

BALANCE

2017 STORY OF PHILEX'S BUSINESS AND VALUES



ABOUT THE COVER

The word “Balance” perfectly captures Philex Mining Corporation’s (Philex Mining, or the Company) sustainability performance for 2017. The visual symmetry that frames the seemingly opposite or contrary forces of nature, community, and mining operations represent the harmonious relationship the Company has with the environment and its host and neighboring communities. As an advocate of responsible and conscientious mining in the Philippines, Philex Mining strives to work in harmony with host communities and the environment to strengthen its business operations.

The local mining industry is currently undergoing a transformation that calls for the proper management of the country’s natural resources and, as such, demands more rigorous environmental protection from local mining companies. The Company’s proactive environmental management goes beyond mere regulatory compliance, as it strongly advocates for the equitable, efficient, and conscientious use of natural resources. This, in turn, will stimulate the long-term sustainable growth of the Company, which will also drive the economic and social progress of the host and outlying communities it serves.

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ABOUT THE REPORT

This is the fourth annual Sustainability Report of Philex Mining Corporation (the Company, or Philex Mining), in a bid to further strengthen its commitment to transparency and accountability through sustainability reporting.

Philex Mining's 2017 Sustainability Report ("Report") covers the operational performance of its Padcal Mine, the Company's main source of revenue, for the reporting period of January 1 to December 31, 2017. This Report presents information on the Padcal Mine's economic, environmental, and social performance, especially its significant contributions to the sustainability of the host and neighboring communities where it operates.

This Report has been prepared in accordance with the GRI Standards: Core option. Philex Mining has determined the material aspects that are significant to its sustainability, and has assessed the various impacts these material aspects may have on its key stakeholders. The Company has presented information in two parts:

1. Management Approaches; and
2. Material Indicators.

The Management Approaches cover the Company's Sustainability Framework, Stakeholder Engagement, Materiality Assessment, and Risk Management, all of which provide the proper context for the Company's sustainability practices and policies. The Material Indicators, on the other hand, detail the Key Performance Indicators (KPIs) on the economic, environmental, and social performance of the Padcal Mine. As this Report has been prepared in accordance with the GRI Standards: Core option, it only contains data on the most material aspects relevant to the Company's key stakeholders and the primary users of this Report.

As such, Philex Mining welcomes feedback and appreciates suggestions to make this Report more relevant and useful to its different stakeholders. For comments and suggestions, please contact:

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MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

2017 was a challenging year for the mining industry, following the issuance of the ban on open-pit mining and show cause orders for the cancellation of 75 mining contracts nationwide. Although responsible mining has been our Company's hallmark for more than 60 years, we were also affected by these policy changes, as we were obliged to temporarily suspend development on our Silangan mining project. This despite having already received the International Organization for Standardization (ISO) 14001:2004 Certification for our pre-mining activities and secured all major permits from the Department of Environment and Natural Resources, together with an approved Declaration of Mining Project Feasibility.

Amid this regulatory landscape, we remain cautiously optimistic but nonetheless sustain our commitment to all our stakeholders, most especially to our host and neighboring communities and the natural environ around the areas where we operate. Throughout last year, Philex Mining was preoccupied with addressing the issues that affected production and the last four months of 2017 thankfully showed marked improvements in output. We reengineered our processes and added manpower, which was also means of delivering on our promise to provide quality jobs in rural areas where the poverty incidence is high, to boost production. We also continue to hope for clearer policy on open-pit mining, which would make it possible for us to operate our Silangan mining project and lead to more socioeconomic benefits in Surigao del Norte.

The challenges we faced in 2017, which presumably will persist for the time being, only served to fuel our enthusiasm for reporting on our Company's sustainability initiatives. For four years now, we have openly discussed our performance beyond economic growth to include social development and environmental management. We stand by our belief that humanized, conscientious, and principled mining is doable. For us, this translates to adhering to strict labor standards, pursuing active reforestation and environmental stewardship, building schools and major roads to bolster local development, and providing accessible health care, among other activities, that promote the well-being of our host and neighboring communities.

This even meant carrying the cudgels for the industry as we initiated the adoption of the Mining Association of Canada's Towards Sustainable Mining (TSM) Initiative in the domestic setting, through the Chamber of Mines of the Philippines, to express our strict adherence to and pursuit of global mining best practices, for our Company and the local mining industry. Internally, we are likewise working towards obtaining ISO 26000 Guidelines to strengthen our commitment to social responsibility, relevant to our operations and processes, stakeholders and environmental impact.

Our Company has gone through different internal challenges, shifting economic phases, and changing regulatory regimes. We continue to heed our stakeholders and stay focused on delivering value to them. Our principled mining advocacy not only benefits the Company, but also the mining industry, and the country as a whole. Moving forward, we shall seek solutions and social programs that can turn the mining industry's prevailing challenges into golden opportunities.

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

Manuel V. Pangilinan
Chairman

MESSAGE FROM THE PRESIDENT AND CEO



Dear Stakeholders,

We present to you our fourth Annual Sustainability Report, which documents our organization's collective efforts toward achieving sustainable development. Guided by the principles set forth by the Global Reporting Initiative (GRI) Standards, we report on the progress we have made toward achieving long-term economic growth, environmental management, and social development.

Amid uncertainty brought about by regulatory changes in 2017 in support of the transformation of the mining industry, we achieved a 6% increase in net income amounting to PHP1.66 billion compared with PHP1.57 billion in 2016. Despite production-related issues in the first eight months of the year, we also saw a 15% improvement in tonnage in the last quarter, primarily due to engineering interventions and additional manpower.

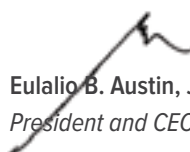
We are also proud to say that we remain a stalwart partner of the national government in ensuring economic and social development. In 2017 alone, we contributed a total of PHP45.4 million in local business taxes, fees, and other charges, which elevated our host communities of Tuba and Itogon to become two of only four first-class municipalities in Benguet.

We also made significant investments in our environmental management and social development programs. In 2017, we spent a total of PHP135 million for our Social Development and Management Program (SDMP), which activities were implemented in our five outlying host communities. This program includes infrastructure projects, such as the construction of farm-to-market roads and bridges, repair and improvements of existing school buildings, provision of free health and dental services, and installation of potable water systems, among others, in Tuba and Itogon.

We also expanded our reforestation program by funneling significant investments toward the planting of different tree species. In fact, we were able to surpass our goal last year

of planting 83,350 trees—with a survival rate of 90 percent—across 50 hectares of land. In all, we have sowed 8.8 million of various seedlings since 1987, across an area of 2,850 hectares, as against 580 hectares of land directly involved in our operations.

Our continued existence for more than 60 years was a product of our desire to take the necessary steps to manage our compliance to industry regulations and stand our ground on key issues that affect the mining industry. Preparing this report has given us further insight on how to set targets and goals and improve our accountability in delivering on our commitments to our business partners, shareholders, and host and neighboring communities. We aim to sustain and further improve on these values and learnings as we reaffirm our commitment to remain a true advocate of responsible mining and ethical business practices. With your continued trust and support, we are beholden to champion humanized and principled mining in the years to come.



Eulalio B. Austin, Jr.
President and CEO

ABOUT PHILEX MINING CORPORATION



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

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

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

SMECI, through SMMCI, owns the Silangan project covering the Boyongan and Bayugo deposits in Surigao del Norte. The project has secured and currently maintains all major permits from the

Department of Environment and Natural Resources (“DENR”), including environmental compliance certification (“ECC”), a tree-cutting permit, and approved Declaration of Mining Project Feasibility. Silangan is envisioned to be an underground mine with a (1) starter mine to initially extract the near-surface ore and improve the groundwater condition, and (2) a main mine to extract most of the ore for the planned mine life. These studies are being advanced to include more details to support the requirements for project financing. The project has not yet commenced development.

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

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

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

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

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



VISION

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

MISSION

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

CORE VALUES

Corporate Responsibility

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

Teamwork

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

Respect for Individuals

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

Integrity

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

Social and Environmental Responsibility

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

Work Excellence

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

AWARDS AND RECOGNITIONS



PSE Bell Awards - Finalist

Compliance and Ethics Program - Finalist

2017 PSE Bell Awards

Philippine Stock Exchange (Philippines)

Best at Corporate Social Responsibility - 3rd

Most Committed to Corporate Governance - 4th

Best at Investor Relations - 4th

Best Managed Company - 6th

2017 Best Managed Companies Poll

Finance Asia (Philippines)

Silver Anvil Award - 2016 Annual Report

Silver Anvil Award - 2016 Sustainability Report

Silver Anvil Award - 60th Anniversary AVP

52nd Anvil Awards

Public Relations Society of the Philippines (Philippines)





ABOUT THE PADCAL MINE

For the past 60 years, Philex Mining has been operating the Sto. Tomas II deposit at Padcal, Tuba, Benguet. Opened as a starter mine in 1958, the Padcal Mine is considered the first underground block-cave operation in the Far East, and is one of the longest operating mines in the Philippines. The Padcal Mine is the Company's biggest source of revenue, primarily sourced from its metals business segment which produces copper concentrates that contain gold, copper, and silver.

From its start of operations in 1958 up to 2017, total ore extracted and processed from the Padcal Mine has amounted to 409.3 million tonnes, producing 2.3 billion pounds of copper, 6.2 million ounces of gold, and 6.7 million ounces of silver.

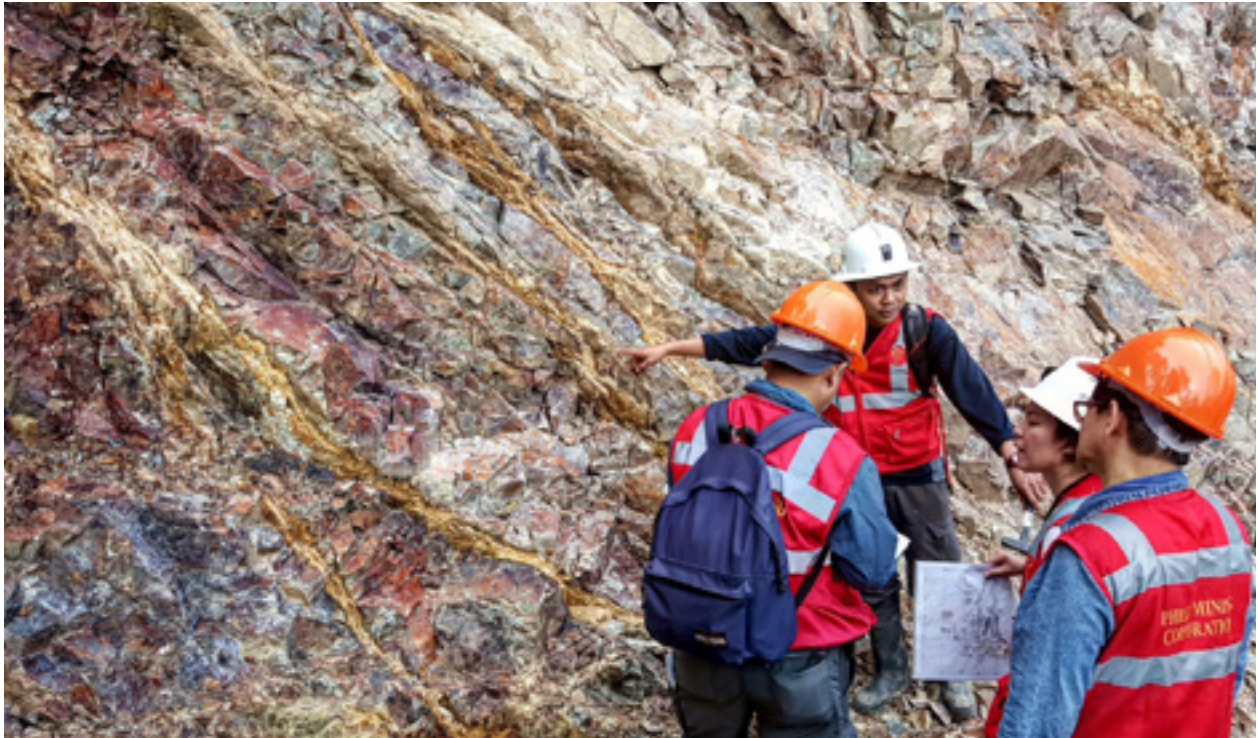
In February 2016, the Company disclosed the results of an exploration near the surface of Bumolo Project, an area that is within Mineral Production Sharing Agreement (MPSA) 156-2000-CAR and is accessible to the existing Padcal Mine.

The Bumolo Project has an estimated 21.7 million tonnes of inferred resources at 0.2% copper and 0.3 grams per tonne

gold, at a cut-off of 0.3% copper equivalent. Due to the proximity of the near-surface Bumolo ore to the existing Padcal Mine and its mill infrastructures, the Company is encouraged to pursue a mine feasibility study for the Bumolo Project.

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

- **Southwest Project.** Located about 0.8 kilometers from the Sto. Tomas II deposit, the Southwest Project was intensively drilled targeting porphyry copper-gold mineralization similar to Sto. Tomas II but with its own unique characteristics. Philex Mining drilled a total of 10,311 meters from 18 drill holes this 2017 that resulted to a better understanding of the Southwest Project's economic potential. Earlier investigations in the same area were analyzed from historical drilling in the 1980s



to its more recent drilling between 2011 and 2012. The 2017 drilling program delineated a narrow mineralized zone, which is currently the subject of an ongoing mineral resource estimation and ore modelling studies.

- **Tapsan Project.** This project lies six kilometers away from Padcal Mine in the southern part of MPSA-156-2000-CAR. Scout drilling over widely-spaced distances, targeting mapped vein gold locations of pocket miners, commenced in the third quarter of 2017. Progress has been slow due to the need to use tramlines to move the drilling machines. To date, only narrow vein zones have been intersected by two completed holes. Scout drilling will continue to 2018.
- **North Midway Project.** Located three kilometers from the Sto. Tomas II deposit, the North Midway Project is a potential vein-type gold and porphyry copper-gold mineralization. Scout drilling commenced in May 2017 and was suspended on January 22, 2018 after completing four scout holes, with an aggregate depth of 2,538 meters. The best intersection so far is an 18-meter section of rocks with 0.2% copper and 0.5

grams/tonne gold grades. Philex Mining is reviewing the first phase results of drilling, before proceeding with additional scout holes in other places in the coming months.

- **Oliva Project.** Located two kilometers south of the Sto. Tomas II deposit, the Oliva Project was investigated with two scout holes targeting porphyry copper-gold showings in the rocks. Both holes proved negative. Thus, drilling here was terminated.

The Exploration Division of Philex Mining continues to leave no stone unturned as it investigates other potential areas for resources that may extend the life of Padcal Mine.



SUSTAINABILITY AT PHILEX MINING CORPORATION

Philex Mining constantly refines its approach to sustainability to better manage and reduce the potential impacts of its operations on the environment and its host communities. As the Company strengthens its approach to sustainability, it also continues to champion its long-standing advocacy of conscientious mining.

- **Conscientious Mining:
The Core of Philex Mining's
Business Strategy**
- **Sustainability Framework**
- **Stakeholder Engagement**
- **Materiality Assessment**
- **Material Issues on
Sustainability**

For the past four years, Philex Mining has focused on refining its approach to sustainability. The Company recognizes that the mining industry is currently facing challenges posed by the Government to improve on its performance, particularly with respect to environmental protection and preservation. Likewise, as a conscientious miner, the Company needs to address not only the concerns of its shareholders but, more importantly, the concerns of its host and neighboring communities, regulators, industry partners, and the broader society of which it is a part of.

As a publicly listed company, Philex Mining aims to generate acceptable economic returns for its shareholders. At the same time, the Company must also manage and reduce the potential impact of its operations on the environment and on the communities within its areas of operation. The Company remains committed to improving its sustainability performance and to addressing regulatory and commercial requirements. Stakeholders demand greater accountability and transparency, and the Company has taken it upon itself to report on how it addresses concerns with respect to sustainable development.

CONSCIENTIOUS MINING: THE CORE OF PHILEX MINING'S BUSINESS STRATEGY

Philex Mining complies with the principles of Conscientious Mining, as laid out in Republic Act (RA) No. 7942, also known

as the "Mining Act" and its Revised Implementing Rules and Regulations. The Mining Act mandates mining companies to have plans for the rehabilitation, regeneration, revegetation, and reforestation of mineralized areas; the slope stabilization of mined-out and tailings covered areas; aquaculture, watershed development, and water conservation; as well as socio-economic development. As mandated by the Department of Environment and Natural Resources (DENR) Administrative Order (DAO) No. 96-40, the Company implements an Environmental Protection and Enhancement Program (EPEP) prior to the commencement of any mining project.

The Mining Act, and the DENR Administrative Order (DAO) No. 2010-21, obliges mining companies to prepare the Development of Host and Neighboring Communities, which includes a five-year Social Development and Management Program (SDMP); the Development of Mining Technology and Geosciences (DMTG); and Information, Education, and Communication (IEC) programs. The SDMP should outline a holistic approach to the development of the host and neighboring communities. The aim of these programs is to improve the overall quality of life, and to address specific aspects of human resource development, health, education, infrastructure, sports and socio-culture, and enterprise development during the life-of-mine.

Mining companies in the Philippines are mandated to spend at least 1.5% of its annual operating costs for the development



of their host and neighboring communities. Inspired by the wisdom of the Mining Act, and guided by its corporate values, Philex Mining has been working with a sustainability framework that puts conscientious mining at the strategic core of its policies, with transparency and accountability as the standards inculcated into the workplace culture. With this framework, the strategy is to enable efficient production with minimum impact on the environment, while providing maximum benefit to employees and host communities.

Consequently, Philex Mining has identified five pillars upon which our sustainability framework rests.

THE FIVE PILLARS OF PHILEX MINING'S SUSTAINABILITY FRAMEWORK

Adherence to Good Governance. As a responsible corporate citizen, Philex Mining conducts its activities in accordance with the highest ethical standards and complies with its Code of Conduct, as well as all applicable laws, rules, and regulations. Beyond its own operations, the Company also seeks to lend

its expertise with partners in the industry, and to engage in constructive and informed dialogue and debate on issues that are relevant to the Company, the broader mining industry, and the communities where it operates.

Promotion of Employee Wellness. Employees are the frontliners who enable the Company to maintain its day-to-day operations. As such, Philex Mining is committed to the development of employees to their full potential. In accordance with its Company Values, Philex Mining respects and values its people, and upholds the principles of human rights, safety, and non-discrimination in the workplace. Employee wellness also includes providing employees fair compensation for their contributions, constructive and meaningful feedback on their performance, and opportunities for professional development and training. The Company also seeks to engage its employees on issues that affect the workplace, in a bid to improve overall work conditions, employee safety, and operational efficiency.

Community Empowerment. The Social Development and Management Program (SDMP) is the Company's primary instrument to address the social, cultural, environmental, and

SUSTAINABILITY FRAMEWORK



economic factors that affect its operations. In line with this, the Company engages with communities and local government units, non-governmental organizations, and other interested groups to achieve long-term and mutually beneficial resource development. The Company prioritizes partnerships that will help promote local enterprises and build a more inclusive local economy. To this end, Philex Mining prioritizes employing indigenous peoples and members of the local community, especially for its various exploration projects. As a business, the Company also seeks to promote open and constructive dialogue and interaction with its host and neighboring communities, and acknowledges that it must listen, respond, and provide relevant information about its operations that is accurate, appropriate, and timely.

Environmental Protection. As a mining company, Philex Mining recognizes its responsibility to preserve and conserve the environment wherein it operates. As an environmental steward, the Company promotes the wise use of resources, and applies proven management controls to achieve this goal. The Company implements its comprehensive Environmental Protection and Enhancement Program (EPEP) to ensure that it addresses and properly manages its environmental impacts; establishes controls to ensure compliance with our corporate environmental policies and obligations; provides adequate resources and financial provisions to support our environmental management systems; creates plans to protect the environment for future generations; and safeguards the sustainability of its partner communities.

Workplace Safety. Philex Mining seeks to manage operational risks, with the goal of maintaining its employees' health and keeping them free from injury during and after their work shifts, every day. The Company has established safety and occupational health management protocols for its colleagues, families, communities, and business partners. The Company expects all its employees and contractors to work in accordance with these protocols.

Philex Mining recognizes that its reputation hinges on its ability to keep people safe. The Company's health and safety systems provide for the necessary equipment, training, and resources that will enable its employees to work under safe conditions. In addition, the Company has effective security controls, standards, policies, and procedures to help protect its employees, assets, reputation, and the host communities wherein it operates. The Company operates in compliance with laws and regulations, and guarantees that its security functions are aligned with its values to protect human rights and respect people. The Company upholds human rights for all individuals that may be affected by its operations and, as such, does not tolerate any violations of these fundamental human rights.

Guided by these principles that inform and shape its sustainability framework, Philex Mining continues to strengthen its approach to sustainability and champion its advocacy of responsible and conscientious mining.



STAKEHOLDER ENGAGEMENT

Over the years, Philex Mining has cultivated strong relationships with its stakeholders by implementing meaningful engagement programs. The Company's ability to unlock and understand the major issues and concerns of its stakeholders, and its capacity to respond to their issues and concerns in a timely manner, has been key to its sustainability approach. Philex Mining keeps the lines of communication between the Company and its various stakeholders open, and

regularly utilize them to cull valuable insights about ongoing and emerging issues within the Company and the mining industry.





In 2017, Philex Mining actively engaged with industry associations and the media as it responded to the changing regulatory climate set forth by industry regulators, always keeping in mind to champion the model of responsible and conscientious mining that it has staunchly advocated for more than 60 years.

Stakeholder	Concerns	Mode of Engagement	Frequency of Engagement	Response
Shareholders/ Investors	<ul style="list-style-type: none"> Higher financial returns Minimum risks related to business and expansion 	<ul style="list-style-type: none"> Annual stockholders' meeting Direct communications through Investor Relations Group One-on-one investor meeting 	<ul style="list-style-type: none"> Annual On demand On demand 	<ul style="list-style-type: none"> Stable dividends Regular disclosure of financial performance
Regulators	<ul style="list-style-type: none"> Accurate disclosures Compliance with standards and regulations 	<ul style="list-style-type: none"> Annual, quarterly, and monthly reports Audits Taxes, and certification processes 	As necessary	<ul style="list-style-type: none"> Timely and accurate release of reports Strict compliance with regulatory requirements
Local Government Unit	<ul style="list-style-type: none"> Environment management Socio-economic development 	<ul style="list-style-type: none"> Social Development and Management Program (SDMP) / Community Development Program (CDP) Community meetings Focused group discussions One-on-one visits Annual, quarterly, and monthly monitoring reports 	Continuing	<ul style="list-style-type: none"> Quarterly briefing One-on-one meetings
Employees	Work-life balance	Employee engagement programs	As needed	<ul style="list-style-type: none"> Corporate social responsibility (CSR) and environmental voluntary activities Company sports tournament
Contractors	<ul style="list-style-type: none"> Labor code practice by contractors Availability of supplies 	<ul style="list-style-type: none"> Accreditation process Contractual agreements 	Once a year	Clear and transparent supplier management process
Host Communities	<ul style="list-style-type: none"> Socio-economic development of the communities Collaborative partnerships 	<ul style="list-style-type: none"> SDMP Active community participation during the projects' planning, implementation, and monitoring and evaluation 	<ul style="list-style-type: none"> Once a year Continuing 	<ul style="list-style-type: none"> Implementation of SDMP and CSR program by Philex Mining in partnership with the communities Social acceptability of the project
Customers	<ul style="list-style-type: none"> Quality products Accessibility and convenience Account security Speedy services Better benefits Financial advice 	<ul style="list-style-type: none"> Website Relationship teams 	As necessary	Meeting of client expectations
Suppliers	<ul style="list-style-type: none"> Transparency in accreditation Integrity of bids Timeliness of payments Product specification 	<ul style="list-style-type: none"> Accreditation process Annual meetings with security agencies 	As necessary	
Partners	<ul style="list-style-type: none"> Transparency in disclosures Alignment of advocacies 	Corporate events and forums	As necessary	
Media	<ul style="list-style-type: none"> Product brief or details Transparency Information Timeliness of announcements 	<ul style="list-style-type: none"> Press release Personal interviews Official media statements Public advisories Press conferences 	As necessary	
Industry Associations	Sharing of industry standards and best practices	Regular industry meetings	As scheduled	

MATERIALITY ASSESSMENT (102-46)

Philex Mining's materiality assessment in 2017 followed a similar identification and prioritization process of material issues that it has also conducted in 2016 and 2015. This

process, which includes validation and review workshops with the different units and divisions of the Company, was initiated in March 2015, and continues to draw out the Company's material issues on sustainability.

I. IDENTIFICATION 	Benchmark the material issues and aspects against global standards and their relevance to Philippine operations.	Collect evidence and information from the most recent stakeholder engagement and consultation.	Conduct brainstorming sessions with the business unit heads to gather input.
II. PRIORITIZATION 	Prioritize the material aspects as a group based on the parameters critical to stakeholders and to the business.	Parameters: <ul style="list-style-type: none"> • Financial • Legal • Competitiveness • Stakeholder concerns • Operational impact 	Determine the existing controls and programs that the Company is implementing for the high and medium level of critical material aspects.
III. VALIDATION 	Validate the material aspects from internal and external stakeholders.	Understand the key expectations from the stakeholder groups.	Address the concerns through programs and initiatives and disclose them through the sustainability report.
IV. REVIEW 	Collect feedback from stakeholders.	Analyze and evaluate the concerns and realign the programs accordingly.	



MATERIAL ISSUES ON SUSTAINABILITY (102-47)

Through the validation and review workshops that Philex Mining has conducted since March 2015, the Company has confirmed that the following issues are indeed material and can substantially influence the assessments and decisions

of the Company's key stakeholders: Social Development and Management Program, Environmental Protection, Legal Compliance, Employment Practices, Corporate Governance, and Financial Returns.

**ECONOMIC**

- Revenue
- Payments
- Local Employment
- Share Value (Stocks)
- Fluctuation in Metal Prices (World Market)
- Exploration in Mining Operations
- Compliance with the Regulatory Requirements
- Leadership (Corporate Governance)
- Internal Process Management

**ENVIRONMENTAL****Energy Management**

- Electricity Generation and Consumption
- Energy Efficiency in Operations
- Fuel Consumption

Water Management

- Impact on Water Sources, Water Pollution
- Water Quality and Discharge
- Tailings Pond Management
- Efficiency in Water Consumption
- Water Recycling

Waste/Chemicals Management

- Oil Spill Management
- Reagents Management
- Solid Waste Management

Land Resource Management

- Land Rehabilitation and Reforestation
- Biodiversity and Ecosystem Management
- Geological Risk Assessments

Air Quality Management

- GHG Emissions
- Dust and Noise Pollution

**SOCIAL****Labor Practices**

- Strikes and/or Lock-outs
- Freedom of Association
- Recruitment and Employment
- Employee Relations

Health and Safety

- Education and Training on Health and Safety Issues
- Safety Procedures in Place in the Facility
- Safety Performance Monitoring

Community Development

- Dust and Noise Issues
- Diseases and Illness
- Risks and Conflicts with Local Communities and Indigenous People
- Information, Consultation, and Participation Mechanisms

Facility Protection

- Emergency Preparedness
- Social License
- Supplier Screening
- Security of Site

MANAGING BUSINESS RISKS AND CONTROLS

As a responsible mining company in the Philippines, Philex Mining established mechanisms to ensure that it is able to identify, properly address, and manage the risks inherent to its business operations. The Company applies the best practices in Risk Management to be able to measure the different sets of risks that are specific to the Company and to the mining industry.

Philex Mining has adopted a Risk Management Policy Manual that contains our Enterprise Risk Management (ERM) framework, which details the guidelines that govern these aspects of risk, as well as the roles and responsibilities of those who are responsible for their implementation. With the guidance of this policy, the Company's operational units are better able to identify significant risks and take the necessary actions to control them. The overall objective of Philex Mining's risk management program is to identify, analyze, and manage risks to acceptable levels that will allow the Company to enhance opportunities, reduce threats, and maintain its competitive advantage.

OPERATIONAL RISKS FOR MINING OPERATIONS

Mining operations are exposed to a range of hazards and risks, whether natural or man-made, which are normally associated with the activities of mineral exploration, development, and production. These risks could disrupt the mine's normal operations and, ultimately, could also negatively impact the Company's overall health and safety performance. The removal of materials through drilling activities has the potential to destroy the mine or other production facilities, or cause significant damage to life and property. This could then lead to increased costs and legal liability. Natural hazards that regularly befall the country, such as typhoons, volcanic activities, earthquakes, and landslides, may also cause major disruptions that could adversely affect the Company's business operations.

Unstable ground conditions in the ore body, the presence of bouldery ore, and the risk of mud rush were among the adverse circumstances in 2017 that affected the operations of the Padcal Mine. This resulted in lower tonnage and metal

output. In response to these natural hazards, the Company has installed new equipment and implemented new work processes to address and manage these risks.

Threats to security are also among the risks the Company regularly faces. Incidents of insurgency and terrorism in 2017 affected the transport of ore for shipment. Residents in host and neighboring communities were called to be more vigilant, and there was an increased effort to identify and prevent future security threats.

Exploration and Development of Mineral Deposits. Even with the combination of careful evaluation, experience, and knowledge, the exploration and development of mineral properties have inherent significant risks which may not be completely preventable or eliminated. In the discovery of an ore body, only a few explored properties can be developed into a producing mine and yield substantial rewards. Major expenses may be incurred to locate and establish mineral reserves, develop metallurgical processes, and construct mining and processing facilities at a site. As such, the success of Philex Mining largely depends on, among other things, the delineation of the economically mineable reserves, access to required development capital, securing and maintaining the title to its exploration and mining tenements, and obtaining all the consents and approvals necessary for the conduct of its exploration activities. To address these risks, the Company has a competent team of legal and technical experts and consultants who handle and manage these matters.

Mineral Agreements, Permits and Licenses, and Operating and/or Royalty Agreements. As a mining company, Philex Mining relies on mineral agreements, permits, licenses, operating and/or royalty agreements with third-party claim owners, and land access agreements to conduct its mining operations. The Mineral Production Sharing Agreement (MPSA) and operating and/or royalty agreements that cover the Company's mineral properties expire at different times and, thus, require renewal upon expiration. Regulators can exercise considerable discretion in the terms and timing of permit issuance, or whether a permit may be issued at all. As such, the approvals needed for mining operations may



not be issued or renewed in a timely manner, if at all. It may also involve new requirements that can restrict the Company's ability to conduct mining operations profitably.

However, the DENR would give a tenement holder the opportunity to address challenges to its mineral agreements, permits, or licenses before issuing an order. As a practical matter, the Mines and Geosciences Bureau (MGB) of the DENR would only have a mineral agreement, permit, or license cancelled when there is an irremediable material breach on the part of the tenement holder.

To address these risks, Philex Mining employs a team of legal and technical experts and consultants who exercise the necessary due diligence in reviewing mining and surface rights for ownership and location verification, and in ensuring the enforceability of the Company's rights over its mining properties.

ENVIRONMENTAL, NATURAL, AND SOCIAL RISKS

Due to its dependence on natural resources for its sustainability, Philex Mining faces inherent risks due to environmental and natural factors. To manage such risks, the Company allots considerable efforts and resources to environmental protection and rehabilitation through

the Environmental Protection and Enhancement Program (EPEP).

The Company has also adopted an environmental policy statement that is aligned with the ISO 14001 certification on Environmental Management Systems (EMS). Additionally, the Company is insured with a pollution liability insurance in response to possible claims, in case of environmental pollution.

The Philippines is also prone to natural hazards such as earthquakes, floods, and landslides, which could result in significant damages to facilities and infrastructure; block access to mining assets; cause injury to workforce; and lead to the disruption or suspension of operations for a significant period of time. A comprehensive insurance policy, with a business interruption clause, is in place to respond to such situations.

With respect to social performance, Philex Mining ensures strict compliance with all applicable social laws, rules, and regulations that cover it as a mining company, and the Company also strongly adheres to the Social Development and Management Program (SDMP). Often, the Company exceeds government requirements for the provision of health, educational, livelihood, and public infrastructure services to its host and neighboring communities.

Through these initiatives, Philex Mining seeks to secure and maintain community endorsement and public approval for its operations. The Company is also aligned with the ISO 26000 Guidance on Social Responsibility to assess and address its corporate social responsibility concerns and strengthen its social license to operate.

REGULATORY RISKS

Shifts in the regulatory landscape can also result in adverse conditions for the mining industry, in general, and for Philex Mining, in particular. The current regulatory regime and the subsequent changes in policy direction dictate the behavior of the mining industry and influence the behavior of investors in the sector. The DENR ordered the audit of all operating mines in August 2016. Although the Padcal Mine was not one of those affected by the suspension order, other standing orders from the DENR are still a source of potential concern for the Company. For instance, the DENR ordered the cancellation of 75 MPSAs, including those awarded to Philex Mining and its subsidiaries. Although the Company submitted a show cause letter reiterating the validity of the Company's MPSAs, the DENR has not yet issued a response.

STRATEGIC RISKS

Internal and external events could also negatively affect the Company's ability to achieve its objectives and long-term growth targets. Mining operations are limited by the ore body's life of mine, and the sustainability of the mine's operations is dependent on the availability of viable mine deposits. There is no guarantee that the Company's exploration of mining tenements will result in commercially successful mining operations, but this is one of the risks it must face.

The Padcal Mine has a declared life of mine up to 2022, with 98 million unconverted resources. Philex Mining is conducting aggressive exploration activities to ensure sufficient volumes of production for the years ahead, but currently faces challenges and delays. Nevertheless, there are efforts to secure the approval and completion of exploration work. Further engineering studies are also ongoing to increase the capacity of the Company's storage facilities for additional tailings and to possibly extend the life of mine beyond 2022.



FINANCIAL RISKS

The Company must ensure prudent management to reduce the risks that could impact its financial performance, cash flow, and financial position. Due to public sentiment and concerns regarding the future of the mining industry, there are difficulties in raising funds to finance projects. Therefore, there are ongoing efforts to educate the public on the benefits of mining.

Philex Mining also has several mining tenements in different locations nationwide. The assets are subject to provisions that could affect the Company's financial position. The Company is currently exploring joint ventures or farm-in/farm-out agreements with other interested parties to reflect the fair value in the value sheet.

Price Risks. The Company's revenue is largely dependent on the world market prices for gold and copper; as such, the factors that affect and dictate price fluctuations are beyond the Company's control. To mitigate price risks, Philex Mining constantly evaluates the advantages and disadvantages of hedging a portion of its annual production. In addition, the Company constantly monitors its production and operating costs to attain efficient use of its working capital.

To further address these risks, Philex Mining took on the challenge and embarked on a study and gap analysis with respect to its adherence to international mining standards. During this time, Philex Mining encountered the Towards Sustainable Mining (TSM) initiative adopted by the Mining Association of Canada (MAC). Since MAC is only accrediting mining associations, Philex Mining had a series of discussions with the the Chamber of Mines of the Philippines (COMP) for the adoption of the TSM in the country.

Thus, acting on the initial steps taken by Philex Mining, COMP signed an agreement with MAC for TSM's adoption in the Philippines. TSM was adopted by MAC to meet society's needs for minerals, metals, and energy products in the most socially, economically, and environmentally responsible way. The adoption of TSM will help mining companies like Philex Mining to address the risks inherent to its business.

The overall objective of the risk management program is to identify, analyze, and manage risks to acceptable levels that will allow the Company to enhance opportunities, reduce threats, and maintain its competitive advantage.



STRENGTHENING BUSINESS PERFORMANCE

Despite uncertainty brought on by an inhibitive regulatory landscape for the mining industry in 2017, Philex Mining still had a strong business performance, as lower metal production was offset by favorable prices and foreign exchange rate, engineering interventions, and additional manpower.

- **Economic Performance**
- **Operational Highlights**

2017 proved to be a challenging year for the mining industry, as then-Environment Secretary Regina Lopez moved to ban open-pit mining and threatened to cancel 75 mining contracts nationwide. Despite the uncertainty brought by the prohibitive regulatory landscape in the mining industry, Philex Mining still held a strong business performance in 2017.

The Company achieved a 6% increase in net income amounting to PHP1.7 billion in 2017, compared with PHP1.6 billion in 2016. And despite production-related issues in the first eight months of 2017, the Company still saw a 15% improvement in tonnage in the last quarter of 2017, primarily due to its engineering interventions and additional manpower.

ECONOMIC PERFORMANCE

Total operating revenues for 2017 amounted to PHP9.9 billion, compared with PHP10.3 billion in 2016 and PHP9.2 billion in 2015.


Gold production reached 84,638 ounces in 2017, from 103,304 ounces in 2016 and 107,887 ounces in 2015, due to lower ore grade resulting from declining ore grades at 908 meter level (ML) and 840 ML, as ore sources get depleted. Following this gold output performance, gold revenues, which comprised 54% of the Company's total revenue in 2017, amounted to PHP5.4 billion compared with PHP6.2 billion in 2016 and PHP5.7 billion in 2015. This decline is mainly attributed to lower metal production, which was partially offset by favorable gold prices and foreign exchange rate.

Copper production, on the other hand, totaled 30,118,206 pounds in 2017, from 34,961,062 pounds in 2016 and 34,104,049 pounds in 2015, mainly due to lower tonnage, ore grades, and recovery. However, favorable copper prices and foreign exchange rates resulted in higher copper revenues of PHP4.5 billion in 2017, which accounted for 45% of the Company's total revenue in 2017, compared with PHP3.9 billion in 2016 and PHP3.5 billion in 2015.

Other revenues, which primarily came from sales of silver, made up the remaining 1% of the Company's total revenue in 2017. Revenue from the sales of silver amounted to PHP77.2 million in 2017, compared with PHP86.5 million in 2016 and PHP69.7 million in 2015. However, metal production and silver prices were lower in 2017.

Total operating revenues for 2017 amounted to PHP9.9 billion, compared with PHP10.3 billion in 2016 and PHP9.2 billion in 2015.

Revenues

	Item	Amount	% of Total Revenues
	Revenue (in PHP millions)	5,432	54%
	Ounces produced	84,638	
	Average realized price (in USD)	1,273	
	Revenue (in PHP millions)	4,475	45%
	Pounds produced	30,118,206	
	Average realized price (in USD)	2.9	
	Other Revenues (in PHP millions)	77	1%
	TOTAL Revenues (in PHP millions)	9,985	100%

OPERATIONAL HIGHLIGHTS

Despite initial production-related issues experienced in the first eight months of 2017, the Company still saw a 15% improvement in tonnage in the last quarter of 2017, primarily thanks to engineering interventions and additional manpower.

Gold production reached 84,638 ounces in 2017, compared with 103,304 pounds in 2016 and 107,887 ounces in 2015. This is primarily due to lower tonnage, which declined by 7% to 8.7 million in 2017 from 9.4 million in 2016 and 9.2 million in 2015. The decline can also be attributed to lower ore grade, which declined by 10% in 2017, and ore grades are expected to further decline as the ore body approaches the end of mine life.

Copper production, on the other hand, totaled 30,118,206 pounds in 2017, from 34,961,062 pounds in 2016 and 34,104,049 ounces in 2015. Tonnage performance, coupled with lower average copper head grade, resulted in reduced copper production in 2017 versus 2016. Similar to gold

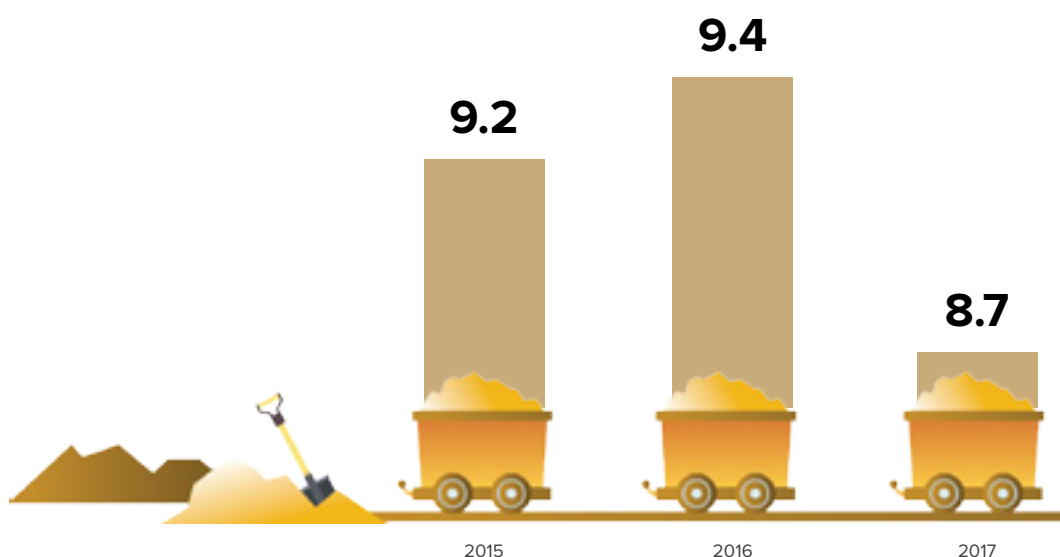
production, lower copper grades are also expected and will be addressed in the Padcal Mine's development plan.

And owing to low mine delivery due to equipment availability issues, limited flexibility related to ore handling, and persistent bouldery ore during the earlier part of the year, total tonnes milled from Padcal Mine declined to 8.7 million tonnes in 2017, compared with 9.4 million tonnes in 2016 and 9.2 million tonnes in 2015.

Production

Tonnes milled	8,673,474
Copper concentrates	64,710
Gold	
Ounces produced	84,638
Head grade (in grams/tonne)	0.4
Recovery (in %)	81
Copper	
Pounds produced	30,118,206
Head grade (in grams/tonne)	0.2
Recovery (in %)	82

TONNES MILLED



FEATURE

UPHOLDING BEST PRACTICES IN MINING

Philex Mining embraces its image as the “poster boy” for responsible mining

In 2017, Philex Mining has proven both to its public and private stakeholders that responsible and conscientious mining can be done, and that it can be a potent tool for social and economic development. Amid unfavorable public opinion for the mining industry, in general, the Company remains steadfast in its commitment to community development, economic progress, and environmental protection.

“We strive to become what most, if not all, of our stakeholders see us, like some kind of a ‘poster boy’ for the mining industry,” quips Eulalio Austin, Jr., President and CEO of Philex Mining.

A PARTNER IN ECONOMIC AND SOCIAL DEVELOPMENT

For one, the Company continues to contribute to economic development and nation-building by being a good taxpayer, something that its host communities can attest to. In 2017, Philex Mining contributed a total of PHP15.3 million in local business taxes toward the coffers of Tuba (PHP8 million) and Itogon (PHP7.4 million).

Philex Mining also continues to document evidence of its responsible mining practices, which includes its PHP65 million investment in its reforestation program since 1987. This 29-year period of reforestation involves the planting and nurturing of more than 8 million trees across more than 2,850 hectares of land in Tuba and Itogon. The trees planted have a 90% survival rate, a testament to the effectiveness of its nursery and reforestation program.

As part of its commitment to environmental protection, the Company also continues its cleanup and rehabilitation efforts in various operating or decommissioned mining projects.

It is through these initiatives that go above and beyond government and industry mandates that Philex Mining upholds its commitment to community development, economic progress, and environmental protection. Through these initiatives, Philex Mining proves that responsible mining can be done, and that it is already a lived reality in the country.

ELEVATING STANDARDS IN RESPONSIBLE MINING

Philex Mining adopts Towards Sustainable Mining (TSM) initiative of Canada

In a bid to improve the conduct of its mining operations and to promote excellence in mining in the Philippines, Philex Mining has begun the process of adopting the Towards Sustainable Mining (TSM) initiative of the Mining Association of Canada (MAC).

The TSM initiative provides a set of tools and indicators that can support mining companies in the responsible management of key mining risks, which, in turn, can improve overall performance. Mining companies that have adopted the TSM initiative engage with communities, promote environmental practices, and commit to the health and safety of their host and neighboring communities.

While Philex Mining has always been compliant with national regulations for the mining industry, it voluntarily sought out other international guidelines that could be used to not just improve the conduct of its mining operations, but to also promote excellence in mining in the Philippines. This initiative also came as a response to President Rodrigo Duterte’s challenge for the mining industry to adhere to stricter mining standards and guidelines similar to those followed in Australia and Canada.

ADOPTING THE TSM INITIATIVE

The TSM initiative, established in 2004, aims to “enable mining companies to meet society’s needs for minerals, metals,

and energy products in the most socially, economically, and environmentally responsible way.” Based on the Program, members of MAC commit to a set of TSM Guiding Principles and report their performance against the Program’s 23 indicators annually in MAC’s TSM Progress Reports. These reports are publicly available, and are externally verified every three years.

Philex Mining, in pursuit of its commitment to responsible and conscientious mining, recognized the merit of the TSM initiative and saw its relevance not just for its mining operations, but also for the mining industry in the Philippines.

As it stands, the TSM initiative has been designed as a standard for adoption by a national mining association. Thus, Philex President and CEO Eulalio Austin Jr. proposed it to the then-Chamber of Mines-Philippines (COMP) Board of Directors. The Board, in turn, approved the said proposal and set in motion the process of adopting the TSM framework in the Philippines.

On December 19, 2017, COMP, under its new Chairman, Nickel Asia Corporation President and CEO Gerard Brimo, signed the Cooperation and Licensing Agreement for Adopting the TSM Framework. MAC, as represented by its President and CEO Pierre Gratton and Vice President Ben Chalmers, was present for the signing of the agreement, as well as for the two-day training on the TSM initiative for select representatives of COMP member-companies.

A LEGACY OF RESPONSIBLE MINING

Through its initiative to adopt the TSM framework, Philex Mining further strengthens its legacy of responsible and conscientious mining practices.

Prior to the adoption of the TSM framework, the Company has already made significant investments to obtain its Integrated Management System (IMS) certification, which incorporates accreditations in both environmental management and occupational health and safety. Even its Silangan Mining Project in Surigao del Norte, which has yet to commence operations, has already received its ISO 140001:2015 certification.

Philex Mining sought out these certifications even before the Department of Environment and Natural Resources (DENR) made them a requirement for the mining industry, solidifying the Company’s commitment to responsible mining beyond mere compliance.

The adoption of the TSM initiative strengthens Philex Mining’s commitment to conscientious and sustainable mining. As mining is a highly technical industry, proper scientific study and consideration is needed to ensure that its various activities are conducted in a responsible and sustainable manner. This way, mining can truly contribute to economic development and nation-building.





ENVIRONMENTAL PROTECTION

Due to the nature of mining operations, the proper management of natural resources is an integral part of Philex Mining's business ethics and overall approach to management. As such, the Company implements a comprehensive environmental protection program that addresses all phases of mining, from exploration, mine development, operations, to decommissioning.

- **Environmental Programs and Management**
- **Land Resource Management**
- **Energy Management**
- **Water Resource Management**
- **Air Quality Management**
- **Waste/Chemical Management**

Mining activities, by nature, have significant impacts on the environment, especially when not pursued in a responsible manner. The negative impacts of mining activities include water depletion, deforestation, pollution, and increased greenhouse gas emissions. The public perceives that the mining industry contributes to environmental destruction, therefore it is critical that mining companies manage their environmental impacts. Thus, Philex Mining strives to implement best practices in environmental management that adhere to the principles of responsible mining. (103-1)

Due to the nature of Philex Mining's operations, proper management of natural resources forms part of its business ethics and is integrated in its overall approach to management. The Company implements a comprehensive environmental program that addresses all phases of mining, from exploration, mine development, operations, and decommissioning. (103-2)

ENVIRONMENTAL PROGRAMS AND MANAGEMENT

As a mining company in the Philippines, Philex Mining adheres to Republic Act No. 7942, also known as the "Philippine Mining Act of 1995," and its Revised Implementing Rules and Regulations. The law requires mining companies to submit an Environmental Protection and Enhancement Program (EPEP) for government approval before commencing a mining project. The EPEP should contain the company's plans on the rehabilitation, regeneration, revegetation, and reforestation of mineralized areas; the slope stabilization of mined-out or tailings covered areas; watershed development; and water conservation. (103-2)

Philex Mining's environmental program is comprised of management initiatives for land resources, water resources, hazardous and toxic waste, and air quality, as well as the activities of Multipartite Monitoring Team (MMT) and Mine Rehabilitation Fund Committee (MRFC). For 2017, the Company allotted a budget of PHP436,944,162.7 for its Environmental Protection and Enhancement Program (EPEP). All expenditures on environmental activities are budgeted and monitored under the official EPEP submitted to the DENR. For 2017, annual EPEP expenditure was PHP412,371,941.4, or 94.4% of the total allotted budget.

EPEP Activity	2017 Budget (in PHP million)	Year to Date Actual Cost (in PHP million)	% Utilized
Land Resource Management	97,867,671.9	82,925,617.8	84.7
Water Resource Management	326,954,620.9	323,813,424.4	99.0
Hazardous and Toxic Waste Management	7,670,000.0	2,310,349.5	30.1
Air Quality Management	2,550,500.0	1,621,179.7	63.6
MRFC/MMT Activities and Third-party Monitoring of TSF No.3	1,901,370.0	1,701,370.0	89.5
TOTAL	436,944,162.7	412,371,941.4	94.4

As part of the EPEP, the Company's Tailings Storage Facility (TSF) team conducts water quality monitoring and water recycling daily. Further, through reforestation activities, the Company has been able to not just reforest 2,800 hectares of land, but also make its operations carbon-neutral. (103-2)

To ensure sound operations, Philex Mining sought an ISO 14001 certification for environmental management. To continuously monitor and evaluate its environmental performance, the Company conducts audits, both internal and those conducted by third-party organizations, and submits quarterly reports on its environmental performance to the government. For 2017, there were no incidents of non-compliance with environmental laws and regulations. (103-3, 307-1)

LAND RESOURCE MANAGEMENT

Mining companies employ standard practices, such as reforestation and other engineering measures, to stabilize slopes and control soil erosion. Philex Mining has implemented a long-term reforestation program covering 2,850 hectares, and even went beyond the area covered by its Mineral Production Sharing Agreements (MPSA) and extended its reforestation program to include 621 hectares outside of its MPSA area. (103-1, 103-2)

When Philex Mining began operating the Padcal Mine in 1958, the surrounding areas were already logged over. The reforestation program has since planted about 8,761,992 trees, with a 90% survival rate. The Company has invested over PHP2 billion in these reforestation initiatives. Apart from the regular reforestation activities, the program also includes

protection of established plantations and forest areas, production of seedlings, and the maintenance of the bamboo plantation. The first and second Tailings Storage Facilities (TSF) have been decommissioned and are undergoing soil reconditioning as part of rehabilitation. TSF No. 1 is now fully re-vegetated, used as a bamboo plantation and an area for experimental plots for ornamental plants.

For 2017, the forest nursery in the Padcal Mine produced another 184,332 seedlings of various local trees that are endemic to the area.

Habitats Protected or Restored (304-3)

Project	Area Disturbed	Project Status	Area Reforested	Project Status	Type of Species Planted
Padcal Mine	580 has.	MPSA-276 Operation	2,850 has.	Forest Plantation Agroforestry	Calliandra, Benguet Pine, Gmelina, Kupang, Antsoan Dilau, Eucalyptus, Narra, Coffee, Mango, Avocado, Bougainvillea, Dapdap, Guava, Jackfruit, among others



ENERGY MANAGEMENT

Mining activities require significant amounts of energy. Thus, it is imperative that the Company monitors and manages its energy consumption to generate savings. The Company implements energy conservation programs in its areas of operation, and continuously seeks strategies to improve power consumption throughout the life of mine (LOM). Through these measures, the Company aims to reduce power cost which, in turn, can lower cost of operations. (103-1)

Philex Mining implements an Energy Conservation Program, managed by the Mine and Mill Electrical Services Department, to continuously monitor its power consumption and check areas that can be subjected to power adjustment. The Company also reduces power consumption in industrial areas by shifting to energy-efficient motors and lighting fixtures. With Power Load Shedding (PLS), Padcal Mine shuts off the power supply in residential areas from 12:30 p.m. to 4:30 p.m. daily. This allows host and neighboring communities to contribute in the Company's cost reduction program. (103-2)

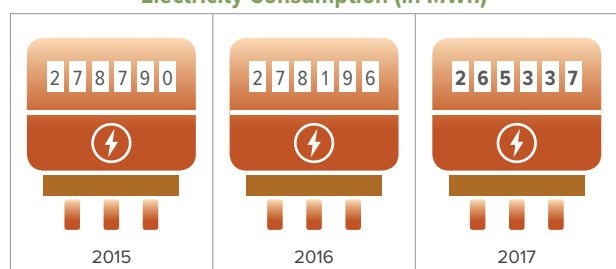
To support these programs, Philex Mining also conducts Electrical Audits which reveal data and insights that can help the Company improve its energy conservation initiatives. Daily Load Monitoring, in turn, provides the necessary data to analyze power consumption from the previous day. Negative variances are checked for correction, while positive variances assist in benchmarking energy performance. (103-3)

Energy Consumption within the Organization (302-1)

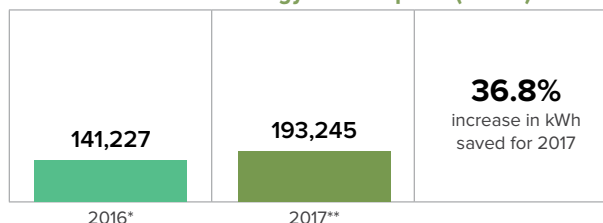
Energy Source/Type	2016	2017
Fuel: Diesel* (in liters)	24,479	13,770
Electricity: Water Supply (in GJ)	10,144.2	985.9
Electricity: Compress Air Plant (in GJ)	51,432.9	50,827.3
TOTAL FOR LOAD CENTER	1,001,506,417.20	955,214,521.20

*Decrease due to minimal usage of gensets at the power plant; gensets were all subjected to obsolescence in 2018.

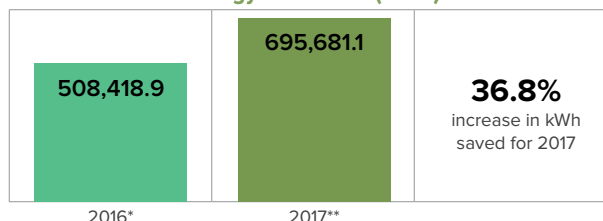
Electricity Consumption (in MWh)



Reduction of Energy Consumption (302-3)



Energy Reduction (in GJ)



Notes:

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

**For 2017, PLS implementation is from Monday to Saturday and is being implemented from 1:00 p.m. to 4:00 p.m. for the first quarter of the year. PLS implementation from September to November 2017 is every day from 12:30 p.m. to 4:30 p.m., thus an average of 36.8% increase of kWh saved for the year 2017.

Through these initiatives, Philex Mining gained a better understanding of its power consumption behaviors and patterns. Guided by these insights, the Company can then craft better programs to maximize its power costs and reduce its overall operating expenses.

Electricity Consumption per Load Center (in kWh)

Mill	173,997,979	
Mine	62,890,060	
Banget Compressor	11,486,323	
Residential	8,175,897	
Padcal Compressor	2,852,742	
Domestic Water	2,732,861	
TSF	1,814,657	
Admin	410,007	
Assay	296,563	
Warehouses	277,893	
Power Rented	243,215	
Motorpool	110,933	
Hospital	41,611	
Power Plant Lightings	6,626	
TOTAL	265,337,367	



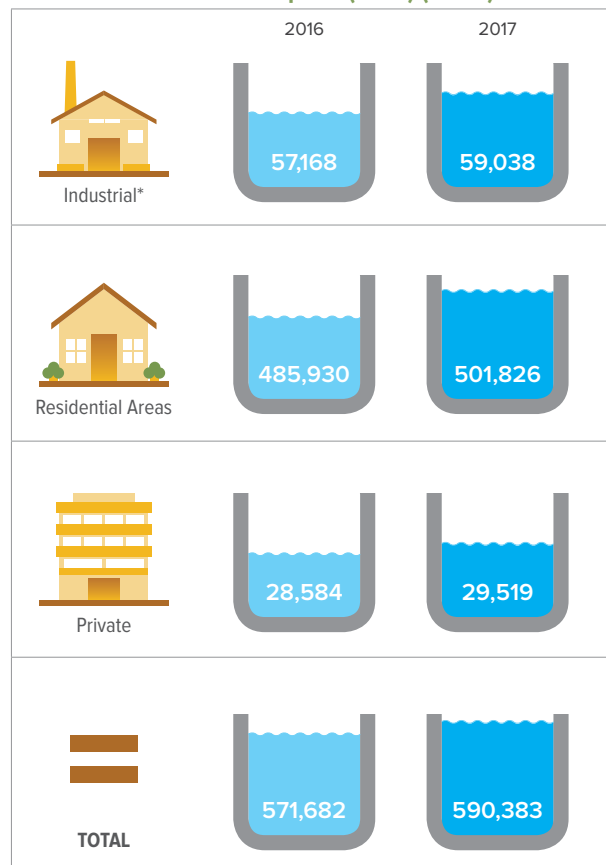
WATER RESOURCE MANAGEMENT

Philex Mining source raw water from the Smith Tunnel and the Banawel Pumping Station, located in Banget and Padcal, for residential, industrial, and private use. These sources supply an average of 1,700 cubic meters (m³) of water per day. In 2017, the Company withdrew a total amount of 590,383m³ of water. (303-1)

In-house personnel manage and monitor the Company's water use on a daily level. The Company's operating mine also submits to the quarterly monitoring conducted by the government-led Multipartite Monitoring Team (MMT), while a Community Technical Working Group (CTWG) takes the lead for monitoring the water use of exploration projects. (103-2)

Philex Mining has strategic sampling points, both inside and outside the mine camp, where it conducts regular monitoring of effluents. Water Resources Management includes activities related to the maintenance and management of the three tailings storage facilities, as well as the protection of the Albion Creek, the receiving body of the spillway, and water monitoring and laboratory analysis. The Company complies with the standards set by the Mines and Geosciences Bureau (MGB) and the Environmental Management Bureau (EMB). (103-2)

Water Consumption (in m³) (303-1)



**Slight increase in the withdrawal of water at source, but the value is acceptable from the 600,000 cubic meters budgeted per year.*

AIR QUALITY MANAGEMENT

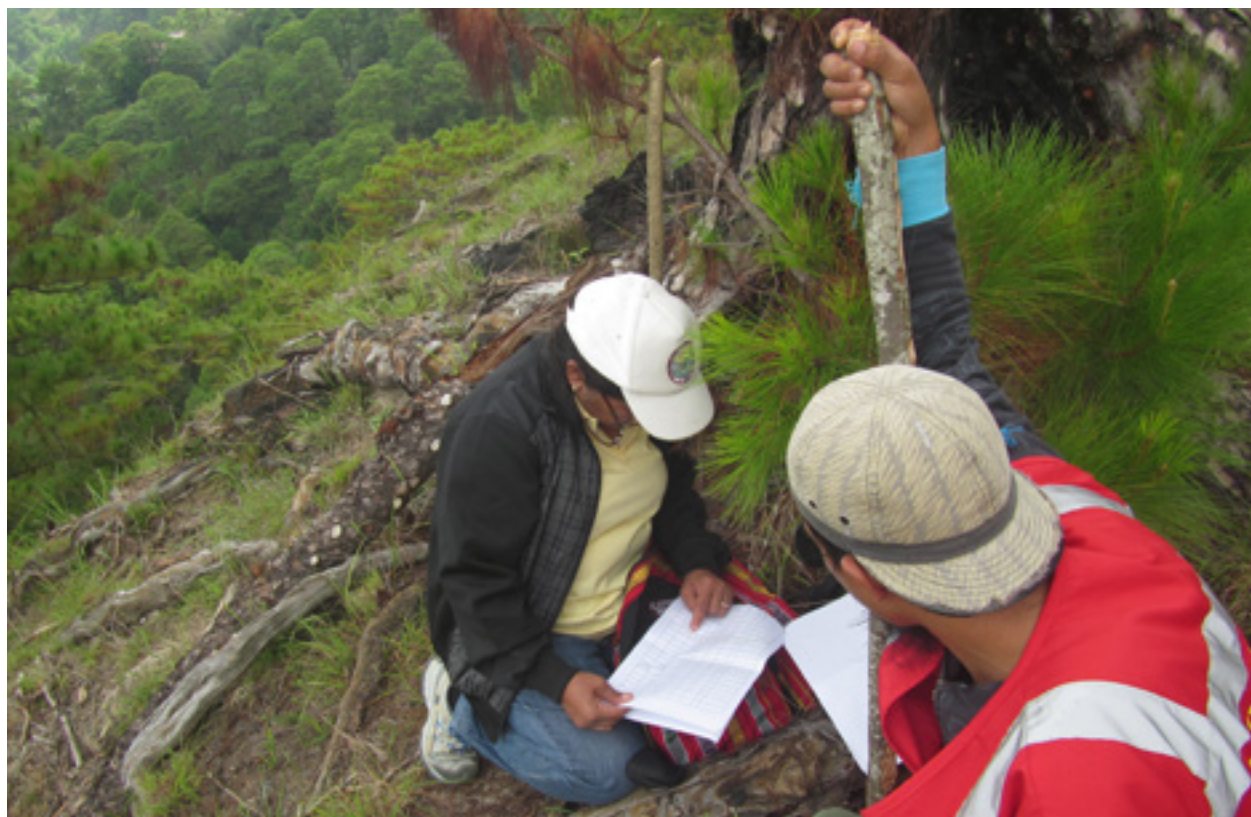
Mining operations produce dust, which can have an impact on air quality. Throughout the year, Philex Mining conducts regular Ambient Air Quality Monitoring, both inside (for industrial and administrative areas) and outside (for community areas). Through gas measurement and monitoring in work areas, the Company seeks to ensure that it maintains allowable concentration levels, as outlined in the Occupational Safety and Health Standard regulations. (103-1, 103-2)

In the Mill Plant, the Company maintains dust collectors and fume heads (at the crushing plant), and provides protective personal equipment (PPE) such as dust masks and respirators for employees in the assigned areas. Well-maintained ventilation equipment is important for underground areas. This helps maintain the production and generation of good quality air for those working underground. Aside from the blowers, the Company also enforces the use of respirators for its workers. (103-2)

Nitrogen Oxides (NO_x), Sulfur Oxides (SO_x), and Other Significant Air Emissions (305-7)

Parameters	Average reading from S500 Gas Monitor Equipment (in ppm)			DENR Limits, as per the National Ambient Air Quality Guidelines (in ppm)
	745 Security Post	745 Thickener	745 Community, Bomi Marino Residence	
	June 1, 2017	June 3, 2017	June 9, 2017	
Carbon monoxide (CO)	2.97	2.13	0.789	30
Nitrogen Dioxide (NO ₂)	0.072	0.033	0.049	0.08
Sulfur Dioxide (SO ₂)	0	0	0.0021	0.07

** Note: These are the results of the conducted air quality monitoring of gases at 745 MASL for the three established stations. The air quality sampling was conducted with the MMT representative using the Aeroqual Series 500. All levels of air pollutants were below the maximum permissible limits set by the DENR as per R.A. No. 8749, or the "Clean Air Act of the Philippines."*





WASTE/CHEMICALS MANAGEMENT

Proper waste management is part of the good housekeeping practices the Company implements in Padcal Mine. Philex Mining operates a Sanitary Landfill at TSF2, in accordance with the requirements of the Environmental Compliance Certificate (ECC) issued by the Environmental Management Bureau (EMB). Scraps are collected and hauled to designated depository areas, or scrapyard, every first and last hour of each shift. The Company practices segregation at source and encourages the recycling of materials, which are sorted and sold to the DENR-accredited recycling company PBARM. (103-1, 103-2)

Because the Company uses oil and lubricants, it generates waste that requires proper disposal measures. The Company collects and ships these materials to the Banget sludge pond and oil depository. These are then collected for disposal by DENR-accredited laboratories. To prevent oil spillage that may have negative impact on the river system and the surrounding environment, the Company installed oil-water separators in different areas and monitor these regularly. (103-1, 103-2)

The Assay Laboratory and the Sto. Niño Hospital produce chemical and hazardous waste which are of special concern to the Company. Chemical wastes are treated and properly

Materials Used, by Weight or Volume (301-1)

Reagents	in tonnes
Collector	279.95
Frother	73.51
Lime	4,094.87

Waste, by Type and Disposal Method (306-2)

Non-Hazardous Waste Disposed	
Waste	Volume (in liters)
Used oil and water mixture	90,409
Transformer oil	152,000
Used grease	44,960
Used oil with sand and water	152,000
TOTAL	36,235

Water Discharge, by Source (306-1)

Source	Measurement (in liters/second)
Mill Water Source	46,309.2
Drain Tunnel	1,949.5
Stage 1 Salangan	42,917.3
745 Shaft Access	18,858.2
Underground Outflow	23,827.7
TOTAL	133,861.9

disposed. Organic solvent wastes, such as used oil, kerosene, toluene, xylene, and hexane, are contained in carbuoys and disposed at the Mill Sludge Pond. The Company also monitors its acid waste solutions and treats these with lime solution before disposal to the sewerage system. The Company ensures that these discharges are within acceptable pH range before release. Rejected crushed ore samples from the Assay Laboratory are first collected in bins before disposal to the Mill Plant. (103-1, 103-2)

The Sto. Niño Hospital implements strict waste disposal guidelines to prevent environmental contamination and the spread of infectious disease. The hospital management maintains and secures deposit areas for the disposal of biohazard sharp wastes, such as hypodermic needles. Infection waste is first sterilized through the autoclave method before transfer and disposal to the sanitary landfill. (103-2)

Waste, by Type and Disposal Method (306-2)

Hazardous Waste Disposed and Treated					
Waste	Unit	Disposed	Disposal Method	Treated	Treatment Method
Sulfuric Acid	Liters	6.7	Disposed to the assay sump box	6.7	Neutralization with NaOH/lime
Hydrochloric Acid	Liters	1,060		1,060	
Nitric Acid	Liters	637		637	
Ammonium Hydroxide	Liters	67.5		67.5	
TOTAL	Liters	1,771.2		1,771.2	
Lime	Tonnes	4,128.8	Stored to TSF3	4,128.8	Neutralization with volume of water
Lead compounds, used slags and cupels	Tonnes	9,575		9,575	
Sodium Isobutyl Xanthate	Tonnes	145		0	
TOTAL	Tonnes	13,848.8		13,848.8	



FEATURE

SAFEGUARDING THE ENVIRONMENT

Philex Mining assures the DENR of Padcal TSF3 Integrity

On July 19, 2017, incumbent Environment Secretary Roy Cimatu paid a surprise visit to Philex Mining's Padcal Mine to assure the integrity of its Tailings Storage Facility No. 3 (TSF3), as well as to ensure the continuation of the Company's environmental protection and rehabilitation programs.

During the visit, Secretary Cimatu recognized the Company's efforts to improve its facilities, particularly through the ongoing improvement of the open spillway, where nontoxic water passes from the Tailings Storage Facility (TSF) to the Balog Creek, a tributary to the Agno River. "You can continue what you are doing to protect the environment, ensuring no community will be affected in case a disaster strikes again," said Secretary Cimatu.

A PARTNER IN ECONOMIC AND SOCIAL DEVELOPMENT

Currently, TSF3 can handle volume of rainfall equivalent to 1,000 millimeters (mm.) in 24 hours, and can even withstand

strong earthquakes with magnitudes of up to 7.3, assured Philex Mining President and CEO Eulalio Austin, Jr.

The TSF3's open spillway, which replaced Padcal Mine's underground drainage system since August 2013, was built based on the embankment-design parameters and guidelines of the Australian National Committee on Large Dams (ANCOLD) and the International Commission on Large Dams (ICOLD).

ANCOLD, an Australian apolitical industry body, and ICOLD, a European non-governmental organization (NGO), both ensure excellence in all aspects of dam engineering and management by providing guidelines on the safe, economical, and sustainable construction of dams.

Currently, the TSF3's open spillway has three chutes, each measuring 12 meters wide and 300 meters long. As such, the TSF3's open spillway can channel up to 1,500 mm. of rain over a 24-hour period, or more than thrice the 455 mm. of rain that Typhoon Ondoy produced over a 24-hour period.





COMMUNITY EMPOWERMENT

Philex Mining strives to operate in a manner that considers broader social and economic conditions in the country. As such, as part of its commitment to social responsibility, the Company assists in the sustainable social and economic development of the host and neighboring communities in its areas of operation.

- **Community Development**
- **Social Development and Management Program**
- **Health, Education, Livelihood, and Public Infrastructure**

As part of its commitment to social development, Philex Mining seeks to engage with its host and neighboring communities, the national and local government, civil society, and other interest groups in order to achieve long-term resource development that benefits all its stakeholders. (103-1)

In accordance with DENR Administrative Order (DAO) No. 2010-21, pursuant to Republic Act (RA) No. 7942 or the “Philippine Mining Act of 1995,” the Company seeks 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. (103-1)

The Company primarily focuses its local community engagement, impact assessments, and development programs in its host and neighboring communities in Padcal Mine, its base of operations and biggest source of revenue. (413-1)

As part of Philex Mining’s social responsibility, it is also the Company’s duty to provide accurate and timely information to all its stakeholders, and to listen and respond to their feedback and grievances appropriately. The Company strives

to operate in a manner that respects the interests of all its stakeholders, while promoting open and constructive dialogue and engagement with them. (103-2)

COMMUNITY DEVELOPMENT

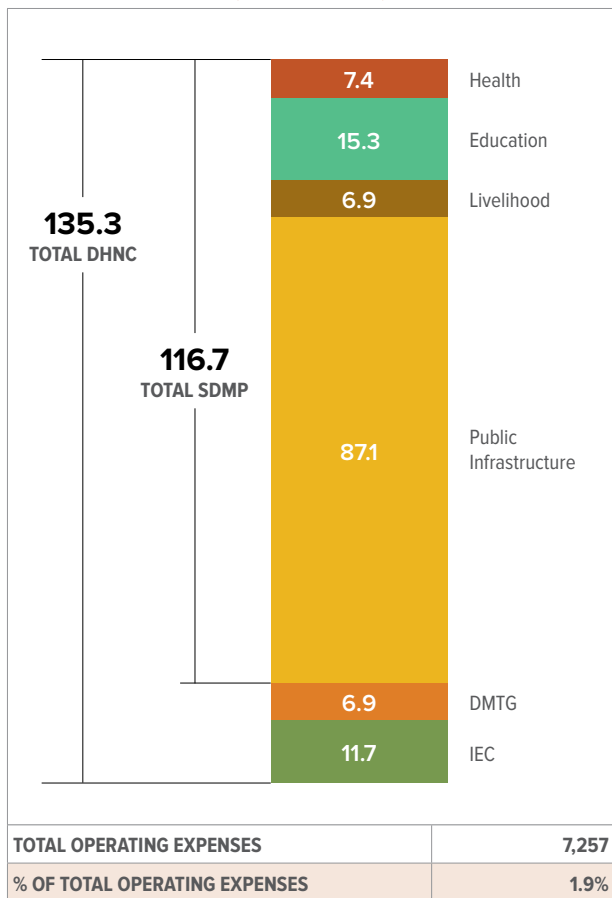
As part of the Company’s community development initiatives, Philex Mining implements the Development of Host and Neighboring Communities in compliance with DENR regulations. (103-1, 103-2)

Pursuant to Section 134 of DAO No. 2010-21, the budget allocated for the implementation of the Development of Host and Neighboring Communities should be equivalent to at least 1.5% of a mining company’s total operating costs. This budget, in turn, should be allocated for Social Development and Management Program (SDMP, 75%); Information, Education, and Communication (IEC, 15%) initiatives; and the Development of Mining Technology and Geosciences (DMTG, 10%). (103-2)

In 2017, owing to SDMP backlogs for years 2016, 2015, and 2014, the Company exceeded the required budget allocation as it spent the equivalent of 1.9% of its total operating expenses to fund its overall community development program.



Summary of Expenses for 2017 Development of Host and Neighboring Communities, in PHP millions (203-1, 203-2)



SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM

In 2017, a bulk of Philex Mining's community development budget, at PHP116.7 million, was spent on the Social Development and Management Program (SDMP). As mandated by DENR regulations, the SDMP shall be done in consultation and in partnership with host and neighboring communities, and should cover and include all plans, projects, and activities of the mining company geared towards enhancing their social development. (103-1, 103-2)

To determine the most pressing social needs of the host and neighboring communities in Padcal Mine, the Company conducts a socio-economic baseline survey, or a rapid situation analysis, to identify the various resources, funds, skills, potentials, weaknesses, threats, and opportunities already present within the communities. Through annual planning and community fora, the Company then provides community leaders and stakeholders a platform to express their opinions on issues affecting their communities. The Company regularly monitors the implementation of its social programs, and then evaluates them to assess and document their impacts on the communities. (103-2)



HEALTH, EDUCATION, LIVELIHOOD, AND PUBLIC INFRASTRUCTURE

HEALTH. Access to health services, health facilities, and health professionals is among the credited activities under the SDMP. Philex Mining believes that a healthy population is a productive population, and that improved health services will improve the standards of living in its host and neighboring communities. (103-1)

Like any other SDMP component, the community determines their specific health needs. These are health insurance (under PhilHealth), medical assistance, medical and dental missions, health facilities, and health center improvements, among others. The Company also asks the communities during annual planning to identify the target number of beneficiaries for the year, as PhilHealth premiums are paid yearly. (103-2)

To manage the health needs of host and neighboring communities, the Company actively coordinates with the Department of Health (DOH), the Municipal Health Offices (MHOs), the Barangay Health Workers (BHWs), and the community elders and leaders of Tuba and Itogon. (103-2)

The Municipal Health Officer leads in the implementation of medical missions, with the inputs of the BHWs as to the prevailing health conditions of their respective areas of responsibility. The Company, in turn, sources out the medicines and other medical supplies, facilitates the transportation and food of the medical teams, and generally sees to it that the environment is conducive for a successful conduct of a medical mission. (103-2)

The Company also extends the services of its Sto. Niño Hospital to its host and neighboring communities. Thus, medicines, confinement, and doctor's fees are all charged to the SDMP.

In 2017, the Company spent PHP7.4 million to respond to the health needs of its host and neighboring communities in Padcal Mine.

EDUCATION. Access to education and education support programs is among the credited activities under the SDMP. Philex Mining believes that an educated population has better chances of grabbing opportunities that will improve their standards of living. (103-1)

Like any other SDMP component, the community determines their specific education needs. These are scholarships in college, financial assistance through allowances for senior and junior high school students, as well as subsidized elementary and junior high school education for students from host and neighboring communities. Infrastructure support to schools, as well as support to school activities, are also included in the assistance the Company provides to its host and neighboring communities. (103-1, 103-2)

Philex Mining manages the education needs of its host and neighboring communities by actively coordinating with the Barangay Education Committee of the Barangay Local Government Unit (BLGU), the teachers assigned at the various schools within the host communities, and the community elders and leaders. (103-2)

In 2017, the Company spent PHP15.3 million, including backlogs from 2016, to respond to the education needs of its student beneficiaries in Padcal Mine. The Company's free and subsidized education benefits approximately 2,000 deserving students from its host and neighboring communities, as well as from several outlying communities.

LIVELIHOOD. Enterprise development and networking, human resource development, and institutional building are among the credited activities under the SDMP. With the declared mine life of Padcal Mine, it is the responsibility of the Company to ensure that the surrounding communities have thriving and sustainable livelihoods to cushion the impact of the loss of economic activity due to mine closure. (103-1)

As such, Philex Mining provides employment to its host communities, prioritizing the employment of local community members and indigenous peoples in its areas of operation. The Company also builds capacity and fosters self-reliance among its host and neighboring communities such that they can pursue sustainable livelihoods after the end of life of the mine. (103-2)

Like any other SDMP component, the community determines their specific livelihood needs. These are the provision of seed capital for their various livelihood projects, livelihood trainings and seminars, and infrastructure support to livelihood programs. (103-1, 103-2)



Of all the SDMP components, livelihood is the component that requires numerous partnerships with various line agencies, including the Department of Trade and Industry (DTI), Department of Health (DOH), Department of Agriculture (DA), Bureau of Fisheries and Aquatic Resources (BFAR), Cooperative Development Authority (CDA), and the Bureau of Internal Revenue (BIR), among others.

Through the years, Philex Mining found that the major deterrents to the growth of the livelihood associations and cooperatives it supports are the lack of continuity in program implementation, and the lack of succession planning. As such, the Company manages the livelihood needs of its host and neighboring communities by actively engaging the Barangay Livelihood Committee of the BLGU, the community elders and leaders, and the officers and members of the remaining 20 active livelihood associations and cooperatives. (103-2)

In 2017, the Company spent PHP6.9 million to support the livelihood needs of the various host and neighboring communities within Padcal Mine.

PUBLIC INFRASTRUCTURE. Philex Mining promotes safe and convenient access to basic services for its host and neighboring communities through the provision of relevant public infrastructure. In 2017, the Company spent PHP87.1

million, which includes backlogs from previous years, to construct public infrastructure needed by its various host and neighboring communities within Padcal Mine. (203-1)

In 2017, on top of constructing and renovating the necessary public infrastructure to support its health, education, and livelihood development programs, the Company also developed and improved farm-to-market access roads, such as the Philex-Kias Provincial Road, a 28-kilometer stretch of concrete road which connects Barangay Kias, Baguio City to Padcal Mine. (203-1)

The Company's initiative to extend secondary lines and electric wiring and to install power outlets not only helped its operations, but also helped its host and neighboring communities gain better access to electrical services. To address travel-time issues brought about by the mountainous terrain around Padcal Mine, the Company also completed the construction of a teachers' quarters. (203-1)

In addition, the Company also prioritized the construction of water systems and the delivery of water analysis equipment to ensure that its host and neighboring communities can gain access to potable drinking water. (203-1)

FEATURE

PLANTING THE SEEDS FOR A BOUNTIFUL FUTURE

Strengthening capacity for community livelihood through organic farming

The Company's Padcal Mine, which has been in operation for more than 60 years, is projected to reach the end of its mine life by 2022. To ensure that its host communities will continue to thrive in the event of mine closure, Philex Mining not only complies with its post-mining rehabilitation plan but also implements livelihood programs centered on organic farming.

Philex Group Foundation, Inc. (PGFI), the corporate social responsibility (CSR) arm of Philex Mining founded in September 2010, was tasked to establish and oversee livelihood programs for the Company's beneficiaries in the host and neighboring communities of its gold-and-copper operations in Padcal, Benguet.

BUILDING ON KNOWLEDGE TRANSFER

Ultimately, the goal of PGFI is for the host and neighboring communities of Padcal Mine to become self-sufficient in the event of mine closure. As such, to find a suitable and

sustainable livelihood for its beneficiaries, the PGFI decided to build on their existing knowledge and capacity on vegetable farming.

To increase the number of their farmer-partners, and thereby ramp up production for better yield and income, the PGFI has hired experts and consultants on organic farming to transfer knowledge to its farmer-partners.

"Through this training, we can build up the capacity of our farmer-partners to train other farmer-partners," said Paul Buenconsejo, Executive Director of PGFI. "Trainers will no longer be hired consultants, as there are already capacitated farmers in the community who can train those who are interested to engage in coffee production and organic vegetable farming."

PGFI is confident that it could increase its yield of organic vegetables and coffee this 2018, citing an increasing number of farmer-partners who are going into organic farming.



In 2017, PGFI sold 817 kilograms of organic Arabica coffee and 5,020 kilograms of organic vegetables, which includes lettuce (romaine, baby red romaine, and iceberg), red sugar beet, French bean, radish, potato, carrot, spinach, *wombok* (Chinese cabbage), and flowering *pechay* (cabbage).

ORGANIC VEGETABLE FARMING

To support the growth of its livelihood programs, PGFI also established a social enterprise unit called Px Community Foods and Marketing, Inc. (PxCFMI), which provides a market for its farmer-partners' organic vegetables. As an added support to better market the produce of its farmer-partners, the PxCFMI has also renewed its certification from the Organic Certification Center of the Philippines (OCCP).

In 2017, PGFI's organic vegetable farming program continued to expand as eight new farmer-partners joined the program. Core farmer-partners trained the newly joined farmers on the different organic farming techniques and showed them how to become trainers as well.

In addition, Ligay Elementary School and Torre Elementary School also set up vegetable gardens in their respective campuses in compliance with the Department of Education's (DepEd) requirements.

The eight new farmer-partners and the two elementary schools performed well in 2017, with average weekly production approximated at 100 kilograms. However, PxCFMI wants to further increase the number of distributors of its organic vegetables, as it only had seven distributors in 2017 compared to eight in 2016.

THE KAPEBUHAYAN COFFEE FARMING PROGRAM

In 2017, PGFI received a grant from the Metrobank Foundation, Inc. for the expansion of its KapeBuhayan Coffee Farming Program. The grant covers four host and neighboring communities around Padcal Mine, and will involve farm-based training and actual farm rehabilitation. As with the organic

vegetable farming program, the training will be conducted by trained core farmer-partners.

Currently, PGFI's farmer-partners are primarily trained on the wet-process technique of growing coffee plants. They are also equipped to make organic fertilizer, so that they can harvest more coffee berries, and are knowledgeable about the proper ways of pruning, trimming, and nourishing their coffee plants.

"We are thankful for Philex Foundation for extending their program here in our community," said Romana Nalibsan, 71, a new farmer-partner. "We can apply the techniques they taught us, and we can also teach our children and grandchildren the proper way of coffee farming and the benefits of producing organic crops."

Buenconsejo said that the PGFI wants to expand the program into areas where coffee beans can be produced according to taste. In Sitio Torre, for example, there is a coffee brand called "Torre Coffee," which tastes "fruity," while the coffee found in Sitio Sta. Fe tastes "chocolatey." "However, the produce of these two areas are very minimal, and cannot yet sustain the demand of our buyers," added Buenconsejo.

With an average of 1,500 shrubs of Arabica coffee that each of the 11 farmer-partners in Sitio Ligay own and tend to, PGFI now has a total of 22,500 shrubs of Arabica coffee as its source, including the 6,000 coffee plants belonging to farmer-partners in Tuba's Sitio Torre, Barangay Camp 3 and in Itogon's Sitio Sta. Fe, Barangay Ampucao.

Buenconsejo and his team will look for more distributors once their farmer-partners increase their yield. In 2017, PGFI had 10 major distributors for its roasted and ground coffee beans, compared to only eight in 2016.



PROMOTION OF EMPLOYEE WELLNESS

Philex Mining strives to manage its workforce in a manner that enables it to develop and retain the best talents in the local mining industry. By promoting and upholding the wellness of its employees, the Company ensures that it has a reliable talent pool at all times, thereby safeguarding business continuity and its competitiveness as a responsible mining company.

- **Manpower Pool Maintenance Program**
- **Labor-Management Cooperation**
- **Violations of Company Rules and Regulations (CRR)**

Philex Mining strives to manage its workforce to develop and retain the best employees in the industry. This helps ensure the Company's competitiveness as a business and safeguards the continuity of its operations by having a reliable and resourceful talent pool on hand at all times. As a responsible mining company, Philex Mining also upholds the values of integrity and accountability, and makes it a point to hold its employees accountable for any violations of pertinent rules and regulations within and outside the Company. (103-1)

MANPOWER POOL MAINTENANCE PROGRAM

The lack of competent manpower can cause significant delays in business operations, as key positions might be left unoccupied in case an employee retires or resigns. As such, Philex Mining established a Manpower Pool Maintenance Program to create a pool of competent individuals who will be readily available to fill in vacated or open positions. (103-1, 103-2)

Managed by the Recruitment Section of the Company's Human Resources Department, the program aims to fast-track the replacement of retiring or resigning employees so that turnover of workloads will be easier. Philex Mining's workforce is usually composed of the Company's regular employees and is often augmented by accredited contractors for certain mining activities and projects. (103-2)

The Company also pursues other initiatives to further strengthen this program. For example, the Company posts want ads and job openings in the mine sites, as well as through local newspapers, to widen the reach of its talent pooling. The Company also coordinates with professional groups and tertiary schools to get recommendations for potential hires. (103-2)

The Company then continues to build on their employees' skills and capacities to enable them to fill in vacated or open positions quickly. Through its apprenticeship program, the Company provides young practitioners on-the-job training with additional conventional reading and classroom study. Succession planning, in turn, allows managers to look for potential employees who can be trained and developed to fill in more challenging roles within the organization. (103-2)



41.5 years old

Average age of employees

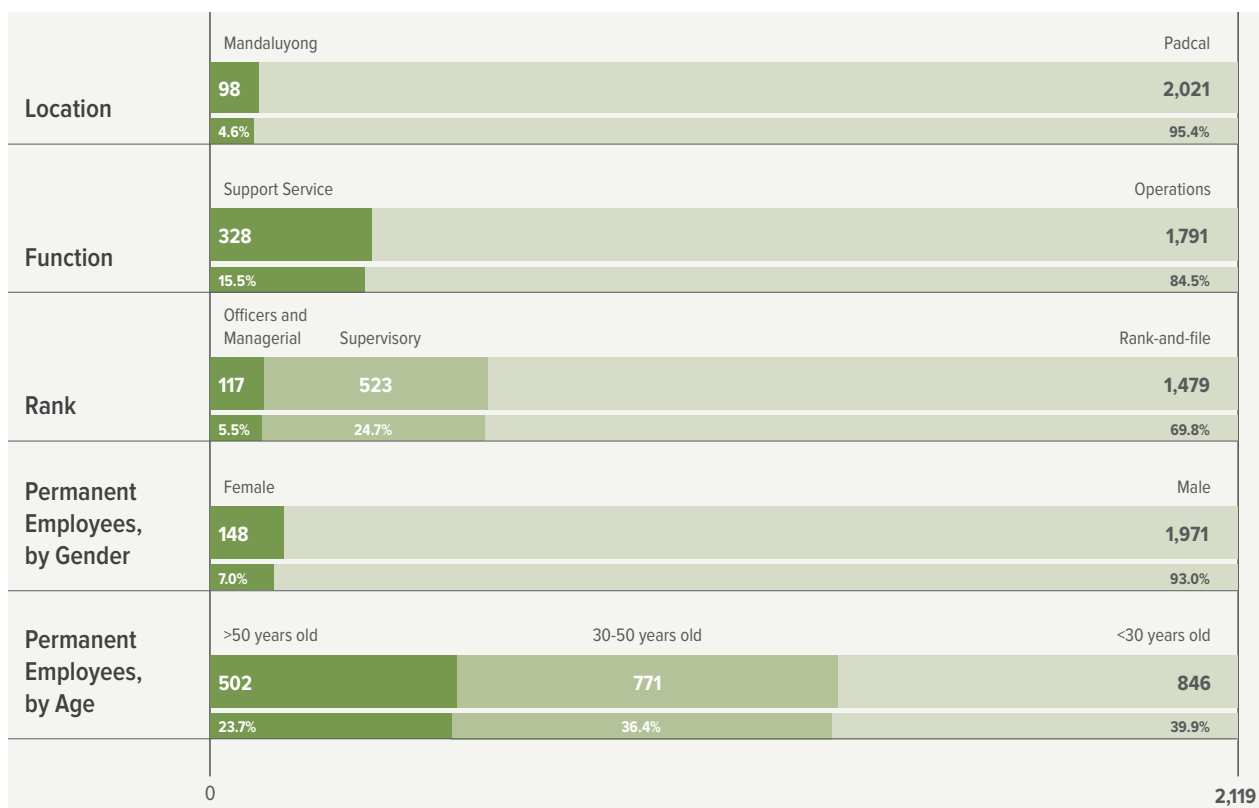


12.5 years

Average tenure of employees



Total Number of Employees (102-8)



Programs for Upgrading Employee Skills and Transition

Assistance Programs (404-2)

Employee Training Programs for 2017
Basic Management Program
Mine Team Building
Basic Occupational Health and Safety
Kepner Tregoe
Mill Team Building
Construction Occupational Health and Safety
Behavior Based Safety
Hazardous Materials Management
Problem Solving and Decision Making
Cross Functional Team Building

Benefits Provided to Full-time Employees (401-2)

Standard Benefits	
Cash Fringe Benefits	Non-Cash Fringe Benefits
Annual Vacation Leave Pay	Gasoline Allowance
Annual Sick Leave Pay	Rice Subsidy
Medical Assistance	Raincoat Supply
Medical Assistance	Rubber Boots Supply
Rice Subsidy Cash Equivalent	Skullguard and Accessories Supply
Loyalty Service Award	Cooking Gas Subsidy
	Bulb Supply



2,119 / 97.7%

Permanent Employees

50 / 2.3%

Temporary

2,169 / 100%

Total Employees

Diversity of Governance Bodies and Employees (405-1)

Board of Directors, by Gender

	Numbers	%
Female	3	27.3
Male	8	72.7
TOTAL	11	100.0

Board of Directors, by Age

< 30 years old	0	0
30 – 50 years old	0	0
> 50 years old	11	100.0
TOTAL	11	100.0

New Employee Hires During the Reporting Period (401-1)

Age	Male	Female	Total	%
< 35 years old	155	10	165	100%
35 – 50 years old	0	0	0	0%
> 50 years old	0	0	0	0%
TOTAL	155	10	165	100%



7.9%
new employee hires

Employee Turnover During the Reporting Period (401-1)

Age	Male	Female	Total	%
< 35 years old	15	2	17	25.0%
35 – 50 years old	24	9	33	48.5%
> 50 years old	13	5	18	26.5%
TOTAL	52	16	68	100%



3.3%
employee turnover rate

LABOR-MANAGEMENT COOPERATION

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

As part of this endeavor, the Company conducts monthly and quarterly LMC meetings, a platform for the Company to promote workers' participation in the decision-making process. Through these LMC meetings, the Company can listen to and address the concerns raised by employees. Likewise, the Company solicits employee cooperation so that business goals can be achieved. Ultimately, the Company envisions the LMC meetings to create a labor relations climate that is open to improvements in overall working conditions and productivity, which can in turn help the Company achieve and sustain its economic growth. (103-2)

Failure to manage and sustain these monthly and quarterly LMC meetings can threaten the harmonious relationship between the Company and its employees, especially those who are members of labor unions. Ultimately, failure to maintain industrial peace can lead to strikes and lock-outs, which can halt business operations for an undetermined period of time. (103-2)

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). (103-2)

Employees in Padcal Mine belong to two collective bargaining agents: the Philex Rank-and-File Employees Union-Association of Labor Unions-Trade Union Congress of the Philippines (PRFEU-ALU-TUCP) for rank-and-file employees, and the





Professional Supervisory Office Technical Employees Union-Trade Union Congress of the Philippines (PMSEU-APSOTEU-TUCP) for supervisory employees. On the other hand, rank-and-file employees in the Corporate Head Office are members of the Philex Pasig Employees Union (PPEU-ALU-TUCP). (102-41)

The five-year collective bargaining agreements (CBAs) with both unions were signed in January 2016, effective up to January 2, 2020 for PRFEU-ALU-TUCP and up to May 1, 2020 for PMSEU-APSOTEU-TUCP. The CBA with PPEU-ALU-TUCP, on the other hand, was signed on April 6, 2017 and was registered with the Department of Labor and Employment (DOLE) on February 20, 2018, and will be renegotiated anew in 2019.

Due to the Company's harmonious labor-management cooperation, there have been no major labor disputes or strikes in the past five years.

VIOLATIONS OF COMPANY RULES AND REGULATIONS (CRR)

Part of the management's measures to ensure a harmonious relationship with the labor force is holding employees accountable for any violations of Company Rules and Regulations (CRR). Philex Mining believes that true and lasting industrial peace cannot be achieved if employees remain free to commit violations because the management has failed to hold them accountable for their actions. (103-1)

The Employee Relations Section of the Company's Human Resources Department checks the different types of violations that an employee can commit, and their corresponding penalties, against these following guidelines and protocols: Labor Code of the Philippines, Camp Administration Code of Conduct, Company Rules and Regulations and other written policies of the Company, and the CBAs with the labor unions. (103-2)

One of the ways by which the Company manages this material aspect of the business is through the Grievance Machinery, which not only gives employees an opportunity to voice their concerns, but also provides a peaceful and systematic way to resolve disputes through fact-finding. In some cases, the mechanism even provides individual union members the ability to appeal a decision, ultimately allowing them to exhaust their rights under the grievance procedure or to overturn the decision of the management through arbitration. (103-2)

For some violations, there may be different interpretations between two parties. In order to arrive at a well-thought-out resolution that is fair for all parties involved, the Company conducts focused group discussions (FGDs) and consultations with different department managers, union representatives, company lawyers, and even the employees concerned prior to rendering a decision. (103-3)



WORKPLACE SAFETY

Philex Mining strives to ensure a safe workplace for all its employees and contractors. As such, the Company enforces stringent policies and protocols to manage workplace safety and to prevent the negative impacts of business operations to overall employee health and productivity.

- **Health and Safety Training**
- **Measuring Safety Performance**
- **Facility Protection**

Philex Mining believes that a safe workplace will result in increased productivity and sustained stakeholder support. Managing workplace safety is crucial in preventing incidents such as, but not limited to, manpower loss, government sanctions, and disruption of operations. Failure to manage workplace safety would affect employees' health and productivity, which will necessarily affect the mine's production targets. (103-1)

Thus, the Company strives to protect the health of all its employees and contractors, as well as keep them free from injury during and after their daily work shifts. The Company enforces occupational health and safety protocols to ensure the health and safety of its employees and contractors, as well as their families and host communities. The Company also provides the necessary equipment, training, and resources to enable its employees and contractors to protect themselves from the hazards inherent to their work. (103-2)

The Company complies with rules and regulations relevant to human rights. Philex Mining respects the rights of all stakeholders affected by its operations, and does not tolerate any human rights violations. The Company also adopts the necessary controls, standards, policies, and procedures for the security, safety, and protection of its employees, company assets, and host communities. These policies are critical to maintaining its reputation as a responsible mining company and keeping its social license to operate. Owing to these

measures, Philex Mining has successfully renewed its ISO certification for OHSAS 18001 (Occupational Health and Safety Assessment Series). (103-2, 103-3)

As an added layer of protection, workers are also represented in the following formal joint management-worker health and safety committees that operate within the Company (403-1):

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

HEALTH AND SAFETY TRAINING

Philex Mining believes that training is crucial in fostering a culture of safety within an organization. (103-1)

Through proper training and follow-up mechanisms, the Company can equip its 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, the Company can develop and maintain healthy workers who can handle their jobs safely, for the benefit of the organization and all its stakeholders. (103-1)

Trainings are guided by the Safety, Health, and Environmental (SHE) Policy, which is embedded in the Company's Integrated Management System (IMS). The policy reflects the Company's commitment to safeguard its workers and other stakeholders from sickness and injury, as well as to protect and preserve the environment over the life of its mining operations. (103-2)

As such, Philex Mining conducts Health and Safety Trainings in Padcal Mine throughout the year, following the calendar of training submitted to the concerned regional office of the Mines and Geosciences Bureau (MGB) of the DENR. The calendar of training was created to maintain a high level of health and safety awareness among rank-and-file, supervisory, and managerial employees.

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 required to retake these training sessions to refresh their memory. (103-2)

In 2017, Philex Mining implemented the Safe Start Seminar for employees with tenure of less than five years. The seminar was designed to introduce the participating employees to various safety programs and standards, rules and regulations, and standard operating procedures relevant to their respective job assignments. The Company also conducted a Supervisors' Safety Awareness Training to constantly upgrade their knowledge and skills on how to supervise safe operations. (103-2)

To continuously improve the quality of its Health and Safety Trainings, the Company measures their effectiveness at four levels:

Health and Safety Training Evaluation (103-3)

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



Safety Training Programs for 2017

Safe Start Project
Underground Emergency Management
Incident Investigation, Analysis, and Reporting Seminar
Overhead Crane Safety Seminar
Defensive Driving Course
Fire Safety Seminar
Basic Occupational Safety and Health (BOSH) Seminar
Basic Life Support Cardio-Pulmonary Resuscitation with Automated External Defibrillator
Standard First Aid Training
Occupational First Aid Training

MEASURING SAFETY PERFORMANCE

As a responsible natural-resource company that is committed to preventing not just adverse impacts to the environment, but also injury, ill health, and loss of life among its workers and other key stakeholders, Philex Mining regularly monitors and measures its safety performance. (103-1)

Through its Safety, Health, and Environmental (SHE) Policy, the Company demonstrates its desire and commitment to attain an excellent safety performance, an advocacy that is cascaded down the ranks to gather support within the organization. Philex Mining believes that safety performance must be

measured and managed to ensure that the Company complies with its safety programs and meets its targets and objectives. Ultimately, safety performance measurement serves as a tool for management to know if the safety programs are carried out properly, and if the Company has achieved the desired results of its safety targets and objectives. (103-1, 103-2)

Philex Mining measures its safety performance through periodic audits, which are carried out by a group of internal auditors who were trained according to the requirements of OHSAS 18001:2007, a globally recognized health and safety management system. (103-2, 103-3)

Initially, these internal audits were carried out monthly. However, as the program took root, third-party auditors, such as TÜV Rheinland Philippines, observed that monthly audits can be futile because the audits were done without a reasonable lapse of time. Thus, the internal audits are now done quarterly by the Audit and Assessment Committee (AAC) of the Central Safety, Health, and Environment Council to give more elbow room for the implementation of corrective actions and to gain a period of stability. (103-2, 103-3)

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. (103-2)



Aside from internal audits, the regional office of the Mines and Geosciences Bureau (MGB) of the DENR also conducts monthly, quarterly, annual, and special audits using their independent system for measuring safety performance. (103-3)

Types of Injury and Rates of Injury, Occupational Diseases, Lost Days and Absenteeism, and Number of Work-related Fatalities (403-2)

Type of Injury Recorded	2016	2017
Non-Lost Time Accident	17	38
Lost Time (Fatal)	3	1
Lost Time (Non-fatal)	8	9
Total Incidents	28	48
Incidence Rate (per million manhours)	4.6	7.9
Frequency Rate (per million manhours)	1.8	1.7
Severity Rate (per million manhours)	3,410.8	1,163.3
Number of Work-related Fatalities	3	1

FACILITY PROTECTION

To ensure the continuity of mining operations and the delivery of social programs in line with its commitment to responsible and conscientious mining, the Company strives to protect its facilities and create an atmosphere of security and safety amongst its employees and host communities residing within Padcal Mine. (103-1)

By ensuring facility protection, the Company discourages, if not ultimately prevents, threats of sabotage, subversion, pilferage, and other criminal acts that could undermine operational integrity, business continuity, and peace and order within its mine sites and host communities. (103-1)

As facility protection has always been one of the Company's general policies, which started with the General Security Policy established in September 9, 1987, Philex Mining maintains 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 the Company's facility protection is within Padcal Mine, while the rest are in Poro Point. (103-1, 103-2)

Managing facility protection is spearheaded by the Company's Security Department, which is supported by other departments like 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. (103-2)

For external threats, Philex Mining also gets support from the military and the police units deployed in its host municipalities and provinces. (103-2)

For 2018, Philex Mining will further strengthen its facility protection by conducting specialized security trainings both through external and internal trainers, and by continually upgrading its protective equipment and tools. (103-2)



Manhours

6,078,916
2016

5,774,221
2017



Days Lost

20,734
2016

6,717
2017



Stockholders' Meeting
28 June 2017



ADHERENCE TO GOOD GOVERNANCE

Anchored on the core values of corporate responsibility and integrity, Philex Mining continues to adhere to good governance by upholding the rule of law and the principles of transparency, accountability, and fairness in all its business transactions. This enables the Company to operate efficiently, thereby generating positive returns for all its shareholders.

- **Corporate Governance**
- **Compliance with Regulatory Requirements**

The Company, Philex Mining Corporation, upholds good governance as embedded in its core values of corporate responsibility and integrity.

The Company advocates good governance by upholding the rule of law, which ensures transparency, accountability, fairness, and integrity in all its business transactions. As such, sound governance practices enable the Company to operate efficiently and support its commitment to generate positive returns for all its shareholders. (103-1)

Through the decades, the Company managed this aspect by strictly complying with pertinent laws, rules, and regulations covering Philex Mining as a publicly listed company. Specifically, the Company should primarily comply with the rules and regulations of the Philippine Stock Exchange (PSE), the Securities and Exchange Commission (SEC), and the Department of Environment and Natural Resources (DENR), among others, which entail stringent policies on good governance. (103-2)

CORPORATE GOVERNANCE

Philex Mining also adheres to the highest global standards in corporate governance to demonstrate to all its stakeholders and the public that, despite criticisms on the mining industry, it remains committed to sound corporate governance practices and compliant with all applicable laws, rules, and regulations. (103-1)

The Company believes that corporate governance goes beyond box-ticking, regulatory compliance, and policy making; rather, Philex Mining sees it as a culture that should be cultivated and adopted across the organization. The Company also understands that no one size fits all in corporate governance and, for it to be effective, standards and policies should be tailor-fit to the organization. (103-1)

Beyond compliance with SEC-issued guidelines on corporate governance, the Company also aligns with the standards and best practices set forth in the ASEAN Corporate Governance Scorecard (ACGS). The ACGS serves as a benchmark and provides the Company with a guideline for managing and evaluating its corporate governance programs, policies, and performance across the organization. (103-2, 103-3)

The pursuit of genuine corporate governance starts with the core values espoused by the Board of Directors, endorsed by the Management, and exercised by everyone within the organization. Philex Mining has a Compliance Officer who reviews and monitors its adherence to the principles of good governance, and a Corporate Governance Office which ensures that the Company adheres to and remains abreast with the latest developments and best practices in corporate governance. (103-2)

To achieve the Company's vision of principled and conscientious mining, and to live up to its commitment as a responsible corporate citizen, Philex Mining developed a Code of Business Conduct and Ethics which primarily mandates each and everyone in the Company to conduct business in accordance with all applicable laws and the highest ethical standards. (103-2)

Aside from the Code, the Company manages and monitors corporate governance through the following policies:

Corporate Governance Policies (103-2)

Board Diversity Policy
Conflict of Interest Policy
Policy on Gifts, Entertainment, and Travel
Directors' and Officers' Orientation and Training Policy
Board Performance Appraisal/Assessment Policy
Disclosure Policy
Whistleblowing Policy
Policy on Dealings in Company Shares of Stock
Vendor Relations Policy
Related Party Transaction (RPT) Policy

In relation to this, Philex Mining is in the process of rolling out these policies across the Company, starting with the headquarters and later in Padcal Mine. To develop a culture of strict adherence to corporate governance and consistency across the organization, the Company also aligns its human resource programs with its corporate governance policies. (103-1, 103-2)

These sound corporate governance platforms enable the Company to improve its business performance, secure stakeholder support, and boost investor confidence. Philex Mining's continued commitment to corporate governance also allows it to educate the public about the real value of



Legend:

Chairman of the Committee

[^] Independent Director

^o Non-Executive Director

conscientious and principled mining, and, in the process, also improve public perception of the mining industry. (103-2)

Through the years, the Company's sound corporate governance practices have been recognized in the Philippine Stock Exchange's (PSE) Bell Awards for Excellence in Corporate Governance, which honors listed companies and trading participants. (103-3)

COMPLIANCE WITH REGULATORY REQUIREMENTS

The local mining industry is heavily regulated. Thus, Philex Mining complies with all the pertinent laws, rules, and regulations applicable to a publicly listed mining company in the Philippines to avoid compromising its license to operate, and to ensure its continuous operations for the sake of all its stakeholders. As a principled and conscientious mining company, Philex Mining also goes above and beyond what

the government mandates for social development and environmental management. (103-1)

The Company fosters a culture of compliance with regulatory requirements throughout the organization. All its departments—from Legal, Finance, Community Relations, Exploration, to Supply Chain—abide by the laws, rules, and regulations that are applicable to their respective unit's functions and activities. (103-1, 103-2)

For one, Philex Mining makes timely and accurate payments of taxes, fees, and other charges to respective agencies, and applies the latest accounting rules and standards in the issuance of its Financial Statements (FS). (103-2)

In addition, the Department of Environment and Natural Resources (DENR) requires mining companies to implement an Environmental Protection and Enhancement Program (EPEP) and a Social Development and Management Program (SDMP). The Company ensures that it rolls out these programs as scheduled as part of its responsibility to all its stakeholders, and ensures that it fulfills its mandate to maintain its social license to operate. For the EPEP, the Company also observes environmental monitoring schedules on a daily, weekly, monthly, and quarterly basis, on top of contributing funds above what is mandated by law. (103-2)

Beyond compliance with pertinent laws, Philex Mining also adopted global best practices required of the mining industry, including international standards (ISO) such as the Occupational Health and Safety Assessment Series (OHSAS 18001) and the Environmental Management System Certification (ISO 14001). The Company is also aligning its operations with the principles on corporate social responsibility under ISO 26000. (103-1, 103-2)

Philex Mining is also in the process of adopting the Towards Sustainable Mining (TSM) initiative, a set of tools and indicators to support mining companies in the responsible management of key mining risks, to improve overall performance. Mining companies aligned with the TSM initiative engage with communities, drive environmental practices, and commit to the health and safety of neighboring communities. (103-2)

Compliance with Environmental Regulatory Requirements

P.D.* No. 705 Revised Forestry Code of the Philippines
P.D. No. 1586 Establishing an Environmental Impact Statement System, Including Other Environmental Management Related Measures and For Other Purposes
R.A.** No. 8749 Philippine Clean Air Act of 1999
R.A. No. 6969 Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990
R.A. No. 9003 Ecological Solid Waste Management Act of 2000
R.A. No. 9275 Philippine Clean Water Act of 2004

* P.D. = Presidential Decree

** R.A. = Republic Act

The strength of the Company's compliance and performance is tested through the process of renewing its ISO certifications. In 2017, Philex Mining successfully renewed its certifications for ISO 140001 (Environmental Management) and OHSAS 18001 (Occupational Health and Safety Assessment Series), and aligned its operations with the guidelines set under the integrated ISO 26000 (Guidance on Social Responsibility) across all its operations. (103-3)

Philex Mining has lasted for more than 60 years because it takes the necessary steps to comply with the rules and regulations that govern the mining industry. Through the years, Philex Mining has reaped multiple awards and recognition for its corporate governance, social responsibility, and environmental management programs.

LOOKING FORWARD

Hopeful for a better 2018, despite challenges faced in 2017

Despite the challenges it faced in 2017, primarily due to the unfavorable regulatory environment for the mining industry, Philex Mining Corporation is looking forward to a better 2018.

From its sole operating mine in Padcal, Benguet, where it currently garners most of its revenue, the Company is now looking forward to the possible opening of its Silangan copper-gold project in Surigao del Norte in 2018.

The Company will also continue to uphold its advocacy of responsible and conscientious mining by preparing to renew its various environmental and safety management certifications.

Following its first certification on Integrated Management System (IMS), the Company is now preparing for the renewal of its environmental and safety management accreditation from TÜV Rheinland, a technical services provider from Germany. The renewed accreditation, which will be granted in 2018, will cover the Company's operations in mining, milling, and tailings storage facilities (TSF).

The certification also includes the renewal of the Company's ISO 14001, which provides a systematic approach to improving environmental protection efforts, and OHSAS 18001:2007, a British Standard which provides an external assessment of occupational health and safety management systems.

As part of the Company's responsible and conscientious mining practices, it will also continue to invest in social development programs and infrastructure projects.

Despite delays due to unforeseen events, the Itogon Agricultural National High School (IANHS) will finish construction and be turned over to the municipality this 2018. The construction of the agricultural school, done in partnership with the local government and the Department of Education (DepEd), is one of the Company's infrastructure projects under its Social Development and Management Program (SDMP).

In 2018, the Company is also set to complete the construction of its new administrative offices for the Padcal Mine, in preparation for the possibility of operating the mine beyond 2022.





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