



Confirmation statement from Philex's Board Risk Oversight Committee:

March 11, 2019

The Audit and Risk Management Committee

First Pacific Company Limited
24th Floor, Two Exchange Square
8 Connaught Place
Hong Kong

Dear Committee Members,

This is to inform you that the Board Risk Oversight Committee of Philex Mining Corporation (Philex) has conducted a review of the effectiveness of Philex Group's (including its subsidiaries, except PXP Energy) Enterprise Risk Management (ERM) systems for the six-month period ended 31 December 2018. The review identified material strategic, financial, operational and compliance risks.

Please refer to the attached summary report for the six-month period ended 31 December 2018 highlighting the key enterprise risks identified and the corresponding mitigation measures to address those risks.

Based on our review of Philex's ERM process, reviewing the periodic ERM report and discussions with the Chief Risk Officer as well as the external auditors, we have assured ourselves the material risks are periodically identified, evaluated, managed and reported appropriately by the Management.

We have not noticed any material deviation from local as well as Hong Kong Listing Rules requirements, including Inside Information.

We hope that this letter suffices your requirements.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Oscar J. Hilado", written over a horizontal line.

Oscar J. Hilado
Chairman of the Board Risk Oversight Committee
Philex Mining Corporation

A handwritten signature in black ink, appearing to read "Danny Y. Yu", written over a horizontal line.

Danny Y. Yu
Chief Risk Officer
Philex Mining Corporation



Appendix A

PHILEX MINING CORPORATION

STATEMENT OF INTERNAL CONTROL AND MANAGEMENT OF THE TOP ENTERPRISE RISKS

Corporate Governance Certificate of Confirmation to First Pacific Company

1. During the 2nd half of 2018, the internal audit department has not identified any major internal control issues based on its review of the business processes and system of internal control. The results of the business processes review were regularly reported to the Audit and Board Risk Oversight Committees. For its part, the Management implemented the internal auditors' recommendations on operational control issues and process improvements.
2. The Group's external auditors, SGV & Co., did not find any major internal control issues that may materially impact the Company's financial report for the period ended December 31, 2018.
3. The top enterprise risks identified in the 2nd half of 2018 and corresponding mitigation measures were as follows:

A. Regulatory

1. Current ban on open-pit mining; Department of Environment and Natural Resources (DENR), Department Administrative Order 2017-10)

Mitigants:

- Complete Preliminary and Definitive Feasibility Studies of full underground mining method
- Active participation in Greening Program as suggested by DENR Secretary Cimatu to demonstrate support and genuine care for environment during operations and rehabilitation
- Adoption of globally-recognized best practices such as the Sustainable Mining Initiative of the Mining Association of Canada
- On-going discussions with all concerned parties to accelerate Silangan project development
- Coordination with various industry leaders and groups to develop a unified stand on responsible mining

2. Non-conversion of MOA to Special Use Agreement for Protected Areas (SAPA) for TSF3.

Mitigants:

- Strengthen position that a FPIC for SAPA is not required since it is not a renewal or issuance of a concession, license or lease but a conversion
- Secure opinion from DENR National Office on validity of our position



- Lobby with the regulators and Protected Area Management Bureau 9PAMBI -CAR to support our position

B. Strategic – Higher project cost of Silangan and lack of interest from prospective strategic partners and investors due to:

- a. Adverse and recalcitrant regulatory environment
- b. Pending legislative tax measures on mining industry
- c. Low investor confidence level attributed to weak operating performance of Padcal despite extension of mine life until 2022

Mitigants:

- Communicate massive business potential of Silangan expansion project to prospective investors supported by results of Definitive Feasibility Studies
- Secure guaranteed extension of Silangan Mineral Production Sharing Agreement (MPSA) beyond 2024
- Aggressively complete key project requirements for pre-development of Silangan

C. Operational

1. Failure to meet 2018 production target due to:

- a. Declining ore-grade quality in active mining levels
- b. Unavailability of operating equipment due to damage, repair and periodic maintenance
- c. Increased surging slimes affecting milling and flotation efficiency
- d. Reduced operating days owing to weather disturbances leading to occasional power disruptions

Mitigants:

- On-going exploration of alternative sub-mining levels to address ore-grade quality
- Regular assessment of equipment conditions to decrease incidents of failure

2. Deadlock in negotiations with the Damstream Indigenous Group (DIG) due to unreasonable demands

Mitigants:

- Steer negotiations between both parties towards amicable resolution
- Pursue and expedite cases versus DIG to serve as leverage in negotiations
- Consider applying for a Certificate of Precondition to cover the whole operations of the TSF-3 and MPSA 156

D. Financial - Pending legislation on extractive industries (i.e. alternative mining bills, legislative franchise, proposed DOS ban and TRAIN Package 5)

Mitigants:

- Constant monitoring of recent developments and dialogue with industry associations and concerned government agencies