past three years as a result of the conscientious spending for Head Office administrative activities. In 2019, G&A decreased further to Php287 million from Php306 million in 2018 and Php363 million in 2017.

Excise Taxes and Royalties increased to Php543 million following the significant increase in Net Revenues in 2020, compared to Php427 million in 2019 which decreased from Php506 million in 2018 and Php452 million in 2017. The reduction in 2019 was attributable to lower net revenues in 2019. Newly enacted legislations provisioned for the doubling of excise tax rate levied on mining products caused the increase in 2018.

Smelting Charges slightly increased to Php616 million from Php610 million in 2019 primarily due to higher metal production in 2020. These charges were lower at Php674 million in 2018 and Php842 million in 2017, due mainly to lower negotiated rates for treatment charges and refining charges on concentrate shipments as well as lower copper concentrates and metal production in 2019.

Breakeven Costs

(in Php millions, except for unit costs)

	2020	2019	2018
Cash Production Cost	4,216	4,388	4,408
Depletion, Amortization and Depreciation*	1,252	1,814	1,601
Total Production Cost	5,468	6,202	6,009
Excise Tax and Royalties	543	427	506
Smelting Charges	616	610	674
Total Operating Cost	6,627	7,239	7,189
Production Cost Per Tonne (Php)	698	724	705
Operating Cost Per Tonne (Php)	846	852	844
Operating Cost Per Ounce of Gold (U.S. \$)	1,362	1,296	1,112
Operating Cost Per Pound of Copper (U.S. \$)	2.22	2.54	2.50

*2019 included depreciation of assets written off, amounting to Php329 million that was not included in the breakeven costs computation

Production cost per tonne, consisting of cash and non-cash, decreased to Php698 in 2020 from Php724 in 2019 on account of lower materials and supplies and power costs. In 2019, the production cost per tonne increased from Php705 in 2018 despite lower total production cost of Php5.873 billion (excluding asset impairment of Php329 million) compared with Php6.009 billion in 2018. The higher production cost per tonne in 2019 was caused by higher non-variable components of costs.

Consequent to the decrease in production cost per tonne, Operating Cost per Tonne decreased to Php846 in 2020 from Php852 in 2019 as against Php844 per tonne in 2018.

Break-even Operating Cost (using a co-production method) per ounce of gold and per pound of copper were higher at

US\$1,362 per ounce and US\$2.22 per pound, compared with US\$1,296 per ounce gold and US\$2.54 per pound copper in 2019, respectively. The expectation was to have lower cost per unit considering the higher metal output in 2020. However, with the relatively significant increase in gold prices resulting to higher gold revenues, the cost allocated to gold based on revenue contribution was higher than in 2019, thus, the increase in cost per ounce of gold.

On the other hand, with the lower allocation of cost to copper due to higher copper output in addition to lower total operating costs, the resulting cost per pound was lower in 2020 than in 2019. In 2019, breakeven operating costs were higher compared with US\$1,112 per ounce and US\$2.50 per pound in 2018. The higher operating cost per ounce and per pound were primarily due to lower metal output in 2019 of 14% in gold and 3% in copper brought about mainly by declining ore grades. The higher breakeven costs reflect that producing gold and copper in 2019 was more expensive than in the previous years.

Net Other Income (Charges)

(in Php millions)

	2020	2019	2018
Share in Net Losses of Associates	(47)	(118)	(41)
Foreign Exchange Gain (Losses) – Net	99	93	(121)
Interest Income	1	2	2
Gain on Disposal of AFS Financial Assets	-	-	-
Provisions for Impairment Losses – Net of Reversal	(2)	(849)	(67)
Others	(56)	(4)	91
Total	(5)	(877)	(136)

Provisions for Impairment Losses

Philex assesses the viability of its continuous operation of Padcal Mine, recoverability of costs on existing mine exploration projects, and other investments on a regular basis, using an acceptable financial model. As a result of this exercise, the Company determined that the recorded impairment reserve was greater than what it should be. As a result of this exercise, Philex recorded a reversal equivalent to the excess impairment provision in 2020. This is a portion of the 2019 impairment

provisions on mining assets mainly coming from the impact of higher metal prices on the life-of-mine financial projections of the Company. This was, however, offset by additional provisions on inventory items in Padcal Mine that were assessed to be obsolete, either due to the change in technology or the phaseout of the main equipment. In 2019, the recorded Net Provisions for Impairment Losses of Php849 million consisted mainly of the noncash impairment provisions of Php1.457 billion on mining assets and Php129 million on investment, with partial offset from recording a non-recurring gain from the reversal of Php738 million in receivables previously written off.

The overall Net Other Charges amounted to Php5 million in 2020, compared with Php877 million in 2019 and Php136 million in 2018.

Core and Reported Net Income

The significant upward movement of gold prices and the favorable metal production in 2020 allowed Philex to post a core net income of Php1.162 billion, which excludes extraordinary and non-recurring transactions and reflects its operational performance. This was substantially higher than the core net income of Php156 million in 2019.

The 2020 results benefited from higher gold and copper production from sustained better ore grades and favorable realized gold and copper prices as copper started to soar in the third quarter. In 2019, the core net income was lower than the Php600 million in 2018 due to the impact of lower tonnage and ore grades that was partially cushioned by favorable gold prices. EBITDA also significantly increased to Php2.703 billion for 2020 from Php1.664 billion in 2019 and Php2.493 billion in 2018.

The Company's core net income and EBITDA exclude non-recurring transactions to clearly reflect and provide results based on the normal operating parameters of the business. Non-core items consisted mainly of foreign exchange (forex) gain and net provisions for impairment of assets in 2020. While forex gain, net provisions for impairment of assets, gain on the reversal of receivable previously written off, write off of fixed assets and manpower rationalization costs comprised the non-core items in 2019.



RESULTS OF OPERATIONS

Following the good operating performance in 2020, Philex posted a Reported Net Income (the same as the Net Income Attributable to the Equity Holders as income attributable to non-controlling interest was nil) of Php1.228 billion from a loss of Php648 million in 2019. In 2019, the net loss after recording the non-cash net impairment provisions of Php849 million amounted to Php648 million, compared to a Net Income of Php608 million in 2018. Production challenges experienced at Padcal Mine in 2019 deterred the improvement in the Company's profitability level.

Reconciliation of Core Net Income to Consolidated Net Income (in Php millions)

	2020	2019	2018
Core Net Income	1,162	156	600
Non-Recurring Gains (Losses)			
Foreign Exchange Gain (Losses)	99	93	(121)
Write-off of Fixed Assets		(329)	
Net Provisions for Impairment of Assets	(2)	(849)	93
Others	(2)	(80)	-
Net Tax Effect of Aforementioned Adjustments	(29)	361	36
Net Income Attributable to Equity Holders	1,128	(648)	608
Net Income Attributable to Non-Controlling Interest	-	-	-
Consolidated Net Income	1,228	(648)	608

Financial Condition Summary

(in Php millions, except for ratios)

	2020	2019	2018
Cash and Cash Equivalents	1,191	796	871
Non-Current Assets	35,495	34,977	36,258
Total Assets	38,939	37,899	40,712
Short-Term Loans	1,777	2,532	2,156
Non-Current Liabilities	10,492	10,001	10,202
Equity Attributable to Equity Holders of Parent Company	24,227	22,969	23,699

	2020	2019	2018
Non-Controlling Interests	(0.3)	(0.3)	(0.3)
Total Equity	24,226	22,969	23,699
Liquidity Ratios			
Current Ratio	0.82	0.59	0.65
Quick Ratio	0.37	0.25	0.17
Solvency and Debt to Equity Ratios			
Debt-to-Equity Ratio	0.61	0.65	0.72
Solvency Ratio	0.17	0.08	0.13
Financial Leverage Ratios			
Asset-to-Equity Ratio	1.61	1.65	1.72
Profitability Ratios			
Return on Assets	3.20%	(1.65%)	1.51%
Return on Equity	5.21%	(2.78%)	2.51%
Net Profit Margin	15.68%	(9.54)	7.96%

Capital Expenditures and Exploration Costs

Capital Expenditures amounted to Php1.168 billion in 2020, lower than the Php1.745 billion in 2019 and Php2.261 billion in 2018. In 2020, the Company spent Php923 million for the sustaining mine development in Padcal, the acquisition of mine and mill equipment to augment Padcal's aging machinery and equipment, and the civil works to maintain the stability of the existing tailings facilities. The Company funded in 2019 the completion of Silangan DFS and land banking activities in preparation for the commencement of the Silangan Project development phase.

Padcal operations accounted for 79% of total actual spending at Php926 million in 2020 versus Php1.083 billion in 2019 and Php1.776 billion in 2018. The Silangan Project comprised 18% of the capital expenditures amounting to Php211 million in 2020 versus Php629 million in 2019 and Php329 million in 2018.

Other mining exploration projects constituted a total amount of Php31 million in 2020 compared to Php32 million in 2019 and Php156 million in 2018. These activities focused on complying with minimum regulatory requirements and confirmatory drillings necessary to evaluate the possible extension of the life of Padcal Mine beyond 2022.

Capital Expenditures and Exploration Costs

(in Php millions)

	2020	2019	2018
Padcal and Others			
Mine Development	522	552	1,095
Tailings Pond Structures	148	165	292
Machinery and Equipment	256	366	389
Total	926	1,083	1,776
Silangan Project			
Deferred Exploration Costs	214	641	433
Machinery and Equipment	(3)	(12)	(104)
Total	211	629	329
Mine Exploration Projects	31	32	156
Total	1,168	1,745	2,261
By Recording			
Deferred Exploration Costs	245	673	589
Property, Plant, and Equipment	923	1,071	1,672
Total	1,168	1,745	2,261

Deferred Exploration Costs

Deferred Exploration Costs (DEC) increased to Php27.365 billion in 2020 from Php26.616 billion in 2019 and from Php25.448 billion in 2018. This was on account of the pre-development expenditures related to Silangan Project with cumulative amount of Php25.066 billion or 92% of total DEC. Initial expenditures on early works program for the Silangan Project were also included in the DEC of the Project.

As Padcal's end of mine life draws near, the Company is focusing on assessing the potential of ore sources within and surrounding areas of Padcal for possible mine life extension.

Deferred Exploration Costs

(in Php millions)

	2020	2019	2018
Silangan Project	25,066	24,349	23,212
Kalayaan Project	2,752	2,746	2,743
Bulawan and Vista Alegre Projects	698	633	633
Lascogon Project	289	289	289
Bumolo Project	210	210	210
Clifton Project	135	135	135
Southwest Project	110	110	109
Sanfran/Tambis Project	92	92	92
Tapsan Project	149	148	143
Other Exploration Costs	1,453	1,495	1,472
Total	31,190	30,442	29,273
Less: Impairment Losses	(3,825)	(3,825)	(3,825)
Total Deferred Exploration Costs	27,365	26,616	25,448



AUDITED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philex Mining Corporation
2nd Floor LaunchPad,
Reliance Street corner Sheridan Street
Mandaluyong City, Metro Manila

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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, the carrying value of the Group's deferred exploration costs amounted to ₱27.37 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 costs 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, 2020. We reviewed the contracts and agreements, and the 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.

Recoverability of the carrying value of property, plant and equipment

The carrying value of the Group's property, plant and equipment amounted to ₱3.04 billion after allowance for impairment loss amounting to ₱2.47 billion as of December 31, 2020. The impairment mainly relates to mine and mining properties. Under PAS 36, Impairment of Assets an entity is required to assess whether indicators for impairment exist and if they exist, an impairment test is required. We consider this as a key audit matter because the assessment of the recoverability of the carrying value of property, plant and equipment requires significant judgment and involves estimation and assumptions about future cash flows and discount rates.

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 compared the assumptions used in forecasting the future cash flows against the budget business plans, published forecasted metal prices, forecasted foreign exchange rates and historical production costs. We compared the forecasted production quantities against the estimated ore reserves declared by the competent person's report. We involved our internal specialist to assist us in testing the parameters used in the determination of the discount rate against market data.



AUDITED FINANCIAL STATEMENTS

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information System), SEC Form 17-A and Annual Report for the year ended December 31, 2020 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, 2020 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 misstatements 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 misstatements 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 of 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.



AUDITED FINANCIAL STATEMENTS

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

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

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza III
Partner

CPA Certificate No. 109217

Accreditation No. 109217-SEC (Group A)

Valid to cover audit of 2019 to 2023

financial statements of SEC covered institutions

Tax Identification No. 246-663-780

BIR Accreditation No. 08-001998-129-2019,

November 27, 2019, valid until November 26, 2022

PTR No. 8534389, January 4, 2021, Makati City

February 24, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands Except Par Value Per Share)

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱1,191,479	₱795,709
Accounts receivable - net (Note 7)	369,898	416,154
Inventories - net (Note 8)	1,343,366	1,043,748
Other current assets - net (Note 9)	539,950	665,768
Total Current Assets	3,444,693	2,921,379
Noncurrent Assets		
Property, plant and equipment - net (Note 10)	3,042,982	3,185,283
Financial assets measured at FVOCI (Note 11)	113,973	120,898
Investment in associates - net (Notes 12 and 34)	4,161,328	4,208,339
Deferred exploration costs (Notes 1, 13, 20 and 32)	27,365,125	26,616,343
Pension asset - net (Note 21)	310,332	223,775
Other noncurrent assets (Note 14)	500,882	622,710
Total Noncurrent Assets	35,494,622	34,977,348
TOTAL ASSETS	₱38,939,315	₱37,898,727
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 15)	₱1,776,851	₱2,531,750
Accounts payable and accrued liabilities (Notes 16 and 32)	1,692,763	1,608,003
Subscription payable (Note 12)	123,345	186,531
Income tax payable	74,300	53,284
Dividends payable (Note 28)	553,610	549,632
Total Current Liabilities	4,220,869	4,929,200
Noncurrent Liabilities		
Loans and bonds payable (Note 15)	8,182,002	7,743,020
Deferred tax liabilities - net (Notes 3 and 27)	2,293,314	2,218,550
Provision for losses and mine rehabilitation costs (Notes 10 and 32)	16,911	39,029
Total Noncurrent Liabilities	10,492,227	10,000,599
Total Liabilities	14,713,096	14,929,799
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1 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	4,734,469	3,471,281
Appropriated	10,500,000	10,500,000
Net unrealized gain on financial assets measured at FVOCI (Note 11)	31,859	37,745
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
	24,226,503	22,969,201
Non-controlling interests (Note 28)	(284)	(273)
Total Equity	24,226,219	22,968,928
TOTAL LIABILITIES AND EQUITY	₱38,939,315	₱37,898,727

See accompanying Notes to Consolidated Financial Statements.



AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Par Value Per Share)

	Years Ended December 31		
	2020	2019	2018
REVENUES (Note 17)	₱7,833,713	₱6,789,566	₱7,640,306
COSTS AND EXPENSES (Note 18)			
Production costs	4,215,573	4,387,787	4,407,889
Depletion, amortization and depreciation	1,252,204	1,814,331	1,600,521
Excise taxes and royalties	543,238	427,211	506,490
General and administrative expenses	287,133	287,334	305,631
	6,298,148	6,916,663	6,820,531
OTHER (CHARGES) INCOME			
Foreign exchange gain (losses) - net (Note 23)	99,115	93,072	(121,176)
Share in net losses of associates (Note 12)	(47,011)	(118,335)	(40,936)
Interest income (Note 6)	981	1,571	2,275
Provisions for impairment losses - net of reversal (Notes 8, 10, 12, and 26)	(1,900)	(848,560)	(67,033)
Others - net	(56,426)	(4,266)	91,160
	(5,241)	(876,518)	(135,710)
INCOME (LOSS) BEFORE INCOME TAX	1,530,324	(1,003,615)	684,065
PROVISION (BENEFIT FROM) FOR INCOME TAX (Note 27)			
Current	234,407	143,019	275,408
Deferred	67,620	(498,841)	(199,799)
	302,027	(355,822)	75,609
NET INCOME (LOSS)	₱1,228,297	(₱647,793)	₱608,456
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	₱1,228,308	(₱647,778)	₱608,456
Non-controlling interests (Note 28)	(11)	(15)	-
	₱1,228,297	(₱647,793)	₱608,456
Basic/Diluted (Loss) Earnings Per Share (Note 30)	₱0.249	(₱0.131)	₱0.123

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
NET INCOME (LOSS)	₱1,228,297	(₱647,793)	₱608,456
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on pension obligation plans (Note 21)	120,406	(121,270)	9,946
Income tax effect	(36,122)	36,382	(9,073)
Unrealized loss on financial assets measured at FVOCI (Note 11)	(5,886)	2,404	40,872
	78,398	(82,484)	41,745
OTHER COMPREHENSIVE INCOME (LOSS)	78,398	(82,484)	41,745
TOTAL COMPREHENSIVE INCOME (LOSS)	₱1,306,695	(₱730,277)	₱650,201
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	₱1,306,706	(₱730,262)	₱650,201
Non-controlling interests (Note 28)	(11)	(15)	–
	₱1,306,695	(₱730,277)	₱650,201

See accompanying Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Thousands)**

	Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 28)	Additional Paid-In Capital	Retained Earnings (Note 28)	Appropriated	Unrealized Gain (Loss) on AFS Financial Assets (Note 11)	Unrealized Gain on financial asset measured at FVOCI	Equity Conversion Option (Note 15)	Revaluation Surplus (Note 4)	Effect of Transactions with Non-controlling Interests	Subtotal	Non-controlling Interests (Note 28)	Total
BALANCES AT DECEMBER 31, 2017	₱4,940,399	₱ 1,143,981	₱ 5,271,302	₱10,500,000	₱538	₱-	₱1,225,518	₱1,572,385	₱77,892	₱24,732,035	(₱258)	₱24,731,777
Effect of adoption of PFRS 9 - provision for expected credit losses	-	-	(1,312,243)	-	-	-	-	-	-	(1,312,243)	-	(1,312,243)
Reclassification of AFS financial assets to financial assets measured at FVOCI	-	1,143,981	3,959,059	10,500,000	(538)	558	1,225,518	1,572,385	77,892	23,419,792	(258)	23,419,534
Balances at January 1, 2018	4,940,399	1,143,981	3,959,059	10,500,000	(538)	558	1,225,518	1,572,385	77,892	23,419,792	(258)	23,419,534
Net income	-	-	608,456	-	-	-	-	-	-	608,456	-	608,456
Items not to be reclassified to profit or loss in subsequent periods:												
Remeasurements of pension obligation, net of tax (Note 21)	-	-	6,962	-	-	-	-	-	-	6,962	-	6,962
Unrealized gain on financial assets measured at FVOCI - net of related deferred income tax (Note 11)	-	-	615,418	-	-	34,783	-	-	-	34,783	-	34,783
Total comprehensive income	-	-	(370,530)	-	-	34,783	-	-	-	650,201	-	650,201
Declaration of dividends (Note 28)	-	-	-	-	-	-	-	-	-	(370,530)	-	(370,530)
BALANCES AT DECEMBER 31, 2018	₱4,940,399	₱1,143,981	₱4,203,947	₱10,500,000	₱-	₱35,341	₱1,225,518	₱1,572,385	₱77,892	₱23,699,463	(₱258)	₱23,699,205
Net loss	-	-	(647,778)	-	-	-	-	-	-	(647,778)	(15)	(647,793)
Items not to be reclassified to profit or loss in subsequent periods:												
Remeasurements of pension obligation, net of tax (Note 21)	-	-	(84,888)	-	-	-	-	-	-	(84,888)	-	(84,888)
Unrealized gain on financial assets measured at FVOCI - net of related deferred income tax (Note 11)	-	-	-	-	-	2,404	-	-	-	2,404	-	2,404
Total comprehensive loss	-	-	(732,666)	-	-	2,404	-	-	-	(730,262)	(15)	(730,277)
BALANCES AT DECEMBER 31, 2019	₱4,940,399	₱1,143,981	₱3,471,281	₱10,500,000	₱-	₱37,745	₱1,225,518	₱1,572,385	₱77,892	₱22,969,201	(₱273)	₱22,968,928

Equity Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 28)	Additional Paid-In Capital	Retained Earnings (Note 28)	Unrealized Gain (Loss) on AFS Financial Assets (Note 11)	Unrealized Gain on financial asset measured at FVOCI (Note 11)	Equity Conversion Option (Note 15)	Net Revaluation Surplus (Note 4)	Effect of Transactions with Non- controlling Interests	Non- controlling Interests (Note 28)	Total
BALANCES AT DECEMBER 31, 2019	₱4,940,399	₱ 1,143,981	₱ 3,471,281	₱ 10,500,000	₱ 3,745	₱ 1,225,518	₱ 1,572,385	₱ 77,892	(₱ 273)	₱ 22,968,928
Net income	-	-	1,228,308	-	-	-	-	-	(11)	1,228,297
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>										
Remeasurements of pension obligation, net of tax (Note 21)	-	-	84,284	-	-	-	-	-	-	84,284
Unrealized loss on financial assets measured at FVOCI - net of related deferred income tax (Note 11)	-	-	-	-	(5,886)	-	-	-	-	(5,886)
Total comprehensive income	-	-	1,312,592	-	(5,886)	-	-	-	(11)	1,306,695
Declaration of dividends (Note 28)	-	-	(49,404)	-	-	-	-	-	-	(49,404)
BALANCES AT DECEMBER 31, 2020	₱4,940,399	₱ 1,143,981	₱ 4,734,469	₱ 10,500,000	₱ 31,859	₱ 1,225,518	₱ 1,572,385	₱ 77,892	(₱ 284)	₱ 24,226,219

See accompanying Notes to Consolidated Financial Statements.



AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,530,324	(₱1,003,615)	₱684,065
Adjustments for:			
Depletion, amortization and depreciation (Note 20)	1,268,738	1,832,801	1,622,566
Unrealized foreign exchange (gains) losses and others - net	(145,143)	(133,433)	106,831
Share in net losses of associates (Note 12)	47,011	118,335	40,936
Movement in pension assets - net	33,017	14,842	13,961
Impairment losses on deferred exploration costs, property, plant and equipment and other assets - net (Notes 8, 10, 12, and 13)	1,900	1,586,375	1,379,276
Interest income (Note 6)	(981)	(1,571)	(2,275)
Gain on reversal of advances to a related party previously written off (Note 26)	-	(737,815)	-
Reversal of provision for expected credit losses on PXP receivables (Notes 2, 3, and 26)	-	-	(1,312,243)
Operating income before working capital changes	2,734,866	1,675,919	2,533,117
Decrease (increase) in:			
Inventories - net	(404,518)	93,833	379,516
Other current assets - net	125,818	91,524	249,708
Accounts receivable - net	46,256	(116,138)	690,588
Increase (decrease) in accounts payable and accrued liabilities	178,088	(182,936)	141,460
Cash generated from operations	2,680,510	1,562,202	3,994,389
Income taxes paid	(213,391)	(89,753)	(505,069)
Interest paid	(93,328)	(242,096)	(204,091)
Interest received	981	1,571	2,275
Net cash flows generated from operating activities	2,374,772	1,231,924	3,287,504
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Note 10)	(1,048,411)	(1,105,797)	(1,914,032)
Increase in deferred exploration costs and other noncurrent assets	(162,166)	(633,818)	(437,610)
Payment of subscription payable to PXP (Notes 12 and 26)	(63,186)	(2,126,450)	-
Payment of mine rehabilitation costs	(25,628)	(42,895)	(59,889)
Collections of advances to a related party (Note 26)	-	2,125,185	781,262
Decrease (increase) in financial assets measured at FVOCI	-	66	(1,125)
Additional investment in associate (Note 12)	-	-	(770,250)
Proceeds from sale of Property, plant and equipment	-	-	160,354
Net cash flows used in investing activities	(1,299,391)	(1,783,709)	(2,241,290)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of short-term loans (Note 33)	304,960	3,681,384	1,033,790
Payments of:			
Short-term bank loans (Note 33)	(942,655)	(3,206,711)	(1,449,290)
Dividends (Note 28)	(45,426)	(1,363)	(348,371)
Net cash flows (used in) from financing activities	(683,121)	473,310	(763,871)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	3,510	3,217	5,086
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	395,770	(75,258)	287,429
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	795,709	870,967	583,538
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱1,191,479	₱795,709	₱870,967

See accompanying Notes to Consolidated Financial Statements.



SUSTAINABILITY AT PHILEX





SUSTAINABILITY AT PHILEX

For Philex, sustainable practices are at the core of its license to operate. In the 66 years that we have been operating as a mining company in the Philippines, we realized that economic viability is closely interlinked with environmental and social responsibility.

This is important in the context of a mining company operating in the Philippines, a country that is one of the world's richest in mineral resources, but also among the most vulnerable to climate change.

As part of our unwavering commitment to right and principled mining, we at Philex continue to enhance our sustainability

approach and practices, not only to create meaningful and lasting economic impact, but also to minimize the adverse effects of our operations on the environment and on our host and neighboring communities. We demonstrate our adherence to the highest principles of transparency and accountability by reporting on issues material to our business and operations with respect to sustainable development.

At the core of our business strategy is right and principled mining – a commitment that evolved from the principles under Republic Act (RA) No. 7942, also known as the Mining Act and its Revised Implementing Rules and Regulations (IRR).

Philippine Mining Industry Regulations

The Mining Act (Republic Act No. 7942)

Mandates mining companies in the Philippines to adopt plans and strategies for the:

- rehabilitation, regeneration, revegetation, and reforestation of mineralized areas;
- slope stabilization of mined-out and tailings covered areas;
- the aquaculture, watershed development, and water conservation of neighboring environments; and
- socio-economic development of host and neighboring communities.

Department of Environment and Natural Resources Administrative Order (DAO) No. 96-40

Mandates mining companies to implement an Environmental Protection and Enhancement Program (EPEP) prior to the commencement of any mining project.

DAO No. 2010-21

Mandates mining companies in the Philippines to spend at least 1.5% of their annual operating costs for the development of host and neighboring communities.

Social Development and Management Program (SDMP)

Both RA 7942 and DENR Administrative Order 96-40 require mining companies to outline their holistic approach to the development of the host and neighboring communities under the SMDP. These programs should ultimately improve the overall quality of life of the communities, as well as address specific aspects of human resource development, health, education, infrastructure, sports and socio-culture, and enterprise development during the life of the mine. Specifically, the SMDP must include the following:

- Development of Host and Neighboring Communities (DHNC) plan;
- Development of Mining Technology and Geosciences (DMTG) programs; and
- Information, Education, and Communication (IEC) programs.

OUR SUSTAINABILITY FRAMEWORK

Driven by our commitment to right and principled mining, we have developed a sustainability framework hinged on five unified pillars.





SUSTAINABILITY AT PHILEX

These pillars are what makes right and principled mining real and tangible for our various 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 to our partners in the mining industry and initiate constructive and informed conversations on issues that are relevant to the industry and society.

Promotion of Employee Wellness. Our employees power our day-to-day operations. We aim to hone our employees to their fullest potential. Our Core Values include to respect and value our employees, and uphold the principles of human rights, health and safety, and nondiscrimination 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-government organizations (NGOs), and civil society 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 workers, 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 where 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 implement controls to ensure compliance with relevant environmental policies and standards. We 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. Recognizing 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. 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.

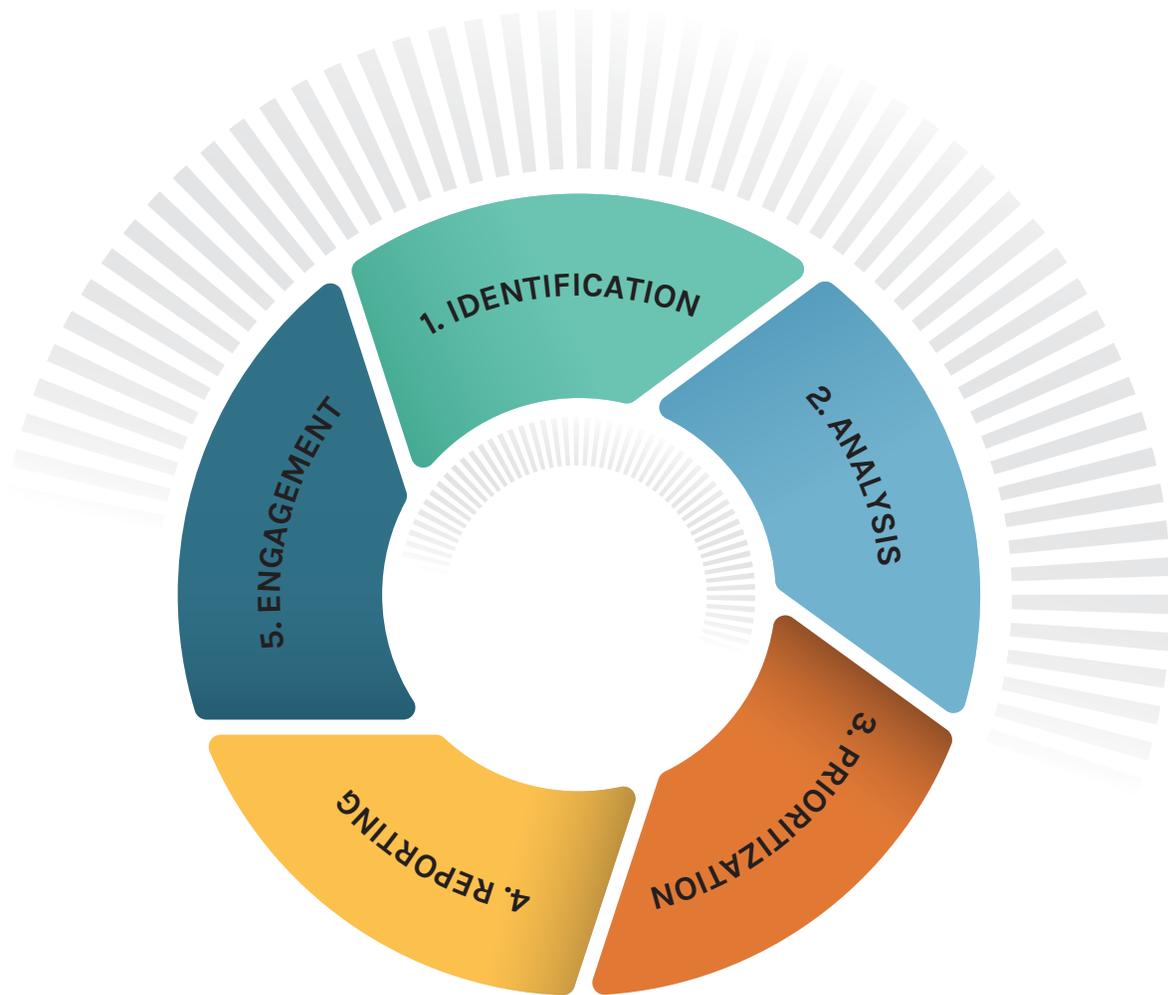
Our health and safety systems also provide for the necessary equipment, training, and resources that will promote safe work conditions. In addition, we also enforce effective security controls, standards, policies, and procedures that help protect our employees, assets, reputation, and host and neighboring communities without sacrificing their inherent human rights and dignity. We strive to uphold human rights for all individuals who may be affected by our operations.

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

Materiality Process

The Global Reporting Initiative (GRI) defines "materiality" as "topics and indicators that reflect the organization's significant economic, environmental, and social impacts or that would substantively influence the assessments and decisions of stakeholders."

We started the process of identifying the most material topics to our business operations and to our stakeholders in 2015. We continue to assess these topics every year along with tracking our performance. To determine the risks, opportunities, and other factors that materially impact our ability to create long-term sustainable value, we undergo this materiality process:



1. Identification

We perform risk assessments to ensure that we can address them expeditiously and in the most efficient way. We undergo risk management processes, review of internal performance and our impacts on the external environment, and robust engagement with both internal and external stakeholders.

2. Analysis

Material matters are evaluated according to the significance of their potential effects to our business and our key stakeholders.

3. Prioritization

The material topics are built into our corporate strategy, governance frameworks, risk management systems, and operational management processes.

4. Reporting

We report the information to our stakeholders through the annual publication of our Sustainability Report that expands on our financial reporting.

5. Engagement

Most material matters relating to sustainability are determined through continuous engagement with internal and external stakeholders, such as employees, contractors, affected people in our host communities and government representatives. The information obtained from these engagements is analyzed and collated into material topics most representative of the sentiments of all stakeholder groups.



SUSTAINABILITY AT PHILEX

FOCUS AREAS	MATERIAL TOPICS	STAKEHOLDERS AFFECTED	RELEVANCE
Financial Returns	Revenue Payments Local employment Share value (stocks) Fluctuation in metal prices (world market) Mining exploration	Company Shareholders Business partners, lenders Employees Contractors, suppliers	Consistent earning power and steady financial growth help ensure the Company's sustainability as an enterprise.
Corporate Governance	Leadership in corporate governance Internal process management	Company Shareholders Business partners, lenders, suppliers	Good governance in the form of obeying company codes of conduct, avoiding bribes, adhering to procurement rules, among other things helps the Company realize long-term benefits, including reducing risks, attracting new investors and shareholders, and increasing its equity.
Legal Compliance	Compliance with regulatory requirements	Regulators Lenders	Adhering to strict regulatory guidelines and policies enables the Company to protect its reputation as well as its relationships with its stakeholders.
Labor Practices	Strikes, lockouts Freedom of association Recruitment and employment Employee relations	Company Employees	PMC considers its workforce as its most valuable asset, and believes that sound labor practices and relationships are key to the long-term sustainability of its enterprise.



As part of our unwavering commitment to right and principled mining, we at Philex continue to enhance our sustainability approach and practices, not only to create meaningful and lasting economic impact, but also to minimize the adverse effects of our operations on the environment and on our host and neighboring communities.

FOCUS AREAS	MATERIAL TOPICS	STAKEHOLDERS AFFECTED	RELEVANCE
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 	<p>Company</p> <p>Regulators</p> <p>Local communities</p> <p>Civil society</p>	<p>Reducing or minimizing the environmental impact of the Company's operations is paramount to the creation of its sustainable value and reputation.</p>
Community Development	<p>Diseases and illnesses</p> <p>Risks and conflicts with local communities and indigenous peoples</p> <p>Information, consultation, and participation mechanisms</p>	<p>Stakeholders in the communities where we operate</p>	<p>PMC provides Social Development and Management Programs to demonstrate its corporate social responsibility and long-term commitment to the sustainability of its host communities.</p>
Health and Safety	<p>Education and training</p> <p>Safety procedures in the facility</p> <p>Safety performance monitoring</p>	<p>Employees, workers</p> <p>Contractors</p>	<p>Strict enforcement of safety standards and protocols and safeguarding the health and well-being of its employees and workers are essential to the Company's sustainable practices.</p>
Facility Protection	<p>Emergency preparedness</p> <p>License to operate</p> <p>Supplier screening</p> <p>Security of site</p>	<p>Company</p> <p>Employees, workers</p> <p>Contractors</p>	<p>Ensuring the protection of its facility is critical to PMC's local operations and the creation of long-term value.</p>



OUR STAKEHOLDERS

We believe that stakeholder engagement is a cornerstone of building trust and a good reputation. Forging relationships with all our stakeholders can spell the difference between a successful project with community support and a project with lengthy delays that threaten or prevent its existence.

Stakeholder engagement is particularly relevant, given our operations' close proximity to, and impact on, our host communities through the use of resources such as water, energy, and land.

Engaging with the right groups of stakeholders is critical, given the highly regulated industry and the dynamic social, economic, and environmental landscape in which we operate. As such, we develop policies and guidelines that will enable us to develop a comprehensive business approach and fulfill our obligations to our shareholders and investors.

We engage our stakeholders by sharing timely and relevant information, gathering feedback, and working together on important initiatives that guide our sustainability approach. We hold regular stockholders' meetings to keep our stockholders informed of the current condition of the company, as well as of its future plans and outlook. These practices are aligned with our adherence to principles of transparency and accountability in all our stakeholder engagements.

Given the significant scale of our operations, we also 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. 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.

We comply with our own Code of Conduct, as well as all applicable laws, rules, and regulations for the mining industry. We lend our expertise to our partners in the mining industry and initiate constructive and informed conversations on issues that are relevant to the industry and society.

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.

We accredit suppliers and contractors who meet 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.



Engaging with the right groups of stakeholders is critical, given the highly regulated industry and the dynamic social, economic, and environmental landscape in which we operate. As such, we develop policies and guidelines that will enable us to develop a comprehensive business approach and fulfill our obligations to our shareholders and investors.

OUR STAKEHOLDERS MATTER

Shareholders and Investors



Issues & Concerns

Production

- Financial returns
- Minimum risks related to business and expansion

Company Response

- Continuous process improvements
- Financial disclosures
- Dividends

Modes of Engagement

- Annual Stockholders' Meeting
- Direct communications through our Investor Relations Group
- One-on-one investor meet

Local Government Units



Issues & Concerns

- Environmental management
- Socio-economic development

Company Response

- Rehabilitation of disturbed areas and implementation of reforestation projects
- Briefings and meetings
- Partnerships

Modes of Engagement

- 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

Regulators



Issues & Concerns

- Adoption of best practices
- Accurate disclosures
- Legal and regulatory compliance

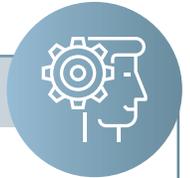
Company Response

- Development of corporate social responsibility (CSR) manuals
- Adoption of ISO standards
- Implementation audits

Modes of Engagement

- Annual, quarterly, and monthly reports
- Audits
- Taxes and certification processes

Suppliers and Contractors



Issues & Concerns

Labor Code practice by contractors

- Availability of supplies
- Supplier accreditation
- On-time payments
- Product specification
- Integrity of bids

Company Response

- Proper sourcing of suppliers
- Proper communication and coordination with suppliers

Modes of Engagement

Accreditation process

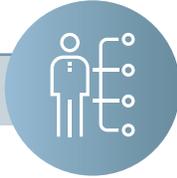
- Contractual agreements



SUSTAINABILITY AT PHILEX

OUR STAKEHOLDERS MATTER

Employees



Issues & Concerns

- Attendance
- Productivity and work performance
- Proper interpretation of Collective Bargaining Agreement (CBA) and Code of Conduct
- Workplace safety
- Work-life balance

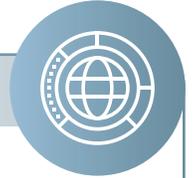
Company Response

- 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)

Modes of Engagement

- Consultations
- Issuance of employee advisories
- Employee engagement program

Customers



Issues & Concerns

- Quality products
- Accessibility and convenience
- Account security
- Improved benefits
- Financial advice
- Timely service

Modes of Engagement

- Website
- Relationship teams

Media



Issues & Concerns

- Product briefing and details
- Transparency
- Timeliness of announcements

Modes of Engagement

- Press releases and press conferences
- Interviews
- Official statements
- Public advisories

Host and Neighboring Communities (including indigenous peoples)



Issues & Concerns

- Sustainable livelihood and income
 - Education for youth
 - Land claims
 - Environmental rehabilitation during post-exploration activity

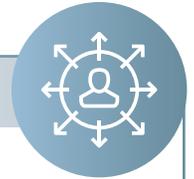
Company Response

- Technical assistance, infrastructure support, and financial assistance to qualified community organizations
- Improvements and enhancements to education programs
- Continuous negotiation and coordination
- Community immersion

Modes of Engagement

- Social Development and Management Program (SDMP)
- Community meetings and consultations

Industry Associations



Issues & Concerns

- Sharing of industry standards and best practices

Modes of Engagement

- Industry meetings and fora

Partners



Issues & Concerns

- Transparency in disclosures
- Alignment of advocacies

Modes of Engagement

- Corporate events and fora



OUR ENVIRONMENT

The highly extractive nature of mining activities makes it vital for us at Philex to implement best practices and effective environmental management – from our day-to-day activities onsite, to corporate strategic planning. We are committed to complying with applicable laws and regulations, and adopting relevant environmental standards, aligned with being a right and principled miner.

Environmental Compliance

The mining industry in the Philippines is highly regulated. Our operations are subject to the pertinent and applicable environmental regulations set forth by the Department of Environment and Natural Resources (DENR). We regularly report

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

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

Milestones

We align our operations with relevant and up-to-date international standards and best practices.



Padcal Mine secured its first ISO 14001 Environmental Management System (EMS) Certification.



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.



Philex subsidiary Silangan Mindanao Mining Corporation (SMMCI) secured its first ISO 14001:2004 Certification and has successfully transitioned to the ISO14001:2015 Certification on June 4, 2018. SMMCI was re-certified by Certification International Philippines Inc. (CIPI) on June 4, 2019 and valid until May 31, 2022.



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. Philex is the only mining company in the Philippines with an in-house mining laboratory that has secured this accreditation. Its in-house laboratory personnel are also performing at par with international standards of competence. As such, Assay Laboratory is competent to carry out tests, calibrations, and sampling for other companies as well.



SUSTAINABILITY AT PHILEX

Environmental Programs and Management

Under Republic Act No. 7942, also known as the "Philippine Mining Act of 1995," and its Revised Implementing Rules and Regulations (IRR), mining companies are required to submit an Environmental Protection and Enhancement Program (EPEP) prior to starting any mining development project. The EPEP must contain 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.

Department Administrative Order (DAO) No. 2010-21 also mandates the implementation of an 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 2020, we spent Php149.5 million in our Annual EPEP, which is equivalent to 4.33% of our direct mining and milling costs of Php3.374 billion. The amount also represents 54.46% of our approved EPEP budget for the year. This brings the Company's expenditures from 1967 to date to P6.053 billion.

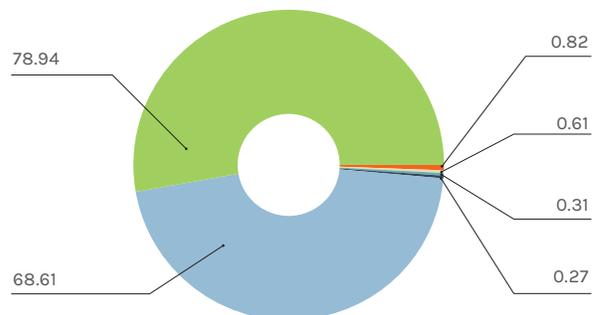
In addition to the EPEP, we also invest heavily in environmental care and maintenance activities in our Silangan, Bulawan, and Sibutad project sites. These investments cover the costs for ambient air and water monitoring, soil erosion control and prevention, the establishment of new tree plantations, as well as the maintenance and protection of established reforestation areas within the project sites. The environmental care and maintenance programs of these projects were submitted and approved by the Mines and Geosciences Bureau (MGB) of the DENR. The EPEP and SDMP for the Underground Cave (UGC) mining method were also approved on September 23, 2019 by the Contingent Liability and Rehabilitation Fund Steering Committee (CLRFSC).

Land Resource Management. We promote the progressive rehabilitation of land resources as part of our land resource management. Protecting habitats and biodiversity is also part of our commitment to our host and neighboring communities.

Reforestation. We reforested an additional 50 hectares of forest plantation in some parts of Tuba and Itogon, Benguet province. The plantation maintenance and protection for the established reforestation areas were also implemented in 2018 and 2019, except for some contracts that were cancelled as the co-operator failed to fulfill some terms in the contract. Fire line/grass-cutting activities were also implemented for the first and second semester of 2020, covering 338,628 sq.m.

2020 Annual Environmental Protection and Enhancement Program (EPEP)

	Amount (in Php millions)
Land Resource Management	78.94
Water Resources Management	68.61
Hazardous and Toxic Waste Management	0.61
Air Quality Management	0.27
Conservation Values	0.31
MRFC Meetings and MMT Monitoring Activities	0.82
Total	149.56



We maintain a forest nursery to sustain our reforestation activities and to donate to individuals/groups to support tree planting and livelihood activities. We aim to produce 3,000 bamboo propagules in our bamboo plantation to support the government's initiative of promoting the planting and use of bamboo.

A concrete testament to our reforestation efforts is the recognition Philex earned in the 2020 Best Mining Forest Contest by the DENR's EMB. The Company won in the Exploration Category and was a third runner-up in the Metallic Operating Mine Category.

Rehabilitation. We promote the progressive rehabilitation of land resources in our decommissioned mine sites in Sibutad, Zamboanga del Norte and Bulawan, Negros Occidental by planting seedlings in plantations within and outside our tenements, which is also part of our National Greening Program (NGP). We are also continuing progressive rehabilitation initiatives in Padcal mine site while it is still operational.

For soil movement, we 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).

Biodiversity Conservation. In 2019, we commissioned an independent Biodiversity Assessment Study which will serve as the baseline for its Biodiversity Conservation Plan. The study was conducted by the researchers at the University of the Philippines in Los Baños, Laguna. We shared the results of this study with the respective local government units and appropriate government agencies through an Information, Education, Communication (IEC) activity in January 2020. Most of the recommendations of the study were considered in the planning and budgeting activity for 2021. The study will also serve as the baseline and basis for the Biodiversity Management and Conservation Plan of the Company.

Revised Environmental Policy of Philex

Philex, as a socially and environmentally responsible Filipino company striving for excellence in mineral resource development, is committed to the continual improvement of its operations and its sustainability goals to:

- Minimize and mitigate adverse environmental impacts
- Strengthen biodiversity conservation
- Support climate change initiatives
- Promote environmental awareness and commitment among its workers at all levels
- Comply with applicable legislations and other requirements





SUSTAINABILITY AT PHILEX

HABITATS PROTECTED OR RESTORED

Project	Area disturbed (hectares)	Project Status	Area reforested (hectares)	Type of reforestation	Species planted
Padcal Mine (PMC)	580	MPSA-276 Operation	3,220	Forest Plantation/ Agroforestry	Calliandra, Benguet Pine, Gmelina, Kupang, Alnus, Antsoan Dilau, Eucalyptus, Agoho, Narra, Teak, Balete. Bishop Tree, Ficus nota, Oak tree, Dapdap, Falcata, Acacia Mangium, Molave, Banaba, Coffee, Mango, Avocado, Lanzones, Rambutan, Cacao, Bamboo, Guava, Jackfruit, etc.
Bulawan (PGPI)	146	MLC-MRD510 Care & Maintenance	826.86*	Forest Plantation	Mangium, Auri, Mahogany, Gmelina, Rain tree Coffee
Sibutad (PGPI)	38	MPSA-063 Care & Maintenance	189.17	Forest Plantation	Mangium and Auri
			39.16	Mangrove Plantation	Bakauan ((Rhizophora Mucrunata)
Surigao (PMC-LMC)	37	MPSA-148 Exploration	10	Forest and Agroforestry	Falcata, narra, mangium, coffee
SMMCI	24.91	MPSA-149	185.24	Agroforestry	Mahogany, Mangium, Falcata, Narra, Cacao, Coffee, Palawan Cherry, Lanzones, Marang, Rambutan, etc.
Kalayaan, Surigao	14		9	Agroforestry	Falcata, coffee
Total	839.91		4,479.43		

* Areas on Assisted Natural Regeneration (ANR) are included

ECOSYSTEMS AND BIODIVERSITY (UPLAND/WATERSHED OR COASTAL/MARINE)

Disclosure	Quantity
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None
Habitats protected or restored	4,479.43 hectares
IUCN ¹ Red List species and national conservation list species with habitats in areas affected by operations	44 plant species 38 animal species*

*Source: *Biodiversity and Ecology in Tuba and Itogon, Benguet: A Science-Based Assessment for Sustainable and Resilient Mountain Ecosystem prepared by the researchers of the University of the Philippines-Los Baños*

¹ International Union for Conservation of Nature

Philex turns to 'green gold of life'

"He who plants a tree plants hope," according to one famous adage. This has never been truer than in 2020 when hope became a scarce commodity as the COVID-19 global pandemic took a toll on millions of human lives and brought the global economy to a standstill.

In the Philippines, among the countries that enforced the longest lockdown restrictions, the pandemic led to massive unemployment, which hit a 15-year record high of 10.3% or 4.5 million Filipinos without jobs, in 2020. It also plunged the economy into its first recession in nearly 30 years, contracting 9.5% in GDP in 2020.

To help Filipinos displaced from work and hasten the country's economic recovery, the Department of Environment and Natural Resources (DENR), under the leadership of Environment Secretary Roy Cimatu, directed all mining companies in the country to allocate a portion of their permit area for the establishment of a bamboo plantation.

Under the memorandum issued on June 11, 2020 by the Mines and Geosciences Bureau (MGB), entitled "Establishment of Bamboo Plantation in Mining Areas," mining firms must commit 20% of their final mining area to bamboo plantation as part of the rehabilitation strategies of the operating. For mining companies, contractors, and permit holders without a mined-out area yet that is under rehabilitation, a bamboo plantation outside of their contract area can be considered as an alternative.

The directive is part of the Enhanced National Greening Program (ENGP), the government's flagship reforestation initiative, in which the DENR is set to cover 16,867 hectares of land nationwide with bamboo.



Pioneering effort

As early as 1999, Philex has already started developing and propagating bamboos in Padcal, Tuba, Benguet as part of its efforts to rehabilitate its Mine Tailings Dam No. 1. The plantation is home to bamboo species such as kawayan tinik (*Bambusa blumeana*), bayog (*Bambusa blumeana* var. *luzonensis*), and giant bamboo (*Dendrocalamus asper*).

The Company embarked on a bamboo plantation program to develop and rehabilitate critical areas and areas prone to erosion. The bamboo plays a vital role in soil stabilization, sequestration of carbon dioxide from the atmosphere, and in the reduction of exposure to toxic environmental contaminants. A bamboo produces 35% more oxygen than trees.

Philex also hopes to improve and enhance the natural defenses and resilience of areas against the impacts of climate change. Engaging in bamboo plantation development can help in the improvement of the country's forest cover, as the bamboo is considered one of the world's fastest-growing plants.

In addition to its environmental benefits, the bamboo plantation program also enables Philex to uplift the lives of people in its host communities through livelihood opportunities, thus mitigating poverty.



SUSTAINABILITY AT PHILEX

Casting a wider net

More than two decades since the development started, the bamboo plantation of Philex is now being eyed as a potential ecotourism site. The cool atmosphere in the site makes the area conducive for relaxation and can be a tourist draw in Padcal.

Philex is also expanding the bamboo plantation by establishing a bamboo nursery inside its bamboo plantation area at the Tailings Storage Facility (TSF) 1 in Sal-angan, Ampucao, Itogon, Benguet. The one-hectare site was identified for being widely accessible and well suited to grow bamboo propagules. Giant bamboo, kawayan tinik, and bayog species are the sources of bamboo propagules. Buho/bolo and other bamboo species that can be found within and in nearby localities will also be collected and propagated in the bamboo nursery.

The Company plans to further expand the TSF1 bamboo plantation area, the existing bamboo plantation at its Subsidence Area, and other mined out areas identified for rehabilitation, in compliance with the MGB memorandum, as well as in accordance with its leadership in right and principled mining.

Joining forces

Philex subsidiaries Silangan Mindanao Mining Company Inc. (SMMCI) and Philex Gold Philippines, Inc. (PGPI) also joined in the effort to magnify the impact of the parent company's environmental and economic contributions.

In 2020, as part of its commitment to plant one hectare of bamboo, SMMCI established a plantation in its property in San Pedro, Sison and started planting a total of 260 hills of Kawayan Tinik bamboo species with a 6x6-meter spacing along

the riverbank of San Pedro Creek. The bamboo plantation also served as a perimeter to the existing SMMCI tree plantation in the area.

On April 16, 2021, SMMCI employees attended the "Learning Event on the Establishment of Bamboo Plantation in Mining Areas" seminar and hands-on training on bamboo propagation sponsored by the Ecosystems Research and Development Bureau (ERDB) of the DENR. The techniques and procedures on bamboo propagation was cascaded to the SMMCI team and security personnel. SMMCI has started undertaking in-house propagation to produce seedlings intended for planting on the last quarter of 2021.

Meanwhile, PGPI projects in Bulawan and Sibutad, though technically in its Final Mine Rehabilitation and/or Decommissioning Plan, also committed to the bamboo plantation program of Philex. PGPI Bulawan will establish an 8-hectare bamboo plantation while PGPI Sibutad will set up its own 7-hectare plantation in its tenement areas. Personnel from both projects also attended the DENR's virtual seminar on bamboo propagation and have also started producing bamboo seedlings in-house.

Commitment to the bamboo plantation program is aligned with Philex's environmental stewardship. The Company has been consistently recognized for its adherence to environmental conservation efforts over the years. It garnered the 2020 Best Mining Forest, Exploration Category, and 3rd Runner-Up in 2020 Best Mining Forest, Metallic Category, bestowed by the Presidential Mineral Industry Environmental Awards (PMIEA). The awards are given to mining companies with the best practices in safety and health management and environmental protection.







SUSTAINABILITY AT PHILEX

Water Resource Management. Water is a valuable resource used in our Mill Plant operations. Our mill draws raw water from three sources: the Sal-angan river, CYM tunnel, and Smith Tunnel water reservoir overflow. Sal-angan river is the main source of raw water for the mill year-round while CYM and Smith tunnels provide water during rainy seasons.

Water supply poses a major challenge for the processing plant during the dry season (February to May), so we promote efficient water management to ensure continuous operations. In 2020, total volume of raw water pumped from Sal-angan river amounted to 8,302,509 cubic meters.

We observe the efficient use of water resources under our Water Management Plan, which is integrated in the IMS Manual Vol. 2 (ENV-STD-006 Water Management). This ensures that processes are developed, implemented, and maintained to comply with the applicable regulations of RA 9275 (Clean Water Act).

To prudently manage our water consumption and monitor the water quality in our areas of operation, both for surface water and drinking water sources, 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.

There are four different groups that monitor and manage our water quality:

1. Tailings Storage Facility (TSF) Team (daily)
2. Environmental Quality and Management Enhancement Department (weekly)
3. Government-led Multi-Partite Monitoring Team (quarterly for operating mine)
4. Community Technical Working Group (every three months for exploration projects)

In 2018, the Company adopted the new Water Quality Guidelines and General Effluent Standards under DAO No. 2016-08. Water effluent samples collected from the downstream discharges of TSF No. 3 are tested and have been found to be compliant with the parameters and standards set under DAO No. 2016-08, which calls for regular monitoring of water effluents, for a Class "A" water body.



In addition, regular effluent monitoring and analysis is conducted at strategic sampling points within and outside the Padcal Mine. All safety measures and maintenance works are undertaken to ensure smooth operations of tailings conveyance to TSF #3 reservoir.

We operate two megastructure tailings thickeners, which re-circulate back the water to the plant as process water while feeding the underflow into the TSF through a 2.7-kilometer pipeline. We also installed a tailings cyclone to increase the percentage of water recovery. These thickeners play an important role in the milling process and significantly reduce our dependence on fresh/raw water.

A detailed Tailings Management Framework (ENV-STD-001 Tailings Management) is included in our IMS Manual, containing policy and commitment, planning, good practices, implementation, and management review for continuous improvement.

Major Accomplishments in Water Resource Management in 2020

- Continuous implementation of the Offset Dike (OSD) Raising (in-house design; slope 1:2) and Offset Dike Extension (OSDE) Raising until it reaches the target level of 640 MASL
- Continuous maintenance of the 2.7 Km Tailings Tunnel and 4km pipeline-conveyance facilities was carried out to transport and impound a total of 7,779,435 DMT tailings at the Tailings Storage Facility No. 3 (TSF3)
- Compliance with the Water Quality Guidelines and General Effluent Standards of DENR Administrative Order 2016-08 – The result of the effluent samples collected from the downstream discharges of the TSF3 show adherence to the parameters and standards set for a Class "A" water body.



- Implementation of environmental projects such as the dredging of Silt Traps 1 & 2, which served as protection for the Albian Slope and Albian Creek
- Hauling of generated hazardous waste by Dolomatrix Philippines Inc. and Envirocare Management Solutions Inc.

All About Water

	2020	2019
Water withdrawal (in m3)	8,846,999	9,465,329
Water consumption (in m3)*	17,336,242*	17,395,731
Industrial**	16,791,752**	16,818,038
Residential areas	543,723	576,943
Private***	767***	750
Water recycled and reused (in m ³)	8,489,242	7,930,402
Total volume of water discharges (in m ³)	37,938,162,800	24,493,838
Wastewater recycled (%)	0	0

*Sum of total withdrawn, total recycled, domestic consumption, and Head Office consumption

** Pumped from Sal-angan River and water recycled and reused

*** Used by Head Office and sourced from third-party supplier



SUSTAINABILITY AT PHILEX

Ecological Solid Waste Management. We practice ecological solid waste management as part of being a responsible miner and in accordance with the requirements under our Environmental Compliance Certificate 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 waste and segregation at source is strictly enforced. It also recycles materials, which are sorted and then sold to DENR-accredited recycling companies.

A Waste Management Plan is integrated in our IMS Manual Vol. 2 (ENV-STD-002 Waste Management), ensuring that processes are developed, implemented, and maintained in the proper identification, treatment, storage, and disposal of waste. We ensure strict compliance with Republic Act 9003 (Ecological Solid Waste Management Act), RA 6969 (Hazardous Materials Management), as well as the Department of Health's and the DENR's Joint Order # 2, Series of 2005 on Policies and Guidelines on Effective and Proper Handling, Collection, Transport, Treatment, Storage and Disposal of Health Care Waste.

In 2019, we installed gas vents and created sampling pond/leach pond in our TSF #2 Sanitary Landfill. This was in compliance with the EMB-Cordillera Administrative Region's (EMB-CAR) recommendation during a Multipartite Monitoring Team (MMT) inspection and with ECC conditions on sanitary landfills.

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.

An alternative spillway to an elevation of 615ML spilling level was completed in 2018 to the tune of Php55 million. This not only ensures the structural integrity of TSF No. 3, but also sustains a 1,000-year maximum probable flood. In addition, we also strengthened the maintenance of our 2.7-kilometer Tailings Tunnel and our 4-kilometer high-density polyethylene (HDPE) pipelines. Conveyance facilities were also developed to transport the tailings and impound at the TSF No. 3.

Hazardous Waste

By Type	Unit	Quantity	Disposal Method
Sulfuric Waste	Tonne	0.00888	Neutralization with NaOH/lime and disposed of in the tailings Storage Facility (TSF)
Hydrochloric Acid	Tonne	0.8125	
Nitric Acid	Tonne	0.6905	
Ammonium Hydroxide	Tonne	0.0500	Neutralization with acid and disposed of in the tailings Storage Facility (TSF)
Lime Slurry	Tonne	2,795.03	Neutralization with volume of water and disposed of in the TSF
Lead Compounds (Pre-mixed Fire Assay Flux)		5.72	Treated by DoloMatrix Philippines, Inc.
Lead Compounds (Used Lead-acid Batteries)	Tonne	5.48	
Mercury and Mercury Compounds (Busted Fluorescent Lamps)	Tonne	0.615	Treated by Joechem Environmental Corp.
Other Waste with Inorganic Chemicals (Fixer Solutions)	Tonne	0.24675	Treated by Joechem Environmental Corp.
Other Waste with Inorganic Chemicals (Mine Tailings)	Tonne	7,779,435.00	Disposed to the Tailings Storage Facility 3 (TSF3)
Explosive and Unstable Chemicals (Sodium Isobutyl Xanthate)	Tonne	270.29	Disposed to the Tailings Storage Facility 3 (TSF3)
Used Industrial Oil including Sludge	Tonne	35.76	Treated by DoloMatrix Philippines, Inc.
Oil-contaminated Materials	Tonne	36.786	
Wastes Electrical and Electronic Equipment (WEEE)	Tonne	0.49325	Treated by Envirocare Management Precisions, Inc.
		7,782,586.98	

Materials Used

By Weight or Volume

	2020	2019	2018
Renewable water (m ³)	8,489,242	8,887,636	
Non-renewable (tonnes)	3,307	3,307	3,849
• Collectors	271	272	280
• Frother	50	66	73
• Lime	2,796	3,308	3,496
Percentage of recycled input materials used to manufacture the organization's primary products and services (water)*	51%	47*	

*Total recycled water divided by total water consumed for operation (fresh water withdrawn from the operation and recycled water)

Air Quality Management. We conduct regular Ambient Air Quality Monitoring quarterly, both in the industrial and administrative areas of the Padcal Mine, and around the vicinity of our 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 2020, maintenance of the scrubber system at the Assay Laboratory and the Dust Collector System at the Petro Laboratory were also done. Results of the air quality monitoring was "good to fair," which means the Company is compliant with the provisions of the Clean Air Act.

Below are the initiatives we implement in our Mill Plant to manage air quality:

- Regular monitoring of ambient air quality, both in the industrial and administrative areas of Padcal Mine and around the vicinity of its host and neighboring communities. The air quality index has been rated 'Good' to 'Fair'.
- Running a ventilation system in the underground to ensure that good air quality is circulating in working areas. Driving of ventilation drifts/raises and maintenance of all existing blowers were also undertaken.
- Requiring workers to use respirators in various working areas.
- Maintaining dust collectors of the secondary crushing plant in the mill plant.
- Maintaining the fume heads at the secondary heads at the secondary crushing plant.
- Requiring workers assigned in the areas to wear Personal Protective Equipment (dust masks/respirators).
- Undergoing an annual smoke emission testing for its vehicles and equipment of Philex, as mandated by law. Emission test certificates of Company vehicles and equipment are submitted to the Land Transportation Office during annual registrations.
- Implementing a 5-minute warmup of cold engines to minimize unburnt gases.
- Strictly implementing preventive maintenance of all surface equipment.





SUSTAINABILITY AT PHILEX

All About Air

	2020	2019	2018
Greenhouse Gas (GHG) Emissions (Tonnes CO₂e)*			
Direct (Scope 1) GHG Emissions	-*	-*	
Energy indirect (Scope 2) GHG Emissions	-*	-*	
Emissions of ozone-depleting substances (ODS)	-*	-*	
Gas Concentration (annual average)**			
Oxygen (%)	20.47	20.40	20.50
Nitrogen Monoxide (PPM)	0.06	0.08	0.23
Carbon Monoxide (PPM)	13.19	16	21.48
Air Pollutants (kg)			
NO _x	The Company monitors air quality through the Air Quality Monitoring equipment (EBAM) PM 2.5. The results range from good to fair.		
SO _x			
Persistent organic pollutants (POPs)			
Volatile organic compounds (VOCs)			
Hazardous air pollutants (HAPs)			
Particulate matter (PM)			

*No carbon audit conducted in 2019 and 2020

**Based on the results of the Quarterly Gas Concentration Measurement conducted at selected areas underground. The Maximum Allowable Concentrations are the following: 19.5%-23.5% for Oxygen, 5 PPM for Nitrogen Monoxide, and 100 PPM for Carbon Monoxide. Despite the acceptable reading of gas concentration, workers were still advised to maintain the use of the prescribed Personnel Protective Equipment (PPE), such as respirators, at underground work areas

Air Quality Monitoring

Air Pollutants	Location	Daily Average** (µg/m ³)				Maximum Permissible Limit* (µg/m ³)
		Q1	Q2	Q3	Q4	
PM2.5*	Mill Plant	28	27.50	25.67	33.75	50
	Outside Mill Plant	25.33	21.00	18.00	17.60	

* Pursuant to DENR Administrative Order (DAO) 2013-13 which provides national ambient air quality guideline values for Particulate Matter 2.5 (PM2.5)

** 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 2013-13 in accordance with R.A. 8749 or the Clean Air Act of the Philippines.

Energy Management. Energy is a critical input factor for our production and represents a significant cost. We strive to achieve energy efficiency to secure the necessary supply while reducing our carbon footprint.

Our Mine and Mill Electrical Services Department continuously monitors our power consumption and the areas that can be subjected to power adjustment. To generate savings without sacrificing operational efficiency and productivity, we implement the following initiatives:

- An Energy Conservation Program integrated in the IMS Manual Vol. 2 (ENV-STD-007 Energy Conservation) that ensures that processes are developed, implemented, and maintained for the efficient use of natural resources, energy, and high-value materials in areas of our operation.
- Substations with a Certificate of Electrical Inspection from the Mines and Geosciences Bureau-Cordillera Administrative Region, which is renewed annually.
- Reduction of power consumption in industrial areas by shifting to energy-efficient motors and lighting fixtures.
- A Power Load Shedding (PLS) Program since 2014 that aims to reduce electricity supply in the residential areas in Padcal Mine by up to 5 hours a day. We explain the benefits of our energy conservation measures to our host and neighboring communities through a series of fora 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 us reduce costs and improve our bottomline.
- 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.

All About Energy

	2020	2019	2018
Energy Consumption within the Organization			
Electricity: All Load Centers (MWh)*	267,559	279,656	279,159
Gasoline (liters)	7,681.4	6,727	
LPG (GJ)	N/A	N/A	N/A
Diesel (liters)	3,473,543	4,061,295	13,770
Reduction of Energy Consumption (GJ)	3,774	3,357	3,357
Reduction of electricity consumption (kWh)	1,048,308	932,506	693,184
Percentage of energy reduction (vs. previous year)	11.997%		

*Attributable to lower domestic consumption with the continuous implementation of Power Load Shedding Program in the residential areas as well as the cancellation of physical classes in school buildings. Reduction in energy consumption for domestic use is 11% more than the savings in 2019.

Load Center	2020	2019	2018
Mill	172,273,337	182,732,509	184,058,138
Mine	61,289,338	65,706,664	67,866,487
Padcal Compressor	3,366,003	3,170,203	2,807,935
Banget Compressor	19,445,087	16,294,300	11,297,695
Residential, School Building and Hospital	7,689,709	7,579,043	8,359,829
Assay	625,272	333,619	286,651
Domestic Water	1,924,178	2,371,253	2,734,793
Surface Shops and Offices	764,955	1,258,065	1,748,125
Total	267,377,880	279,445,656	279,159,653





OUR COMMUNITIES

Mining provides inputs for industries that are vital for sustaining the wellbeing of people and the functioning of economies. At the same time, it generates direct and indirect social benefits for host and neighboring communities.

Such is also the case for Philex's large-scale mining operations that generate employment and livelihood opportunities, provide access to quality health services and education, and, as the events in 2020 had shown, help local communities and local government units respond to the socioeconomic impact of the COVID-19 global pandemic, among others.

Our approach is to build strong relationships with those affected by our operations; uphold fundamental human rights; invest in meaningful community projects and sustainable development; and respect human rights, indigenous cultures, customs and values, while engaging in open and inclusive dialogue.

We actively engage with local communities, national and local government units, non-government organizations (NGOs), people's organizations, civil society, 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 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 to our host and neighboring communities in 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 enabled 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.

Aligned with 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 (CSR) Manual

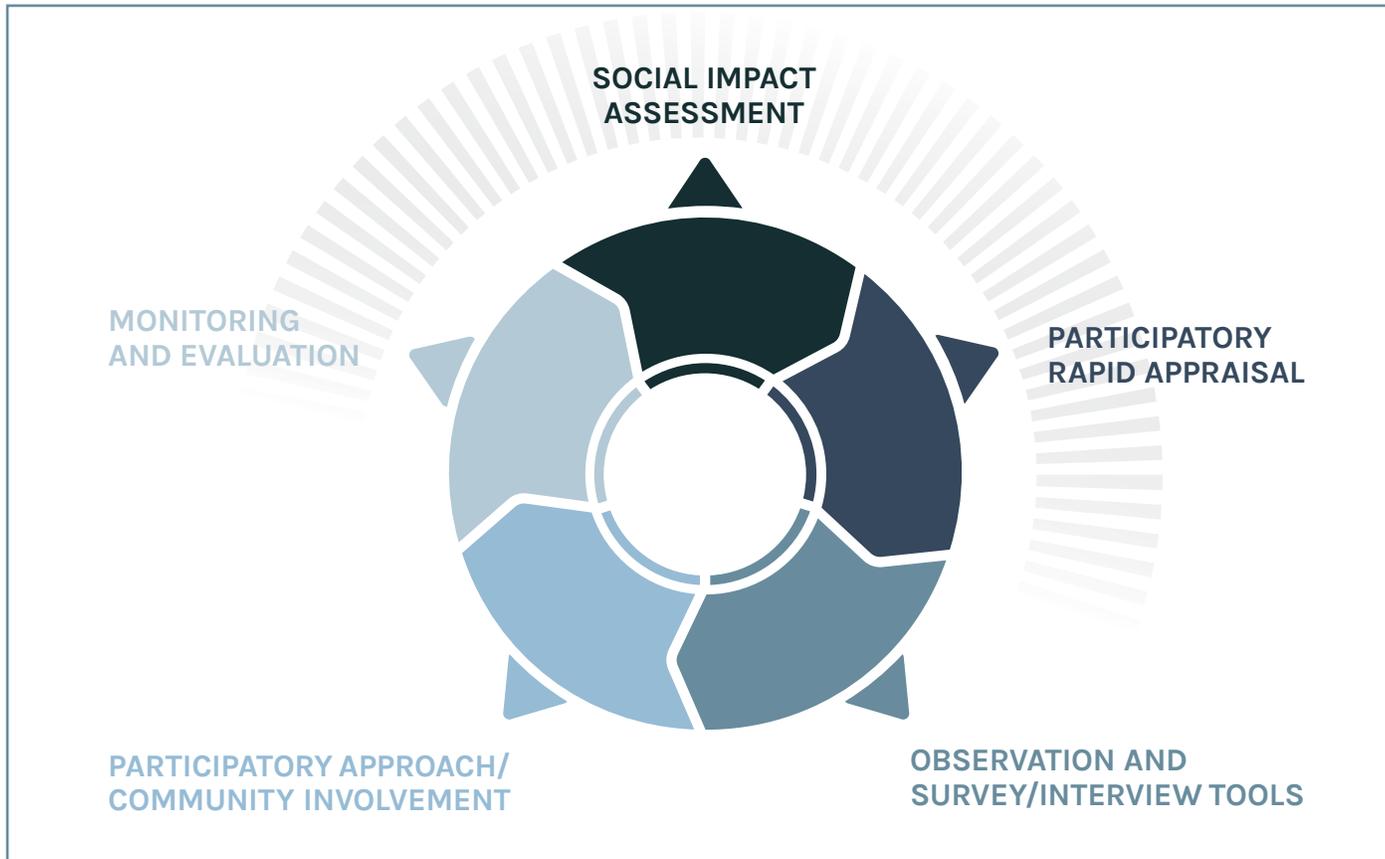
Our commitment to CSR is articulated in an ISO 26000 Declaration: Corporate Social Responsibility Manual, which contains all our commitments, policies, and practices in adherence with the ISO 26000 Guidelines. The ISO 26000 Guidelines is an international standard developed to help organizations assess and address social responsibilities relevant to their mission and vision, operations and processes, stakeholders, and environmental impact. It 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.

Our CSR Manual, drafted in 2018, was audited by the ECCI International Corporation (ECCI), a leading process improvement solutions provider. It has been found to be comprehensive and aligned with the ISO 26000 Guidelines.

Social Development and Management Program (SDMP)

Pursuant to RA 7942's Implementing Rules and Regulations (IRR) and DAO No. 2010-21, Section 134, mining companies must set aside at least 1.5% of their total operating costs for their SDMP. The allocation must correspond with the Development of Host and Neighboring Communities; Information, Education, and Communication; and the Development of Mining Technology and Geo-Sciences. An additional 10% of our exploration cost is allocated for the Community Development Program of areas under exploration.

Our Social Development and Management Program (SDMP) Methodology



Under Department of Environment and Natural Resources (DENR) regulations, the SDMP must be done in consultation and in partnership with the 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. This enables us to identify the various resources, funds, skills, potentials, weaknesses, threats, and opportunities already present within the communities.

Through annual planning and community forums, we provide community leaders and stakeholders a venue to express their opinions on issues that affect their communities. Together with the members of our Host and Neighboring Communities Technical Working Group (HNC-TWG), Barangay and Municipal Local Government Units 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, we have determined the most pressing social needs of our host and neighboring communities in the Padcal Mine.



SUSTAINABILITY AT PHILEX

Four Pillars of Our SDMP

Our SDMP serves as the primary platform for our social responsibility work, and is anchored on these four pillars: Health, Education, Livelihood, Public Infrastructure, and Socio-cultural programs or HELPS.

Through this platform, we were able to bring quality health services closer to our host and neighboring communities. Our educational program significantly lessened expenditures in every household, and Philex scholars continue to be role models in their own communities. Livelihood projects and

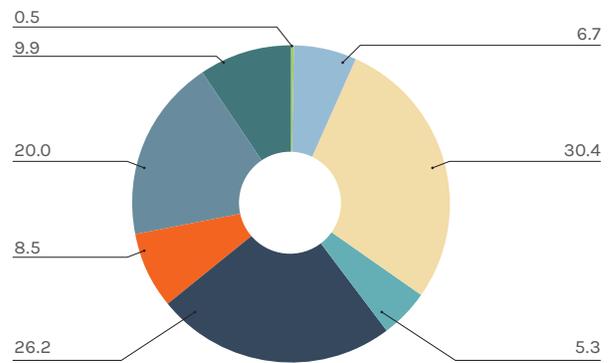
assistance led to better agroforestry production resulting to increased income. Infrastructure development and the provision of various equipment lowered farm inputs resulting to increased savings at the household levels. The development and improvement of water systems ensured availability of water for the community's household, and farm needs.

Pursuant to RA No. 7942's Implementing Rules and Regulations (IRR) and DAO No. In 2020, we spent Php107.5 million for our SDMP.

2020 Social and Development Management Program (SDMP)

	Amount (in Php millions)
Human Resources and Capacity Development	0.5
Health	6.7
Education	30.4
Livelihood	5.3
Public Infrastructure	26.2
Socio-Cultural Development	8.5
Information, Education, Communication (IEC)	20.0
Development of Mining Technology & Geosciences (DMTG)	9.9
Total	107.5*

* Including carry-over project expenses from 2018-2019



Health and Sanitation Programs

We help uplift the quality of life of the people touched by our business by improving access to basic health services, which proved particularly important in combatting the spread of the COVID-19 coronavirus in 2020.

Even before the pandemic, we have been regularly engaging our host and neighboring communities by determining specific health needs. These were done through extending health insurance (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, barangay (village) health workers (BHWs), and the community elders and leaders of Tuba and Itogo municipalities. The Municipal Health Officer leads in the implementation of medical missions, and BHWs provide inputs on the prevailing health conditions of their respective areas of responsibility. In response, we provide medicines and other medical supplies, facilitate the transportation and food of the medical teams, and oversee the medical missions.

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. In addition, we provide support in terms of provisions such as medical kits, medical tools, and hospital equipment.

BY THE NUMBERS: OUR HEALTH AND SANITATION PROGRAMS IN 2020

36.7% increase

in Philex's total investment in health and sanitation programs in its host and neighboring communities in Padcal Mine to Php6.7 million from Php4.6 million in 2019

5,520 patients and 241 individuals

with chronic illnesses treated at Padcal Mine's Sto. Niño Hospital and received financial assistance to defray their medical expenses outside the Company's hospital

27

Indigent residents who enjoyed PhilHealth benefits





SUSTAINABILITY AT PHILEX

Education

Our educational programs aim to upgrade the quality of education through scholarships and financial assistance, as well as through teaching and learning enhancement projects. Specific education needs identified by our host and neighboring communities are the following: 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.

We provide free primary education at the Philex Mines Elementary School, and heavily subsidized secondary schooling at the St. Louis High School. 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.

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

Our free and subsidized education benefits approximately 2,000 students, including our employees' children and other deserving students within our partner-communities. These benefits helped to significantly lessen household expenditures for our host and neighboring communities. Our Philex scholars also continue to serve as role models in their own communities. The communities claim that even if Philex is long gone, the benefits and impacts of educated and employed community members will bring economic and social progress.

By the Numbers: Our Education Programs in 2020

14.7%

increase in Philex's total investment in education programs in its host and neighboring communities in Padcal Mine to Php30.4 million in 2020 from Php26.5 million in 2019

26

Philex scholars who finished their college education for school year 2019-2020, benefiting their families by potentially raising their economic capacity due to the employability of the graduates

948

Total number of scholars who received educational assistance for the year (377 college scholars, 9 technical vocational scholars, 279 senior high school, and 283 junior high school scholars)

427

Students from HNC who enjoy subsidized education from Philex Mines Elementary Schools and St. Louis High School-Philex



Livelihood and Skills Development

Our livelihood and skills programs enable our beneficiaries to further hone their entrepreneurial skills, access cheaper farm inputs, and generate income for their households.

As the declared life-of-mine of the Padcal Mine is expected to end by 2022, it is thus our responsibility to help ensure that our 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.

We provide seed capital and technical assistance for the various livelihood projects that our host and neighboring communities determine. In addition, we also provide livelihood and skills development training and seminars, cooperative development training, and infrastructure support to livelihood programs.

Livelihood development requires numerous partnerships with various line agencies. As such, we strengthen our relationship and partnerships with the Department of Trade and Industry, Department of Health, Department of Agriculture, Bureau of Fisheries and Aquatic Resources, Cooperative Development Authority, and the Bureau of Internal Revenue, 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.

We provide 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 provide technical assistance to community organizations.

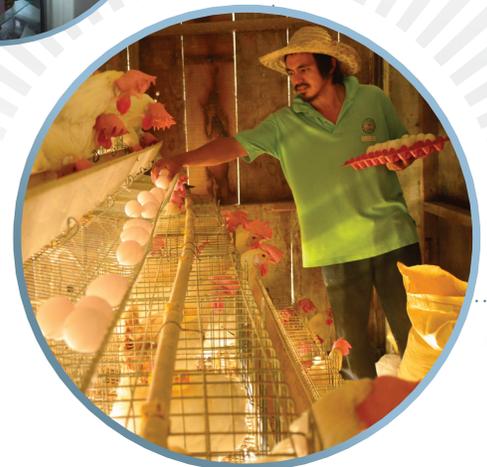
BY THE NUMBERS: OUR LIVELIHOOD AND SKILLS DEVELOPMENT PROGRAMS IN 2020

Php5.3 million

Total investment of Philex in livelihood and skills development programs in its host and neighboring communities in Padcal Mine

16

Associations and cooperatives which received seed capital as well as training for capability building and mentoring





SUSTAINABILITY AT PHILEX

Public Infrastructure Support

We promote safe and convenient access to basic services for our host and neighboring communities through meaningful public infrastructure projects.

BY THE NUMBERS: OUR INFRASTRUCTURE PROGRAMS IN 2020

Php26.2 million

Total investment of Philex in public infrastructure support programs in its host and neighboring communities in Padcal Mine

68

Beneficiaries (65 households, 1 church, 1 cooperative, 1 school) of power line connections

730.4

Meters of dirt road concreted to improve access from farms to market

>4,500

Number of residents (including 2,000 farmers) benefited by having a faster and cheaper means to transport their produce

3

Water systems developed for domestic and agricultural use



Silangan Project

In addition to our CSR initiatives in Padcal Mine, our wholly owned subsidiary, Silangan Mindanao Mining Company, Inc. (SMMCI), also implements its Annual Corporate Social Responsibility Plan that focused on education, livelihood, promotion of socio-cultural activities, and information education communication program in its host communities of 11 barangays and four municipalities in the province of Surigao del Norte. This is part of the Environmental Impact Assessment process when DENR issued an Environmental Compliance Certificate for the Silangan Project on July 23, 2019.

Due to the COVID-19 global pandemic, however, SMMCI was financially constrained to fully implement its 2020 CSR Plan. It was able to utilize 72% of its CSR budget, with some redirected to its COVID-19 response.

Information, Education, Communication (IEC). SMMCI conducts an extensive and comprehensive IEC program within its host and neighboring communities and other stakeholders on a regular basis. The IEC provided a conduit to promote awareness and transparency of the plans, programs, and activities that SMMCI implemented, including the direction

and latest site developments of the project. In 2020, however, its planned regular IEC activities were cancelled as a result of the mobility restrictions during the pandemic. The Company instead diverted a bulk of its IEC budget to various COVID-19 initiatives for the 11 host barangays, four host municipalities, the Provincial Hospital and the Caraga Regional Hospital, and other front liners.

Education. As a long-term commitment, SMMCI maintained its annual distribution of school supplies to 11 elementary schools and three secondary schools within its host communities. This benefitted around 5,000 students and teachers. In 2020, the distribution of school supplies was limited to plastic portfolio bags without the usual notebooks and writing pads to adopt to the modular distance learning program of the Department of Education (DepEd). SMMCI also distributed existing material resources that were used in the various Brigada Eskwela activities such as cement, bond papers, and paints.

Livelihood. SMMCI continues to engage Bansiwag Corporation (Bansiwag), a community-based organization composed of the 12 existing people's organizations within the 11 host communities of Silangan Mine.





SUSTAINABILITY AT PHILEX

In 2020, Bansiwag continued to manage the Coconut Demo Farm Livelihood Project in Brgy. Upper Patag, Sison, Surigao del Norte, a 13-hectare coconut plantation that is systematically planted with some 8,000 cacao seedlings and 30 kilos of turmeric. The proceeds generated from these agricultural engagements are shared as dividends among Bansiwag's 972 resident members.

SMMCI likewise partnered with the local government unit of Barangay San Pedro, Sison (host community) and the Department of Social Welfare and Development (DSWD) in the establishment of a communal agricultural complex as a modality for the cash-for-work program to be received by the beneficiaries in Brgy. San Pedro, Sison. The program also aimed at ensuring agricultural food security by planting cash crops such as vegetables and other root crops as part of the local government unit's COVID19 pandemic response. This undertaking was developed within a two-hectare property owned by SMMCI.

The Communal Agricultural Complex, managed by the BLGU-San Pedro, Sison, successfully harvested two cycles of various vegetable produce that was sold and distributed among the farmer beneficiaries/residents in the barangay.

On September 29, 2020, SMMCI partnered with the Seventh Day Adventist - Sison Chapter and launched the Silangan Rice Initiatives through Community Engagement (RICE) Project, a land resource management partnership program in the Municipality of Sison. By virtue of a memorandum of agreement, SMMCI allowed the long-term use of its owned and underutilized agricultural land in Brgy. San Pedro, Sison for shared cultivation with members of the community.

These initiatives are pilot projects preparatory to future community collaborations to maximize the utilization of idle agricultural properties acquired by SMMCI as part of its landbanking operations and land resource management program.



Philex Rises to the Challenges of the Pandemic

For over six decades since it started operating Padcal Mine in Itogon, Benguet, Philex has always regarded its host communities as an extended family – looking after its needs and planning for the future even as the life of the mine is nearing its end.



When the outbreak of COVID-19 turned into an unprecedented humanitarian and economic crisis in the first quarter of 2020, it was not hard for the Company to come to the aid of its employees and their families, as well as to its host and neighboring communities. After all, Philex has been embedding socioeconomic development programs as part of being a right and principled miner, as well as under its Social Development and Management Program (SDMP).

Its SDMP serves five host and neighboring communities, namely: Barangays Camp 3, Camp One, and Ansagan of the Municipality of Tuba; and Barangays Ampucao and Dalupirip of Itogon, with around 28,368 population, including the Philex mine camp. Both are two of the four first-class municipalities in the province of Benguet – proof of the positive impact of the Company’s operation and its SDMP.

In support of the government’s Bayanihan to Heal as One Act in 2020, which aimed to provide quick response to the pandemic, Philex, the barangay local government units of its host and neighboring communities, and the Mines and Geosciences Bureau- Cordillera Administrative Region redefined the social programs under the SDMP in 2020. This

was to support the plans of local government units (LGUs) and concerned government agencies in the fight against COVID-19 and cope with the new normal brought by this pandemic.

Amidst the challenges brought about by the pandemic, the Company seized the opportunity to re-strategize the implementation of its social programs, providing more transparency, fostering a sense of ownership and accountability among its host and neighboring communities, and building partnerships which serves as its goal towards mine closure.

A Technical Working Group (TWG) per barangay, composed of community representatives, LGUs, and representatives per community sector, was organized to plan and decide co-manage programs, projects, and activities. The TWG initiated the review of program guidelines and actively participated in the community planning, assessment and prioritization, screening of beneficiaries, and implementation. Simultaneously, the Company provided trainings and seminars to enable and capacitate the group in fulfilling its duties and responsibilities.



SUSTAINABILITY AT PHILEX



Below are the social programs under the Company's SMDP that were realigned for its pandemic response in 2020:

HEALTH

The Company has been assisting in the health awareness, disease prevention and management, health care services and medical assistance, and capability building of health workers. It has also constructed and improved health buildings and facilities for better accessibility and availability of health services in its host and neighboring communities.

Based on the 2019 Social and Economic Impact Assessment (SEIA) conducted by the University of the Philippines Los Baños Foundation Inc. on the implementation of the company's SDMP, assistance to health ranked as the most appreciated and perceived as most important among the company programs by its host and neighboring communities because of its direct impact to them.

In 2020, its health program was geared towards supporting the advocacies of the Department of Health and the World Health Organization for better health care to combat the COVID-19 pandemic.

Aside from providing food packs, the Company, through its SDMP, and in collaboration with the LGUs, gave medicines and vitamins for the elderly and front liners, and distributed disinfecting materials, hand wash facilities, and personal protective equipment (face masks, gloves, medical suits) to its host and neighboring communities and the local government units of Baguio City, Benguet Province, Municipalities of, Itogon, Sablan, Tuba and Tublay.

In addition, the company's SDMP sponsored the Philhealth insurance of 27 community residents and 252 patients from the host and neighboring communities undergoing chemotherapy, dialysis, surgical operations and continuing medications were given financial assistance. This enabled the beneficiaries to afford their health expenditures, especially those who do not have stable sources of income and are striving to provide for their family's daily needs.

The pandemic also made the communities more appreciative of the various health programs under the SDMP. Among these are the two emergency vehicles, funded under Ampucao and Camp 3's SDMP, that ferried patients and delivered medical supplies to residents whose movements were restricted during the community quarantine. The various improved and equipped health stations and trained health workers were able to continuously provide services to the locals despite the lockdowns and travel restrictions.

The Company upgraded three more health stations in 2020. The health center in Klondykes, Barangay Camp One, Tuba was improved through the construction of a kitchen that proved beneficial, especially during immunization, vaccination, and other community activities that benefited around 1,500 locals.

Medical equipment and supplies such as computer set, a weighing scale for children and adults, blood pressure apparatus, and personal protective equipment were also provided to the 31 health workers in Barangay Camp 3. The additional equipment increased the efficiency of the health workers to conduct health check-ups, vaccination, and home visits for patient monitoring and data recording. The communal septic tank constructed at Barangay Camp 3 also afforded 100 residents to observe proper sanitation.

A water tank ensured sufficient supply to Barangay Ampucao Health Center, supporting hand washing and hydration of its 50 average daily patients. Hydrating corners were also established in three elementary schools in the area to help patients with kidney problems who need to undergo dialysis treatments.

The regular health services in the local health stations of Barangays Camp 3 and Dalupirip were supplemented by medical and eye checkups. Proper eye correction glasses and medicines were given to around 150 residents in Camp 3 and 3,006 residents in Dalupirip. Unlike the regular medical missions, which were conducted in a day or two, the mission in Barangay Camp 3 was conducted in observance of strict COVID-19 protocols. In the case of Barangay Dalupirip, medicines were purchased and dispensed daily from the health center. This activity reduced household expenses and raised savings, considering the distance from the barangays and the limited transportation to Baguio City.

Among the company's initiatives for the safety of its employees and camp dwellers are the Triage unit in the Padcal Mine's entrance gate. This enabled all those entering the mine camp

to be tested. Likewise, the company set up hand washing facilities in residential areas to ensure everyone has clean hands.

The Company infirmary, Sto. Niño Hospital, also served as a big help, not only to Philex employees and dependents, but also to the host and neighboring communities. In anticipation of the pandemic, the Company hired additional manpower and equipped the hospital to cater and protect the community from the spread of COVID-19. The Philex Smith Hall and Philex Mines Elementary School were also used as temporary quarantine facilities. With the infection of some company's employees and other residents in the mine camp, management initiated mass testing of employees and a temporary stoppage of its operation. Employees from other departments with medical backgrounds supplemented the medical work force to care for the infected while on quarantine and to assist in the RT-PCR swab testing. The cost of testing, food, PPEs, and logistics in the quarantine facilities was shouldered by the Company.

Philex also initiated the formulation and operationalization of the Philex Community Covid-19 Task Force (PCCTF) to mount a collective effort among the different sectors towards the management and prevention of COVID-19 in the area. The Company, in collaboration with the Philippine National Police of Tuba and Itogon, Barangay LGUs of Ampucao and Camp 3, Philex Purok Organization, vendors, churches, schools, public utility jeepney organization, and cooperatives comprised the membership of the PCCTF who enforced Covid-19 Inter-agency Task Force for the Management of Emerging Infectious Diseases protocols and Company policies.

PCCTF activities include the establishment of one-entrance-and-one-exit in buildings and public places/establishments; provision of hand washing facilities; information, education, and communication campaign on COVID-19 guidelines, ordinances and protocols, and the COVID-19 vaccine; and the implementation of these guidelines, ordinances and protocols in the mine camp. To date, the collaboration covers COVID-19 concerns and other mine camp activities such as greening and cleanliness of the camp, and maintenance of peace and order. A Triage area was also set up in April 2021 at the Company's main entrance gate to better screen people and prevent COVID-19 transmission.

In preparation for the mine closure, the transition for dispensing maintenance medicines from the Sto. Niño Hospital to the various communities' local health stations was prepared and implemented in May 2021. This was spearheaded by the Rural Health Units of Itogon and Tuba and the BLGUs, assisted by the TWG.

EDUCATION

One of the sectors that faced challenges during the pandemic is education. While some schools were already hard pressed to cope even before the pandemic, the new normal became even tougher for learners, educators, and parents. Thanks to the initiative of educators and LGUs in the Company's host and neighboring communities, school assistance was used to purchase equipment and supplies to mitigate the spread of COVID-19 and blend with the new learning methods and strategies. Laptop computers, printers, LCD TV, photocopiers, and pocket wifis were among the items donated to prepare modules and facilitate the blended learning modality of the Department of Education. Hand washing facilities, thermo scanners, and disinfecting materials were also provided.

A significant amount of SDMP funding goes to education as a way to alleviate poverty in the communities. In 2021, education accounted for 41% or Php29.67 million of the total budget under the Development of Host and Neighboring Communities, the highest allocation. The amount includes an average donation of Php23 million made by the Company annually to the Diocese of Baguio for the operationalization of the two private schools within the mine camp, which has a total of 1,725 enrollees in school year (SY) 2020-2021.

The company regularly assists 22 schools in the host and neighboring communities, and two private schools within the mine camp. It also extends help to other nearby communities. Its education program includes scholarships from high school to college, assistance to school activities, provision of learning equipment and supplies, construction and improvement of school buildings, and capability trainings for teachers and students.

Based on the 2019 SEIA result, education was viewed as the second most useful program to the community. It has a benefit-cost ratio of 5.74, which means that for every peso the company spends, there is a return of Php5.74 worth of value to the beneficiaries through better access to quality education and higher employability.

For SY 2020-2021, the Company sustained its scholarships with 377 in college, 9 in technical vocational courses, and 562 from junior and senior high schools from the host and neighboring communities. School fees, allowances, and capability and skills trainings are among the benefits enjoyed by the beneficiaries. The amount and form of assistance depends on the planning and endorsement by the host and neighboring communities' technical working group of each Barangay.





SUSTAINABILITY AT PHILEX

Philex also upgraded the school amenities of three elementary schools and one Child Development Center in the communities so they could become safer and more conducive for learning for their 664 pupils. These upgrades involved the construction of a pathway shade at Barangay Camp One's Paran Laruan Elementary School and a septic tank in Barangay Ampucao's Alejandro Altiga Elementary School, the completion of a school shed at Piminggagan Elementary School in Ansagan and a Home Economics Building, and the construction of tables and chairs for the Ampucao Day Care Center.

LIVELIHOOD

Sustainable livelihood programs are being encouraged in the host and neighboring communities to help them obtain a lasting source of income and become self-reliant. Partnerships among various associations and cooperatives in the area through the leadership of the HNC-TWGs started in 2020. Local government units also realized the importance of supporting their local products and are working with stakeholders like Philex to enhance the livelihood activities in their areas. With the limited movement during the pandemic, buying and selling of products have become very challenging, affecting the entire economy.

The Company extended livelihood support such as the provision of seed capital, procurement of farm equipment and supplies like coffee pulper and huller machines, construction and improvement of infrastructure support such as mushroom and goat houses, and associations' multipurpose buildings where they can sell, store and hold operational meetings and activities. Acknowledging that skills and values of the beneficiaries are big factors in the success of an organization, skills and capability trainings are also provided.

In 2020, 16 livelihood associations and cooperatives in Barangays Camp 3, Ampucao and Dalupirip were granted with working capital and infrastructure support to better finance and operationalize their businesses. Many ventured

into farming-related activities such as coffee, vegetable and mushroom production, goat raising and poultry production, and fertilizer and rice trading. Other organizations invested in retail operation or the selling of basic and other commodities.

Through this assistance, associations and cooperatives were able to continue their operation without incurring high-interest loans, thus increasing their income. The equipment also helped improve their processes for better quality and higher production, compared to manual labor. Coffee pulper and huller machines, for instance, helped in the production of quality commercial coffee beans compared with manual labor. Community-based fertilizer and rice retailing also enabled farmers to have an easier access to food supplies and farm inputs. Beneficiaries were also able to generate savings from less transportation costs in purchasing these goods from Baguio.

Both the Municipalities of Tuba and Itogon are eyeing local tourism as their alternative source of income. Thus, the host and neighboring communities are prioritizing the development of new and existing tourism sites. They are working with the Department of Tourism, Municipal Tourism Affairs Office, and Provincial Tourism Office for these plans to materialize. Other livelihood opportunities are expected to open once tourism is established. The planning, assessment and implementation of this program is in collaboration with the TWG, LGUs and other concerned agencies like the Municipal Livelihood Office, Municipal Agriculture Office, Department of Agriculture, Department of Trade and Industry and Department of Tourism.

PUBLIC INFRASTRUCTURE

As per the 2019 SEIA result, the Company's infrastructure program is deemed the most beneficial to its host and neighboring communities, with a 7.99 benefit-cost ratio. The infrastructure projects include the construction and improvement of public buildings, water systems, all weather farm-to-market roads, and electrification projects.



The Company maintains 63.3 kilometers of roads, including the Philex-Kias Provincial Road. New road accesses such as Alang to Kennon Road, the Antamok Road and Balding Road – all at Barangay Camp 3 – and the Lab-ang to Bacoog Road at Barangay Ampucao were opened. In addition, about 1,068 meters of road pavement were accomplished in 2020 and 12 units of road improvements were constructed such as slope protection walls and drainage canals. These paved the way for faster and safer travel and the inflow of economic activities in the area. Government and non-government services are now accessible even to the remote areas. Farm-to-market roads support the realization of other programs like immunization and medical missions under health, better educational learning experiences, and less travel time and easier transport of products and goods that lead to higher income of entrepreneurs and farmers.

Constructed and improved water systems provide access to water for domestic and industrial use and better irrigation of farming communities that lead to better yields. Additional four units of water systems were developed in 2020, benefitting 172 residents, including farmers and 15 households.

Among the mine closure social preparations is the transition and provision of electrical lines to areas near the mine camp which have been enjoying free electric supply from the Company. These areas included 45 households, one school, one church, and one cooperative in Ampucao which were installed with secondary lines and household wirings.

Twenty additional households without power connection in Barangay Camp 3 was provided access to electricity, aiding in the learning of students, especially with their online classes, and accomplishing school requirements on time. Teachers were able to prepare and enhance instructional materials through the use of computers and other information and communication technology equipment. Household members could also watch local news on health and other important

updates to keep them informed, prepared, and better able to interact actively on issues in their community.

The projects implemented are being turned over annually to the respective LGUs for proper maintenance and accountability. They are responsible in keeping the facilities functional and in good conditions.

SOCIO-CULTURAL PROGRAMS

The Province of Benguet is rich in culture and traditions which the company and its employees adopted. Aside from the traditional culture, the values of Bayanihan, sharing and giving, and tongtongan or settling disputes and issues through discussions of both parties with or without the intervention of elders or leaders/LGUs, are among those being practiced. Socio-cultural programs of the Company aim to preserve and enrich these customs, traditions and culture through trainings, provision of indigenous musical instruments and attire, and construction or improvement of places of gathering, including churches.

One of the material results of this bayanihan is the production of a community newsletter, Padikal, where the Company, students, educators, and the community share information and stories about their experiences. This culture of helping one another is also evident in the implementation of the Company's SDMP where all stakeholders converge to attain their goal - to be a part of nation building.





OUR PEOPLE

At Philex, we regard our people as among our important assets. Their health, safety, and wellbeing lie at the heart of our responsible mining company's business strategy.

This commitment was put under a litmus test in 2020 when the COVID-19 global pandemic put human lives and economies around the world in peril. The challenging operating environment prompted us to draw on our decades of expertise and experience in managing crisis situations to efficiently and effectively implement the vital protocols and measures needed to continue to operate safely. While the Philippine government allowed mining companies to operate even during the implementation of quarantine and mobility restrictions, we had to ensure that the health and wellbeing of our employees and miners, including those in our host communities, remains our paramount concern.

As of 2020, we had a total of 1,894 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.

Our People

		Total	%
No. of Employees (regular and probationary)		1,894	-
Employment by Gender	Male	1,759	93%
	Female	135	7%
No. of Employees from Indigenous Communities and/or Vulnerable Sector*		752	40%
Employment by Age	Under 16 years old	0	0%
	16-30 years old	322	17%
	Over 30-50 years old	1,171	62%
	Over 50 years old	401	21%
Employment by Rank	Junior Level (Below Manager)	1805	95%
	Middle Level (Manager to Senior Manager)	83	4%
	Top Level (Above Senior Manager)	6	0.3%
Employment by Type	Full Time	1,894	100%
	Part Time	0	0%

		Total	%
Employment by Type, by Gender	Permanent, Female	135	7%
	Permanent, Male	1,759	93%
	Temporary Female	0	0%
	Temporary, Male	0	0%
Employment by Contract, by Gender	Permanent, Female	135	8%
	Permanent, Male	1,755	102%
	Temporary Female	6	4%
	Temporary, Male	21	15%
Employees covered by collective bargaining agreement		1,700	90%
Number of Consultations with employees concerning employee-related policies		9	
Turnover Rate	Male	82	
	Female	10	
Employee Turnover (Rate)	Under 16 years old	0	0%
	16-30 years old	16	5.5%
	Over 30-50 years old	20	1.7%
	Over 50 years old	56	13.2%
	Total	92	4.9%
New Employee Hires	Male	28	2%
	Female	4	3%
	Total	32	2%
	16-30 years old	23	7.1%
	Over 30-50 years old	8	0.7%
	Over 50 years old	1	0.2%
Total No. of Employees Trained per Year	Male	778	
	Female	54	
	Total Employees Trained	832	
	Junior Level (Below Manager)	759	
	Middle Level (Manager to Senior Manager)	68	
Training Hours	Top Level (Above Senior Manager)	5	
	Male	6777	81%
	Female	488.5	19%
	Total Training Hours	7,265.5	
	Junior Level (Below Manager)	6,080	84%
	Middle Level (Manager to Senior Manager)	1,107	15%
Top Level (Above Senior Manager)	78.5	1.1%	

		Total	%
Average Training Hours	Male	4	
	Female	4	
	Junior Level (Below Manager)	3	
	Middle Level (Manager to Senior Manager)	13	
	Top Level (Above Senior Manager)	13	
Volunteer Hours		0	
Total No. of Incidents of Non-Compliance with Laws and/or Regulations Relating to Employee Practices		0	
Total No. of Non-Compliance with Laws and/or Regulations Relating to Labor Standards (e.g., use of child labor and/or forced labor)		0	
Attrition Rate		-3.21%	
Ratio of Lowest Paid Employee vs. Minimum Wage (Padcal Mine)			

**Vulnerable sector includes elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid.*

The overall average tenure of employees is 13 years, with an average age of 41 years old. In terms of gender distribution, 93% of our workforce is male and this is primarily because of the work demanded in the underground mine. We anticipate no material change in the number and type of employees within the ensuing 12 months.

Manpower Pool Maintenance Program

We established a Manpower Pool Maintenance Program to create a pool of competent individuals 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, reducing work backlogs. Regular employees comprise our workforce, which is augmented by accredited third-party suppliers and contractors for certain activities and projects.

We also pursue other initiatives to further strengthen the 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

	Headcount	As % of Total
Male	28	88%
Female	4	12%
Total	32	
16-30 years old	23	72%
Over 30-50 years old	8	25%
Over 50 years old	1	3%

Diversity and Equal Opportunity

Disclosure	Quantity
% of female workers in the workforce	7
% of male workers in the workforce	93
Number of employees from indigenous communities and/or vulnerable sector	752





SUSTAINABILITY AT PHILEX

Employee Training and Development

We prioritize training and capacity building to ensure the sustainability of our business. By focusing on scaling up the skills and capacities of our employees, we can help them grow and take on new roles and responsibilities.

Once on-boarded, we continue to build their skills and capacities to enable them to fill in available positions quickly. 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.

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.

Diversity and Equal Opportunity

	Quantity
Total training hours provided to employees	7,265.50
• Female employees	488.50
• Male employees	6,777
Average training hours per employee	
• Female employees	4
• Male employees	4

Labor-Management Relations

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

Employee Benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100	100
Philhealth	Y	100	100
Pag-ibig	Y	100	100
Parental Leaves	Y	4	4
Vacation Leaves	Y	100	100
Sick Leaves	Y	44	60
Medical Benefits aside from Philhealth	Y	100	48
Housing Assistance (aside from Pag-IBIG)*	Y	100*	
Retirement Fund (aside from SSS)	Y	5.93	3
Educational Support**	Y	52**	
Company Stock Options	N		
Telecommuting (Work from Home)	N	100*	
Flexible Working Hours	N		
Others	N		

*Free housing in Padcal - 100% of Padcal site employees are availing of the free housing

**For Head Office - educational support/free elementary and subsidized high school education for Padcal Mine employees

***For Head Office employees only

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

We conduct monthly and quarterly LMC meetings, which serve 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 while soliciting their cooperation to achieve common goals and aspirations. 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 us 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 our company and our employees, especially those who are members of labor unions. Failure to maintain industrial peace can lead to strikes and lockouts, which can disrupt business operations.

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, we also issue advisories to employees to reiterate company policies and to inform them of any relevant changes in company procedures.

With respect to the unions, we also strive to correctly interpret the provisions of their collective bargaining agreements (CBAs) and to ensure the consistent implementation of these provisions.

Padcal-based employees belong to two collective bargaining agents: the Philex Rank-and-File Employees Union-Association of Labor Unions for rank-and-file employees and the Philex Mining Supervisory Employees Union-Association of Professional Supervisory Office Technical Employees Union for supervisors. The five-year collective bargaining agreements (CBA) with both unions were signed in January 2016 with effectivity up to January 2, 2020 and up to May 1, 2020, respectively. We re-negotiated and agreed to the salary increase provision of the respective CBAs for years 2018 and 2019.

Head office-based rank-and-file employees are members of the Philex Pasig Employees Union. We signed a CBA with the Philex Pasig Employees Union on April 6, 2017 and was registered with the Department of Labor and Employment on February 20, 2018. The salary increase provision for the 2019 and 2020 CBAs was re-negotiated starting August 2019, and was agreed upon and signed in September 2019. These CBAs 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. In addition, we have no other supplemental benefits or incentive arrangements under the CBAs of the unions other than the usual employee benefits, such as vacation and sick leave pays, among others.

Labor-Management Relations

Disclosure	Quantity
Percentage of employees covered with Collective Bargaining Agreements	90%
Number of consultations conducted with employees concerning employee-related policies	9



SUSTAINABILITY AT PHILEX

Violations of Company Rules and Regulations (CRR)

We believe that true and lasting industrial peace cannot be achieved if management fails to hold employees 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 HR Department checks the various 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 gives employees an opportunity to voice out their concerns and grievances and 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, 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 to all parties involved, we conduct focus group discussions (FGDs) and consultations with various department managers, union representatives, company lawyers, and even the employees concerned prior to meting out a decision.





OUR WORKPLACE

Philex has an unwavering commitment to improving its health and safety performance by adopting best practices in its workplace and critical controls to prevent fatalities, minimize injuries and eliminate occupational diseases, towards a goal of zero harm.

The COVID-19 pandemic in 2020 has put extraordinary pressure on governments and private businesses to survive and continue to provide productive employment. Philex believes that while it is important to attain its business goals, this must not come at the cost of the health and wellbeing of its people.

To this end, we developed and implemented 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.

This is anchored on the belief that a safe workplace increases productivity and sustains stakeholder support. Managing workplace safety is also 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 (OHSCS)
- Emergency Preparedness, Road Safety, and Off-The-Job Safety Committee (EPRSJSC)
- Housekeeping Committee (HC)

Occupational Health and Safety Governance

Philex is a responsible natural resource company committed to establish, maintain, and continually improve an Integrated Management System in accordance with the requirements of ISO 14001: 2004 (transcend to version 2015) and OHSAS 18001:2007. In addition, we continue to adhere to our OHSAS 18001 (Occupational Health and Safety Assessment Series) certification, a globally recognized health and safety management system, that guides our health and safety standards and performance.

Quarterly internal audits are conducted by the Audit and Assessment Committee of the Central Safety, Health, and Environmental Council while Supervisors and Managers, on the operations side also conduct safety audits twice a month. Aside from internal audits, the regional office of the Mines and Geosciences Bureau also conducts monthly, quarterly, annual, and special audits.

Health and safety policies are embedded in our Integrated Management System (IMS) as follows:

- Ensure sustainable utilization of resources,
- Prevent adverse impact to the environment,
- Prevent injury, ill health and loss of life of workers and all stakeholders, and
- Comply with applicable laws and regulations



SUSTAINABILITY AT PHILEX

Training

We strive to foster a culture of safety within an organization. We recognize that the mining business has 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 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 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.

We conduct Health and Safety Trainings in the Padcal Mine, following the calendar of training submitted to the concerned regional office of the Mines and Geosciences Bureau (MGB) of the DENR. The calendar of training, prepared by our 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.

We implement a 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 entire 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



Health and Safety Measures Adopted in 2020

- Conduct of safety trainings and orientation to enhance employee safety, health and environment awareness
- Daily environmental, safety, health, and security monitoring of workplaces to check conformity with standards and hazards identification, risk reduction, and risk mitigation
- Zero Incident and zero harm programs
- Conduct of regular internal audits
- Establishment of a Central Safety (CSHEC) council to oversee the safety programs of the Company
- Safety reminders delivered through SMS/text blast to all employees and contractors

Measuring Safety Performance

We are committed to preventing our adverse impacts to the environment as well as injury, ill health, and loss of life among our workers and other key stakeholders. Thus, 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. This advocacy 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 should not be held too close to each other to be effective. 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 DENR-MGB also conducts monthly, quarterly, annual, and special audits using their independent system for measuring safety performance.





SUSTAINABILITY AT PHILEX



All About Our Workplace in 2020

		2020	2019	2018
Total number of occupational injuries	Male	21*	10	10
	Female		0	0
Injury rate	Male	3.37%	1.07%	1.73%
	Female	0	0%	0
Number of occupational disease	Male	0	0	0
	Female	0	0	0
Occupational disease rate	Male	0%	0%	0%
	Female	0%	0%	0%
No. of lost days	Male	7,614	31,019	0
	Female	0	0	0
Lost day rate	Male	1,165.02	4,167.65	0
	Female	0	0	0
No. of work-related fatalities	Male	1	5	0
	Female	0	0	0
Rate of work-related fatalities	Male	0.15%	0.67%	0
	Female	0%	0	
Total safe man-hours		6,535,497	7,442,808	5,945,740
Total number of non compliance with laws and/or regulations relating to occupational health and safety		0	0	
Number of hours of health and safety training provided to employees		6,472	256	0
Number of incidents of non-compliance (health & safety)		0	0	0
Number of incidents of non-compliance (employment, labor standards)		0	0	0

* including two from a 3rd-party contractor and excluding one fatal injury

Facility Protection

To ensure the continuity of our mining operations and the delivery of our social programs, we strive to protect our facilities and foster security and safety among our employees and host communities residing within the Padcal mine site.

We 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.

Compliance with Labor Laws

We are committed to adhering with local and international labor laws, particularly those concerning the following:

- **Forced Labor:** We do not practice forced labor and ensure the individual's right to personal dignity. This policy is contained in PMC's Corporate Social Responsibility Manual, ISO 26000.
- **Child Labor:** We are compliant with labor standards setting the age of qualified applicants to 18 years old for those in surface operations and 21 years old for underground operations. This is part of our hiring policy.
- **Human Rights:** We are committed to conducting our business with respect for all internationally recognized human rights. We are dedicated to doing so consistently. This policy is contained in PMC's Corporate Social Responsibility Manual, ISO 26000.





RISK MANAGEMENT



Risk is inherent to the mining industry. Concerns over the safety of mine workers, in fact, represent only a fraction of the challenges in the mining business. Tightening state regulations, the growing reliance on technology, and uncertainty over the demand for raw materials and high commodity prices, are some of the risks that every mining company must be ready to manage and address.

At Philex, we are able to counteract this with an effective risk management system, which we consider as vital to the continued growth and success of Philex and its subsidiaries (the Group). Philex is committed to manage risks in a proactive and effective manner across the organization. This commitment is embodied in the Philex Group Risk Management Philosophy Statement, as follows:

"The Philex Group shall undertake a Risk Management Program that will mitigate or eliminate identified physical, 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 control and risk management system can be found on page 101 of this Annual and sustainability Report.

The ongoing threat of COVID-19 on human life and business remains a major risk that could have a potential adverse impact to our operations. The exposure of employees to the virus may result in a slowdown of our operations, delay in the performance of work, and non-attainment of production targets that would put at risk the sustainability of our cashflow. Other associated risks related to suppliers and business partners affected by COVID-19 were also identified. These are related to our ability to fulfil the shipment of copper concentrates to foreign buyers and the ability of our suppliers to deliver the needed materials, supplies, and spare parts of equipment used in mine and mill operations.

The occurrence of these risks would translate to additional costs to Philex and would lead to delay or inefficient production process. As the pandemic is still evolving, we cannot determine at this time the extent of COVID-19's impact on our financial position, performance, and cashflows. However, we continue to impose strict health and safety protocols in accordance with relevant laws to protect our employees from the coronavirus, as well as out in place programs to mitigate other risks to our operations.

Regulatory

Regulatory risks are changes in regulations, policies, and law that will affect the mining industry and Philex 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 current administration, the Department of Environment and Natural Resources (DENR) has ordered the audit of all operating mines in the country in August 2016. 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 our reply to the show cause letter dated 24 February 2017, stating the validity of our MPSAs.
- Pending mining bills in Philippine Congress that could lead to the imposition of new taxes in the mining industry, which can adversely impact the financial viability of upcoming new projects like our Silangan project.

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, Philex is contending with various issues in identifying potential sites causing unforeseen delays in exploration timelines.
- Delay in the launching of the Silangan project due to the lukewarm investors' sentiment over the mining industry in the Philippines under the current regulatory environment.

Financial

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

- Ability of the Company to achieve both production and financial targets due to lower metal prices, higher operating costs related to ageing equipment, and pillar instability underground that can cause stoppage of mining operations.
- Delay in finding strategic and financial partners due to the lukewarm investors' sentiment over the mining industry. Philex has engaged the services of international financial and legal advisors for the Silangan project fundraising activity.
- Possible write-off of mine and mining assets. Philex maintains critical mining equipment spare parts, and supplies that may not be totally used at the end of mine life. In addition, we have a number of mining tenements in various areas nationwide. These assets are the subject of provisions, which can have material impact on our financial position. Philex is constantly exploring joint ventures or farm-in/out agreements, with interested parties, to reflect their fair value in the balance sheet.

Operational

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

- Declining ore-grade situation and tonnage due to the mature state of the Padcal ore body continues to be a risk that will have a material impact on the ability of Philex to produce the metal targets. 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 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. We have since increased vigilance among residents within the camp and coordinated with various groups to identify and deter possible threats.



RISK MANAGEMENT



- Adverse underground conditions at Padcal mine. The unpredictable ground conditions in the current ore body, coupled with the presence of boulder ore and risks of mud rush events, have impacted operations, resulting in lower tonnage and metal output in 2019. To improve operational flexibility, we are installing new equipment and commissioning other sub-mining levels.
- The risk of operations stoppage can happen due to the failure of the aging critical mine and mill equipment that may have no available replacements or spare parts, particularly as the pandemic has disrupted supply chain activities. We are continuously implementing and adhering to strict process and maintenance procedures to ensure the efficient operations of the equipment.

Environmental, Natural and Social

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

- Environmental incidents. To manage the risk, we put a great amount of effort and invest a substantial amount of resources into environmental protection and rehabilitation through our Environmental Protection and Enhancement Program. This is in addition to ensuring compliance with all applicable environmental laws and regulations. As a manifestation of our commitment to responsible and sustainable mineral resource development, we have adopted an environmental policy statement, consistent with our ISO 14001 Certification on Environmental Management Systems. Philex 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 our operations. Such natural disasters could, among other things, damage our facilities and surrounding infrastructure, block access to our mining assets, injure personnel, and result in a suspension of our operations for an indeterminable period of time, all of which could materially and adversely affect the business, financial condition, results of operations and prospects of Philex. 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. We ensure strict compliance with all the applicable social laws, rules, and regulations that cover a mining company. In addition, we strongly adhere to a Social Development Management Program, and oftentimes exceed the requirements set by the government, through the provision of health, educational, livelihood, and public infrastructure services to our host and neighboring communities, to constantly secure community endorsement and public approval for our operations. In addition, Philex adheres to the principles of ISO 26000, Guidance on Social Responsibility, an international standard to assess and address sustainability concerns and effectively strengthen our social license to operate.



STATEMENT ON THE ADEQUACY OF INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM

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

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 2020;
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, 2020, 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, 2020 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 2020.

Respectfully submitted,

Signed

Board Risk Oversight Committee and Audit Risk Committee

Oscar J. Hilado
Committee Chair - Independent

Wilfredo A. Paras
Member

Michael G. Regino
Member

Marilyn A. Victorio-Aquino
Member

Anita B. Quitain
Member

Joseph H.P. Ng
Member



CORPORATE GOVERNANCE



CORPORATE GOVERNANCE CONFIRMATION STATEMENT

As a publicly listed Philippine company, Philex Mining Corporation (PMC) conforms to the corporate governance rules, requirements, and regulations of the Philippine Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). The Company is committed to the highest standards of corporate governance and continues to benchmark its procedures against 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.

PMC advocates an ethical corporate culture guided by its core values of integrity, teamwork, respect for individuals, work excellence, and corporate social and environmental responsibility. It has adopted a Revised Manual on Corporate Governance (RMCG), which was completed and approved by its Board of Directors 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, its Articles of Incorporation, By-Laws, and RMCG.

A.1. Basic Shareholders Right

Dividend Policy

Beginning 2010, the Board 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, PMC formalized a policy on the timing of cash dividend payments, which should be within 30 calendar days from the date of declaration.

In 2020, the Board approved the declaration of cash dividend as follows:

Amount:	One centavo (Php0.01) per share
Record Date:	March 13, 2020
Payment Date:	March 27, 2020

The Board also approved on February 24, 2021 this cash dividend:

Amount:	Fifty-nine centavos (Php0.059) per share
Record Date:	March 12, 2021
Payment Date:	March 26, 2021

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 15 July 2020, shareholders exercised these rights via personal casting of votes or online voting. The election results were disclosed in the Company's website (<http://www.philexmining.com.ph/wp-content/uploads/2020/07/C2434-PX-Mining-Disclosure-of-2020-AGM-Results.pdf>) immediately after the Stockholders' Meeting.

A.3. Right to Participate Effectively and Vote

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's 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.

In 2020, the deadline for nominations was set on 20 April 2020, as approved by the Board, and disclosed to the PSE on 27 February 2020. Nominations were submitted to the PSE on 22 June 2020. The election was conducted via online and proxy voting from 22 June to 13 July 2020.

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 and executive officers.

Voting Procedures

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

PMC 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 AGSM - Definitive Information Statement (DIS) sent to shareholders 30 days before the scheduled meeting.

In 2020, online voting mechanism was made available from 22 June 2020 to 13 July 2020.

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. Special meetings, as needed, shall be held at any time and for any purpose.

Due to the strict implementation of the IATF Guidelines, the 2020 AGSM was held via remote communication on 15 July 2020 and presided at the TV 5 Media Center, Reliance St., Mandaluyong City.



CORPORATE GOVERNANCE

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), Audit Committee Chairman, Risk Committee Chairman, Corporate Governance Officer, Internal Relations Officer, representatives of the external auditors, and other key officers and employees are present during the scheduled meetings of the shareholders. They shall have the opportunity to make a statement, should they desire to do so, and will be available to respond to appropriate questions.

Minutes of the 2020 AGSM were posted in the Company website. <http://www.philexmining.com.ph/wp-content/uploads/2020/07/PX-Mining-15-July-2020-AGM-Minutes-fin.pdf>

Disclosure and Release of Notice of AGSM to Shareholders

The Company disclosed to the PSE the Company's SEC Form 2020 Definitive Information Statement (DIS) on 22 June 2020.

The AGSM was announced on 27 February 2020, months before the actual date of the meeting, and was published in at least two major newspapers of general circulation. In 2020, the Notice of AGSM was published both in the print and online versions of BusinessWorld and The Philippine Star from 22 to 23 June 2020.

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 2020, 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 (with 20.09% shareholdings) is the only institutional investor with a share ownership greater than

5.00% as of December 31, 2020. The Company does not have any shareholders owning more than 50.00%.

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

The Notice of is also available in the Company's website through the following link: <http://www.philexmining.com.ph/notice-of-stockholders-meetings/>

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;
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.

In 2020, 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 2020, 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.

On 26 April 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 Php50.00 million) over a 12-month calendar year period.

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. This is to ensure that they are in the best interests of the Company and its shareholders in accordance with the Company's RPT policy.

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 2020, there was one case of violation 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 RPT which ensures that:
 - RPT 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
 - RPT should be conducted in a way that ensures fair and at-arm's-length dealings.

In 2020, 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 are important for all businesses and remain 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 (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 110.00% 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.

PMC also 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 2020, the Company satisfied the conditions for the 11 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 2020, all of the Company's 11 shipments of concentrates followed and complied with the guidelines cited above.

3. Customer Safety

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

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

The Company also commissions a third-party consultant to test the aggregate sample of the Company's 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:

Seek and maintain mutually beneficial relationships with suppliers that uphold the Company's principles and core values;

Give qualified suppliers adequate, fair, and equal opportunity to bid on goods and services;

Accredit suppliers based on established criteria; and 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 2020, Company did not receive any report of violation of the Company's Vendor Relations Policy related to Conflict Interest and Gift Policy violation.

ENVIRONMENT

PMC contributed Php149.56 million to Environmental Protection and Enhancement Program (EPEP) initiatives in 2020.

2020 Annual Environmental Protection and Enhancement Program (EPEP)	
	Amount (in Php millions)
Land Resource Management	78.94
Water Resources Management	68.61
Hazardous and Toxic Waste Management	0.61
Air Quality Management	0.27
Conservation Values	0.31
MRFC Meetings and MMT Monitoring Activities	0.82
Total	149.56

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.

It also invests heavily on the ongoing environmental care and maintenance activities at the Silangan, Bulawan, and Sibutad project sites. These investments cover the costs for ambient air and water monitoring, soil erosion control and prevention, the establishment of new tree plantations, as well as the maintenance and protection of established reforestation areas within the project sites. The environmental care and maintenance programs of these projects are submitted, approved, and monitored by the Mines and Geosciences Bureau (MGB) of the Philippines' Department of Environment and Natural Resources (DENR).

For further details on the Company's Environmental Protection and Enhancement activities, please see pages 62-73.

COMMUNITIES

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

Pursuant to Republic Act 7942 Implementing Rules and Regulations (IRR), DAO 2010-21 Sec.134:

- The amount of SDMP should be equivalent to at least 1.50% 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.



CORPORATE GOVERNANCE

In 2020, the Company spent Php107.50 million for its mandated SDMP as shown in the table below:

2020 Social and Development Management Program (SDMP)	
	Amount (in Php millions)
Human Resources and Capacity Development	0.5
Health	6.7
Education	30.4
Livelihood	5.3
Public Infrastructure	26.2
Socio-Cultural Development	8.5
Information, Education, Communication (IEC)	20.0
Development of Mining Technology & Geosciences (DMTG)	9.9
Total	107.5*

* Including carry-over project expenses from 2018-2019

Please see our Sustainability section for further details.

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 (Php4,000.00 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 2020, the Company received one report 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 2020, the Company received one report 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. Its good credit standing augurs well for the renegotiation of major contracts amidst the unstable regulatory environment and declining ore grades.

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 2019, the Company submitted 71 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) can use to voice their concerns and/or complaints for possible violation of their rights. In 2020, 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 our Sustainability section 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 our Sustainability section 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

In 2020, the Company reported a one Lost Time Accident-Fatal incident for its Padcal Mine, lower than the five incidents reported in 2019. There were six Lost Time Accident Non-Fatal events in 2020 versus five in 2019.

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

Whistleblowing Policy

In accordance with the Company’s adherence to the principles of good governance, the Whistleblowing 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 and referred to the Appropriate Investigating Unit (AIU), which should determine through an investigation whether or not the whistleblower and/or witness has made baseless, untruthful, fabricated, malicious, or vexatious allegations, and particularly if they persist in making such. 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.

To aid further investigation of the complaint, a whistleblower who makes or files a complaint anonymously may opt to provide means by which he or she can be contacted without compromising his or her anonymity.

Protection from Retaliation

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

Malicious Allegations

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

In 2020, the appropriate Company official did not receive any whistleblowing report. 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 5.00% or more of the Company’s stock as of December 31, 2020 are as follows:

Title of Class	Name of Beneficial Owner and Relationship with Record Owner	No. of Shares	%
Common	Asia Link B.V.	1,023,275,990	20.70
Common	Social Security System	992,679,729	20.10
Common	PCD Nominee Corporation (PCD)	1,030,409,475	20.86
Common	Two Rivers Pacific Holdings Corp.	738,871,510	15.00

PCD Nominee Corporation (PCD) is a nominee of the Philippine Depository and Trust Corporation and the registered owner of the shares recorded in the books of the Company’s stock transfer agent. A total of 1,043,290,232 shares as shown above as of December 31, 2019 are exclusive of the 25,646,960 shares owned by SSS which are included as part of the total shareholdings of SSS as indicated. PCD is private entity organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions. Other than SSS whose shares lodged with PCD were excluded and presented separately, there are no participants under the PCD account owning more than 5% of the voting securities of the Company.

Direct and Indirect Shareholding of Directors and Senior Management (Section D.4) : page 111
Corporate Structure: page 03

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 – pages 98-101
- Corporate Objectives – page 03
- Key Performance Indicators (Financial and Non-Financial)- page 09
- Dividend Policy – page 102
- Details of Whistle Blowing Policy – page 110
- Biographical Details of Directors – pages 20-23
- Training and/or Continuing Education Programs Attended by Directors – pages 118-119
- Number of Board of Directors meetings held and attendance during the year – page 115
- Details of Remuneration of Each Director – page 116
- Corporate Governance Confirmation Statement – Page 102

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 2019 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. It likewise approved the amendment in the RPT Policy, which requires the RPT Committee to review RPT transactions, instead of the CG Committee, and to revise the RPT definition.

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

Dealings and Shareholdings of the Company's Directors and Senior Management for 2020:

Beneficial Owner	Nature of Ownership	Number of Shares	Changes in 2020	Number of Shares
Directors				
Manuel V. Pangilinan	Direct	4,655,000	-	4,655,000
Eulalio B. Austin Jr.	Direct	1,360,937	-	1,360,937
Barbara Anne C. Migallos	Direct	203,875	-	203,875
Michael G. Regino	Direct	1	-	1
Richard Chan	Direct	1	-	1
Diana Pardo-Aguilar	Direct	1	-	1
Anita B. Quitain	Direct	1	-	1
Marilyn A. Victorino-Aquino	Direct	500,100	-	500,100
Oscar J. Hilado	Direct	173	-	173
Joseph Ng	Direct	1	-	1
Wilfredo A. Paras	Direct	1	-	1
Key Officers				
Romeo B. Bachoco	Direct	-	-	-
Jonas Emanuel S. Santos	Direct	-	-	-
Vic Morris A. Yodong	Direct	-	-	-
Victor A. Francisco	Direct	50,000	-	50,000
Directors and Key Officers as a Group		6,810,091	-	6,810,091

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 Energy group) Php4.70 million in 2020.

Non-Audit Fees

The external auditors were engaged by Silangan Mindanao Mining Company Inc. (SMMCI), a subsidiary of PMC, to re-confirm or re-evaluate the previously issued opinion on the outstanding value-added tax receivable of SMMCI based on the existing registration of the SMMCI with the Board of Investments. The engagement fee amounted to Php400,000.00. Other than such engagement, the Company has not engaged to do other engagements in 2020.

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



CORPORATE GOVERNANCE

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 2020, 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. It 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 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.

The Company held four analysts' briefings in 2020, 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 2020, the Company disclosed 6 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 27 February 2020.

The Company's SEC Form 17-A (Annual Report) was released on May 15, 2020 to the PSE and the SEC. The true and fair representation of the AFS and the Annual Report has been affirmed by the Chairman of the Board, 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:

- 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-of-incorporation/>

D.8. Investor Relations

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

Mr. Romeo B. Bachoco
Chief Finance Officer
Telephone No.: (632) 8631-1381 to 88
Email: philex@philexmining.com.ph

E. RESPONSIBILITIES OF THE BOARD

E.1. Board Duties and Responsibilities

Corporate Governance Manual

The Board 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 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 supplementary 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 Board approval 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 13, 2019, the Company's management and the Board 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 2020.

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

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

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

Nominations 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

The Nominations Committee met on 21 May 2020 to screen the nominees for election to the Board, in accordance with the Company's Revised Manual on Corporate Governance. In the meeting, the Nominations Committee assessed the candidates' background, educational qualifications, work experience, expertise and stature as would enable them to effectively participate in the deliberations of the Board. In the case of the independent directors, the Committee reviewed

their business relationships and activities to ensure that they have all the qualifications and none of the disqualifications for independent directors as set forth in the Company's Revised Manual of Corporate Governance. The Committee then endorsed the final list of candidates for election at the 2020 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 2020.

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 2020, the Audit Committee had five meetings:

- 24 February 2020: The Committee reviewed the 2019 AFS, discussed Key Audit Matters with the external auditors 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.
- 13 May, 27 July, and 28 October 2020: The Chief Audit Executive, Ms. Geraldine B. Ateo-an, presented the Internal Audit Plan, the Internal Audit Quarterly Accomplishment Reports, and various Internal Audit findings. Chief Financial Officer Mr. Romeo B. Bachoco 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.
- 28 October 2020: The Committee approved the 2021 external audit plan.

Corporate Governance Committee

Charter

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

The Corporate Governance Committee did not meet in 2020.

Finance Committee

Charter

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

Work Done and Issues Addressed

The Finance Committee held two meetings in 2020 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 three meetings:

- 24 February 2020: The Committee reviewed the Top 5 Enterprise Risks (Regulatory, Financial, Strategic, and Operational) of the Philex Group for the first half of 2020,

and recommended the action plans and corresponding mitigating measures to address the said risks.

- 27 July 2020: The Committee reviewed the Top 5 Enterprise Risks (Regulatory, Financial, Strategic, and Operational) of the Philex Group for the second half of 2020, and recommended the action plans and corresponding mitigating measures to address the said risks. The Committee also discussed the 2020 International Mining Industry Underwriters Survey (IMIUS) Survey.
- 28 October 2020: The Committee also evaluated and approved the proposed Padcal Industrial Property Insurance Coverage and Rates for 2021.

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.

Directors	Board Attendance	Committees			
		Nominations	Audit	BROC	Finance
Manuel V. Pangilinan	10/10	1/1			
Eulalio B. Austin Jr.	10/10				2/2
Barbara Anne C. Migallos	10/10				
Michael G. Regino	10/10		4/4	3/3	
Joseph H.P. Ng	10/10				
Diana Pardo-Aguilar*	10/10	1/1			2/2
Anita B. Quitain	10/10		4/4		
Marilyn A. Victorino-Aquino	10/10	1/1	4/4	3/3	2/2
Oscar J. Hilado	10/10		4/4	3/3	2/2
Richard Chan	10/10	1/1	4/4	3/3	2/2
Wilfredo A. Paras	10/10	1/1	4/4	3/3	



CORPORATE GOVERNANCE

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 Reelection

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

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 1.50% of the Company's net income before tax of the preceding year. Payments made in 2020 represented only 1.00% of the Company's net income before tax.

Total Remuneration of Directors:

In 2020, a total of Php5.53 million was paid to all executive and non-executive directors, details of which are as follows:

Individual Director Remuneration

Name	Position	Amount (Php Millions)
Manuel V. Pangilinan	Chairman	0.28
Eulalio B. Austin Jr.	President & Chief Executive Officer	
Marilyn A. Victorio-Aquino	Non-Executive Director	0.62
Pin Cheung Chan	Non-Executive Director	0.38

Name	Position	Amount (Php Millions)
Oscar J. Hilado	Independent Director	0.67
Barbara Anne C. Migallos	Executive Director	0.65
Joseph Ng	Non-Executive Director	0.67
Wilfredo A. Paras	Independent Director	0.53
Diana Pardo-Aguilar	Non-Executive Director	0.38
Michael G. Regino	Non-Executive Director	0.47
Anita B. Quitain	Non-Executive Director	0.44
Total		5.53

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

Romeo B. Bachoco, the Company's CFO and Senior Vice President for Finance, is also the Chief Compliance Officer and Corporate Governance Officer, designated to ensure adherence with best practices and compliance with all pertinent regulations that cover the Company.

Internal Audit

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

The 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 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.

President and Chief Executive Officer (CEO)

The President and CEO attended all 10 meetings held in 2020 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 females to promote gender equality;
- Four lawyers with experience and exposure on highly regulated mining industry;
- Three financial experts in business merger and acquisition, credit, capital market, derivatives, taxation, and fund raising;

- Three 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, Chief Risk Officer and 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 various 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 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>



Trainings and Seminars Attended in 2020

Names	Seminar	Dates
Manuel V. Pangilinan	CORPORATE GOVERNANCE ENHANCEMENT SESSION <ul style="list-style-type: none">• Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices• How to Lead Courageously During a Crisis	Sept. 25, 2020
Joseph Ng	CORPORATE GOVERNANCE ENHANCEMENT SESSION <ul style="list-style-type: none">• Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices• How to Lead Courageously During a Crisis	Sept. 25, 2020
Richard Chan	CORPORATE GOVERNANCE ENHANCEMENT SESSION <ul style="list-style-type: none">• Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices• How to Lead Courageously During a Crisis	Sept. 25, 2020
Marilyn A. V. Aquino	CORPORATE GOVERNANCE ENHANCEMENT SESSION <ul style="list-style-type: none">• Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices• How to Lead Courageously During a Crisis	Sept. 25, 2020
Barbara Anne C. Migallos	CORPORATE GOVERNANCE ENHANCEMENT SESSION <ul style="list-style-type: none">• Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices• How to Lead Courageously During a Crisis	Sept. 25, 2020
Eulalio B. Austin Jr.	CORPORATE GOVERNANCE ENHANCEMENT SESSION <ul style="list-style-type: none">• Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices• How to Lead Courageously During a Crisis	Sept. 25, 2020
Diana Pardo Aguilar	CORPORATE GOVERNANCE ENHANCEMENT SESSION <ul style="list-style-type: none">• Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices• How to Lead Courageously During a Crisis	Sept. 25, 2020

Names	Seminar	Dates
Anita B. Quitain	CORPORATE GOVERNANCE ENHANCEMENT SESSION <ul style="list-style-type: none"> • Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices • How to Lead Courageously During a Crisis 	Sept. 25 2020
Michael G. Regino	CORPORATE GOVERNANCE ENHANCEMENT SESSION <ul style="list-style-type: none"> • Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices • How to Lead Courageously During a Crisis 	Sept. 25, 2020
Oscar J. Hilado	PHINMA 2020 Corporate Governance Seminar conducted online by training provider, Corporate Governance and Best Practices (CGBP)	Oct. 23, 2020
Wilfredo A. Paras	CORPORATE GOVERNANCE ENHANCEMENT SESSION <ul style="list-style-type: none"> • Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices • How to Lead Courageously During a Crisis 	Sept. 25, 2020
Romeo B. Bachoco	CORPORATE GOVERNANCE ENHANCEMENT SESSION <ul style="list-style-type: none"> • Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices • How to Lead Courageously During a Crisis 	Sept. 25, 2020
Jonas Emanuel S. Santos	CORPORATE GOVERNANCE ENHANCEMENT SESSION <ul style="list-style-type: none"> • Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices • How to Lead Courageously During a Crisis 	Sept. 25, 2020
Victor A. Francisco	CORPORATE GOVERNANCE ENHANCEMENT SESSION <ul style="list-style-type: none"> • Lessons from a Pandemic: The MPIC Hospital Group Covid-19 Experience and Best Practices • How to Lead Courageously During a Crisis 	Sept. 25, 2020



OFFICERS AND STAFF

PHILEX OFFICERS

Eulalio B. Austin Jr.
President and Chief Executive Officer

Barbara Anne C. Migallos
Corporate Secretary

Romeo B. Bachoco
Senior Vice President for Finance,
Chief Finance Officer, and Treasurer

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

Romeo B. Bachoco
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

Noel C. Oliveros
Division Manager, Exploration

Venancio Gel A. Romero
Division Manager, Corporate Technical Services and
Business Development

Horacio R. Hernandez Jr.
Group Manager, Corporate Information Technology

Eileen C. Rodriguez
Group Manager, Treasury

Josefino B. Siasat
Group Manager, Supply Chain Head

PHILEX PADCAL MINE STAFF

Vic Morris A. Yodong
Resident Manager

Roy P. Mangali
General Manager, Operations and Mineral Processing
Group

Ricardo S. Dolipas II
General Manager, Technical Services Group

Eduardo M. Aratas
Division Manager, Legal Division

Roselyn M. Dahilan
Group Manager, Finance and Budget

Benedict B. Gapongli
Group Manager, Mine Operations

Lionel L. Wanawan
Group Manager, Legal



CORPORATE INFORMATION

Head Office

2nd Floor, Launchpad
Reliance Street corner Sheridan Street
Mandaluyong City 1550 Philippines
Tel: +632 8631-1381 to 88
Fax: +632 8633-3234 / 8634-4441
Email: philex@philexmining.com.ph

Padcal Mine Site

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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: +632 8631-1381 to 88
Project Office: Brgy 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

Guillermo Bandonil Jr.
Capili-Endona Law Office
Migallos & Luna
Sycip Salazar Hernandez & Gatmaitan

Bankers

BDO Unibank, Inc.
Bank of the Philippine Islands
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
Union Bank of the Philippines

Corporate Website

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

Philippine Stock Exchange Code: PX

Market Information

The Company's public float as of December 31, 2020 is 33.58%. The Company has 43,971 shareholders as of December 31, 2020, with total issued and outstanding shares at 4,940,399,068 of which 38.26% are held by foreign nationals and entities.

The average quarterly stock prices for the Company's common shares for the last two fiscal years are as follows:

Year	Period	High	Low
2020	1st Quarter	3.31	1.85
	2nd Quarter	2.72	1.97
	3rd Quarter	4.34	2.52
	4th Quarter	6.50	3.92
2019	1st Quarter	4.46	3.15
	2nd Quarter	3.84	2.86
	3rd Quarter	4.22	3.38
	4th Quarter	3.76	2.65



PHILEX MINING
CORPORATION

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