



PHILEX MINING
CORPORATION

60

— YEARS —
of
RESPONSIBLE MINING

Enriching Resources, Driving Progress

Sustainability Report **2016**





MALACAÑAN PALACE
MANILA

MESSAGE

My warmest greetings to the **Philex Mining Corporation** as you celebrate your **60th Anniversary**.

For several decades, your company has been an ally of government and the local communities in harnessing our country's mineral wealth for the benefit of our people and our national economy. This milestone is proof of your success in your endeavors. I am certain that, even as your company faces many challenges, you and your industry will continue to contribute to our country's meaningful development.

Rest assured, miners who religiously follow and comply with our mining and environmental laws, rules, and regulations will find a strong and dependable partner in government. We will, however, be relentless in removing irregularities and corrupt practices in your sector, especially as we assess the socio-economic and environmental impact of present and future mining activities.

Together, let us ensure that mining will create a positive impact in the lives of all Filipinos.

RODRIGO ROA DUTERTE

MANILA
28 November 2016

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About the Cover

The cover of the 2016 Annual Sustainability Report depicts the vision of Philex Mining Corporation towards sustainability, with the image of an experienced miner guiding an apprentice towards where the Company should be in the future. The tutelage extended also signifies the succession and passing on of the Company's Responsible Mining legacy to the younger generation, anchored on economic, environmental, social, and governance sustainability.

About the Report

[102-1, 102-3, 102-46, 102-50, 102-53, 102-54]

This is the third annual Sustainability Report published by Philex Mining Corporation (Philex Mining) as it continues to strengthen its commitment to transparency and accountability through sustainability reporting.

The 2016 Sustainability Report covers the operational performance of Philex Mining's Padcal Mine — the Company's main source of revenue — for the period of January to December 2016. It presents information on the mine's Economic, Environmental and Social Impacts and contributions to the sustainability of the communities and economies in the area where it operates.

This report was prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The report discloses information on the Material Aspects that are significant to the company's sustainability and their various impacts that substantively influence the assessments and decisions of its stakeholders.

The information are presented in two parts:

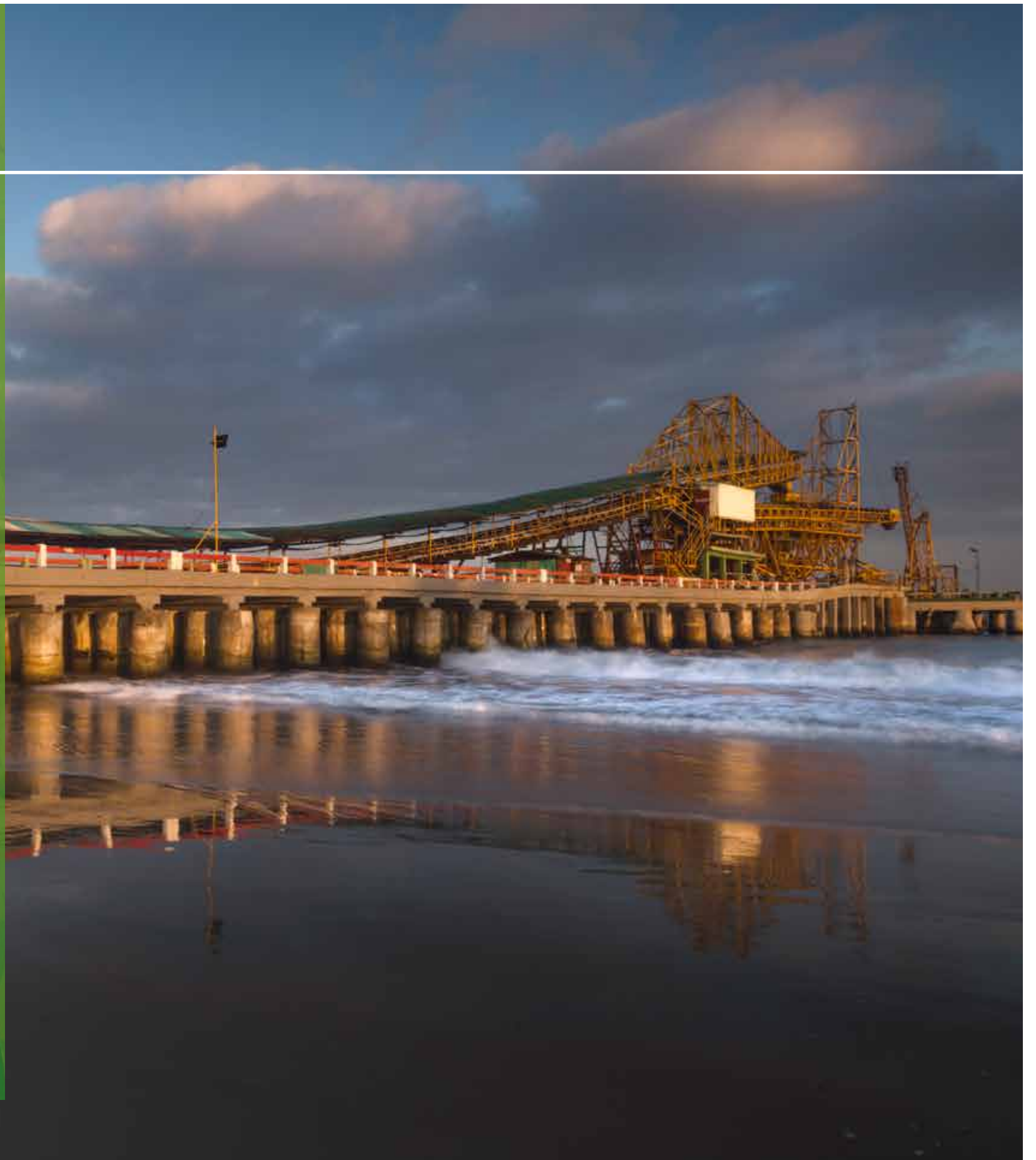
- Management Approach
- Material Indicators

The Management Approach covers the Sustainability Framework, Stakeholder Engagement, Materiality Assessment and Risk Management that provides the context of the Company's practices and policies towards sustainability for the business.

The Material Indicators reports on the Economic, Environmental and Social performances and contain data regarding the most material aspects relevant to stakeholders and users of this report.

The Company welcomes feedback on this report and will appreciate suggestions on making it even more relevant and useful to its readers. For comments and suggestions, contact:

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Message from the Chairman

[102-14]



2016 was a milestone year for Philex Mining Corporation as we celebrated our sixth decade as a conscientious mineral resources development company. The year also brought forth numerous challenges that called on the entire organization to highlight its Responsible Mining advocacies, not only for the benefit of the Company but also for the good of the mining industry and the country.

Fellow Shareholders,

2016 was a milestone year for Philex Mining Corporation as we celebrated our sixth decade as a conscientious mineral resources development company. The year also brought forth numerous challenges that called on the entire organization to highlight its Responsible Mining advocacies, not only for the benefit of the Company but also for the good of the mining industry and the country.

Like many others, we are passionate about protecting the environment and harnessing the natural resources we all rely on. Responsible Mining operations like ours constantly seek better solutions and programs to turn challenges into opportunities and ensure we are leaving the world better off than when we entered it.

Contrary to some claims, responsible mining can and does exist in our country, as this is what our Company has been practicing for the past sixty years. Our programs are supported by a holistic sustainability framework, anchored on good corporate governance, protecting the environment, empowering communities, ensuring a safe workplace, and promoting employee wellness, to ensure that the Company's long-term sustainability goals, as well as its economic, social, and governance goals, will be achieved. This commitment has been our driving force and enables us to work for the benefit of all our stakeholders.

The challenges we face as an organization and an industry, especially with the advent of new industry regulations, make us even more enthusiastic and passionate about reporting on our sustainability initiatives to mark our progress towards our goals as a conscientious miner.

Sixty years of corporate existence is indeed a milestone for any institution, and most especially for our Company, which has gone through different economic cycles, changing regulatory regimes, and internal challenges. More significant than all these is that, for more than half-a-century, our organization has been nurturing people, supporting communities, and caring for the environment, activities which have served as the foundation for our sustainability programs.

As we move forward, we shall never lose sight of our ideals and will forever hold on to and protect our legacy of sustainable and Responsible Mining, no matter what challenges come our way. On behalf of the Board of Directors, I would like to thank our employees, officers, host communities, trade partners, and all stakeholders for your continued support and trust in our organization.

Manuel V. Pangilinan
Chairman

Message from the President and CEO



Philex Mining Corporation's accomplishments over the last sixty years, supporting families, educating children, and managing the environment, capturing the real essence of the Company's sustainability initiatives.

We look back on those decades and remember the challenging and trying periods and also reminisce on the rewarding times. Together, our successes over the tribulations we faced provide us inspiration to continue facing the coming years with the best that we have. Indeed, the Company has served the country well and demonstrates its willingness to continue to see responsible partners for national progress and economic development.

In the five years from 2012 to 2016, the Company has paid taxes and mining-related fees and charges, amounting to PhP8.7 billion. Aside from helping boost the national treasury's resources, the financial contributions resulting from Padcal's operations enabled the host towns of Tuba and Itogon to become two of the four first-class municipalities in Benguet.

During the same period, Philex Mining has spent close to PhP2 billion for various environmental management platforms, which includes planting and nurturing over eight million trees of different plant species across 2,800 hectares of land in Tuba and Itogon.

On top of these initiatives, our Company also spent more than PhP400 million for community development activities, mining advocacy campaigns, and research programs, including the launch of technical projects, for the overall improvement of the industry.

Amid the widespread criticisms against the industry, Philex Mining continued to demonstrate that, by advocating and practicing Responsible Mining, the mining industry can address most of these concerns and allow us to move forward with a growing support from the general public.

I am proud to present our third Annual Sustainability Report, documenting of our collective efforts as an organization to constantly improve our standing and reporting towards achieving long-term economic, environmental, social, and governance sustainability. Preparing this report has also given us insights on how to provide best performance and effectively attain the set targets and goals we have committed to our colleagues, business partners, shareholders, and partner communities.

By advocating the highest standards of transparency and shared accountability, guided by the principles of the Global Reporting Initiative framework, we have adopted a two-way approach to continuously enhance our programs, policies, and processes towards being a sustainable enterprise.

We believe that sustainability is a journey that entails the commitment of each and everyone in the organization and the partnership of all our stakeholders.

Our Diamond Jubilee milestone is special as we celebrate this with all of our stakeholders and, as such, we take this opportunity to thank everyone; our employees, our Board of Directors, officers, and partners in the public and private sectors, for being with us through thick and thin during all these years.

We continue to reaffirm our commitments and remain focused on delivering the results we promised our stakeholders, accepting responsibility and holding ourselves accountable for the outcome of all our actions, policies, and ethical behaviour in the years ahead.

Eulalio B. Austin, Jr.
President and CEO

PHILEX MINING CORPORATION



Operator of
Padcal Mine



Copper



Gold



Silver

[102-2, 102-4, 102-5, 102-6, 102-10, 102-45]

Philex Mining Corporation (Philex Mining or the Company) was incorporated in the Philippines in 1955 and has been listed in the Philippine Stock Exchange since November 23, 1956 (Code: PX). With its subsidiaries, Philex Gold Philippines, Inc. (PGPI) and Silangan Mindanao Exploration Co., Inc. (SMECI), the Company is primarily engaged in large-scale exploration, development and utilization of mineral resources.

In July 2016, Philex Mining divested from its energy and hydrocarbon business subsidiary, PXP Energy Corporation to concentrate on its core mining business.

Philex Mining has been operating the Padcal Mine in Benguet for the past 60 years, producing copper concentrates with gold and silver as by-products. It is one of the oldest operating mines in the country with declared life of mine up to year 2022. The Padcal Mine currently provides Philex Mining its biggest source of revenue.

Meanwhile, subsidiary PGPI has remaining resources of 23.9 million tonnes currently. Its exploration projects in the Vista Alegre area include the Nagtalay project and the Laburan/Skid 9 project, which have completed the geological modelling and preliminary resource estimation.

On the other hand, SMECI, through its fully-owned subsidiary Silangan Mindanao Mining Co., Inc. (SMMCI), owns the Silangan Project covering the Boyongan and Bayugo porphyry copper-gold deposits in Surigao del Norte. SMMCI completed the pre-feasibility study of Boyongan deposit in late 2014, and is finalizing its definitive or bankable feasibility study, which is expected to be completed in 2017.

Adjacent to the Silangan Project is the Kalayaan Project, the exploration of which is being undertaken by the Company by virtue of a Farm-in Agreement with Kalayaan Gold and Copper Resources, Inc., a subsidiary of Manila Mining Corporation.



[102-16]

Vision

Our vision is to be a highly respected and world-class natural-resource company committed to deliver excellent value to its 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 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 towards 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 Recognition



PSE Bell Awards (2015 and 2016)

Philippine Stock Exchange
Philippines

Institutional Investors' Award on Corporate Governance (2016)

ICD, PMAP, TOAP
Philippines

Gold Award in Financial Performance, Corporate Governance, Investor Relations, Environmental and Social Responsibility (2016, 2015 and 2014)

The Asset Magazine
Hong Kong

3rd Best Managed Company 3rd Most Committed to Corporate Governance (2016)

Finance Asia 2016 Best
Managed Companies
Philippines

Platinum Achievement Award (2016)

**Presidential Mineral Industry
Environmental Award (2016,
2015 and 2014)**

Silangan Project
Philippines

Environmental Management Systems (EMS) Certification (2016)

Silangan Project
Certificate International
Philippines, Inc.
Philippines

Anvil Awards (2016)

Gold Anvil Award -
2015 Sustainability Report
Silver Anvil Award -
2015 Annual Report
Public Relations Society of the
Philippines
Philippines

ARC Awards International (2016)

Silver Honors -
2015 Annual Report
New York

AsiaPacific Entrepreneur Award in Mining Industry (2016)

Eulalio B. Austin, Jr.
Enterprise Asia
Philippines

Most Outstanding Engineer in Mine Management (2016)

Eulalio B. Austin, Jr.
Philippine Society of
Mining Engineers
Philippines

CFO of the Year (2016)

Danny Y. Yu
ING-FINEX
Philippines

Asia CEO Awards (2016)

Finalist Global CSR
Company of the Year
Philippines



Tailings Storage Facility (TSF) 3 at Padcal Mine, Benguet

Padcal Mine

For the past 60 years, the Company has been mining the Sto. Tomas II deposit at Padcal, Benguet. Known as Padcal Mine, covered by Mineral Production Sharing Agreement (MPSA) 276-2009-CAR which is valid up to January 19, 2034, it has an area of 81 hectares. The mine, which is the first underground block caving operation in the Far East, produces copper concentrates with gold and silver as by-products.

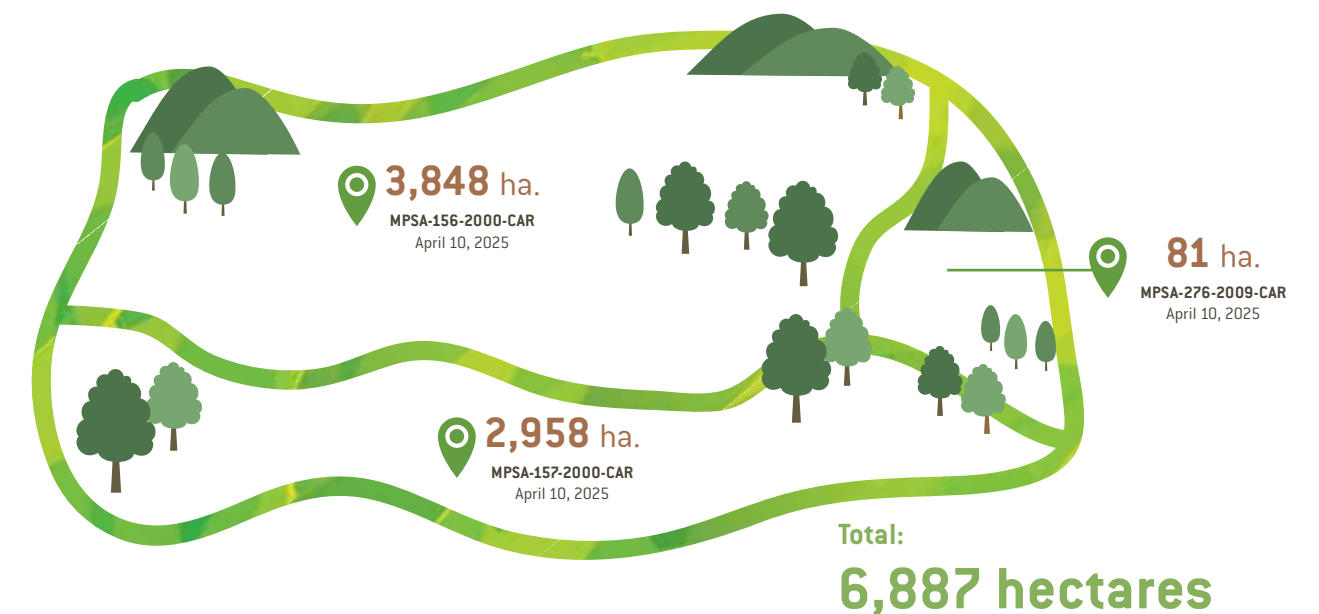
A majority of the copper concentrates are shipped to Saganoseki, Japan, for smelting by Pan Pacific Copper Company Limited, a joint venture between Nippon Mining Co. Ltd. and Mitsui Mining and Smelting Co. Ltd.

Pan Pacific processes the concentrates through the smelter plants and produces products such as refined copper, precious metals, and sulfuric acid. It is one of the largest buyers of copper concentrates in the world, with its smelting plants having an annual capacity of 1.5 million tonnes.

The remaining production of the mine is shipped to Louis Dreyfus Metals. A total of 14 copper concentrate shipments were made in 2016, compared with 14 shipments in 2015 from Padcal Mine's full year production.

Tenements

The MPSAs held by Philex Mining covers a total land area of 6,887 hectares. The developed or affected area for operations, though, is merely 580 hectares or only 8% of the total. This developed area includes the mine, mill concentrator plant, tailings storage facilities, residential, and other industrial areas for operations – basically 410 hectares for mining facilities and 170 hectares for residential and institutional use.



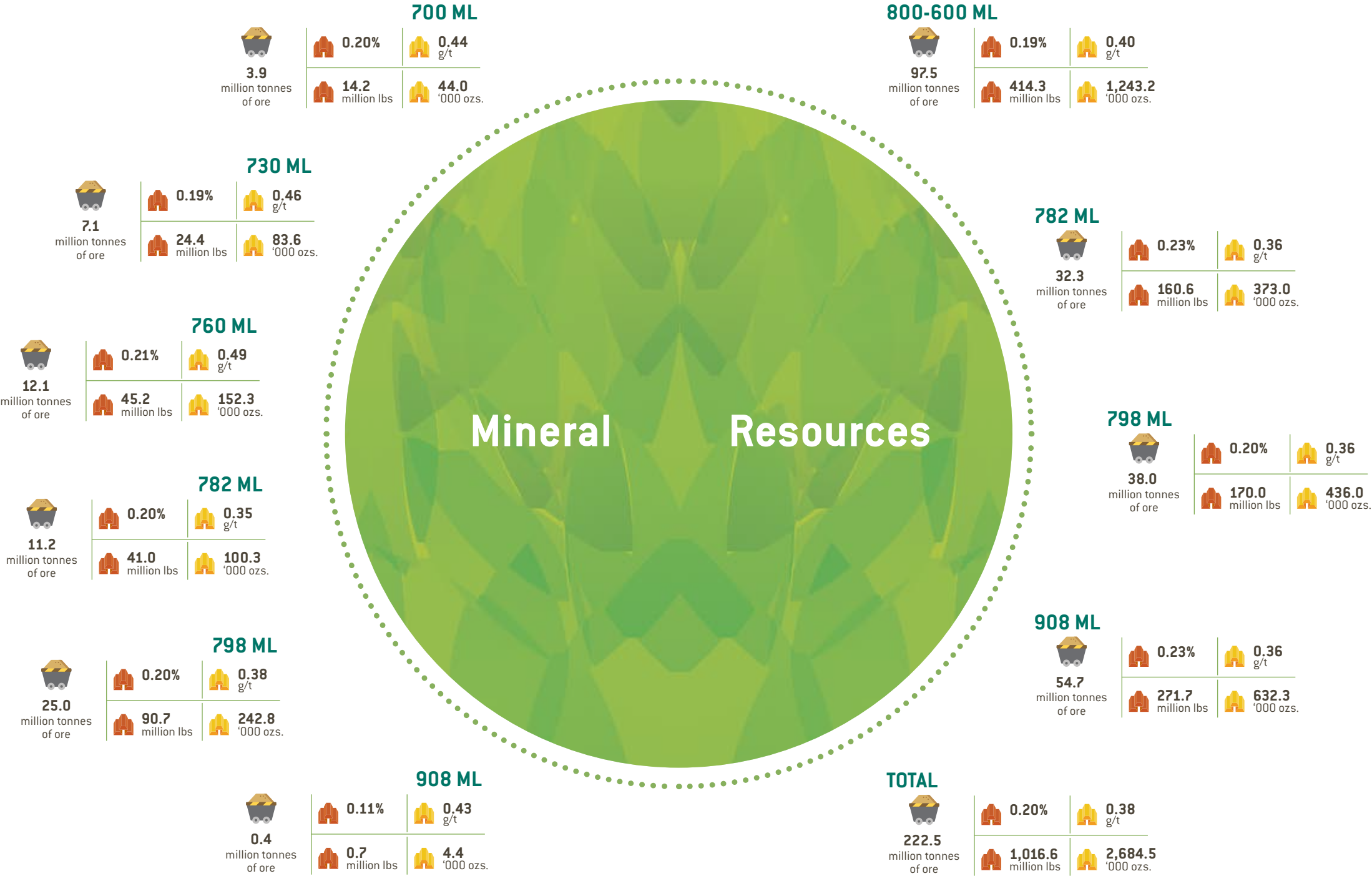


Padcal Proved Mine Reserves

Proved ore reserves are the determined economically mineable part of indicated and measured mineral resources. Proved ore reserves for Padcal Mine as of December 2016 total to 216.2 million lbs of copper and 627.4 thousand oz of gold.

Padcal Mine Measured and Indicated Mineral Resources

As of December 2016, measured and indicated mineral resource within the Padcal Mine are 1,016.6 million lbs of copper and 2,684.5 thousand oz of gold. Measured and indicated mineral resources present the amount of minerals contained within a mine upon exploration, sampling, and testing of the mine area.



SUSTAINABILITY FOR PHILEX



Good Governance

Philex Mining recognizes that for the mining industry as a whole, the challenge of Sustainability means becoming a better environmental stewards as well as partner for employees and communities where the business operates. Generating acceptable returns for shareholders is a basic responsibility, and so is mitigating the accompanying impacts through conscientious management and proper planning.



Protecting the Environment

The best practices promulgated by the principles of Responsible Mining is appropriately advocated and supported by the Philippine Mining Act and its Revised Rules and Regulations, DENR AO 96-40, as amended, which requires that an Environmental Protection and Enhancement Program (EPEP) be submitted and approved before a project even starts.

The important parts of the work program mandated by the Mining Act are the mining companies' plans on rehabilitation, regeneration, revegetation and reforestation of mineralized areas, slope stabilization of mined-out and tailings covered areas, aquaculture, watershed development and water conservation, as well as socio-economic development.



Empowering Communities

The Mining Act also obliges mining companies to prepare a five-year Social Development and Management Program (SDMP) in partnership with the host and neighboring communities. The SDMP should be able to provide holistic development of the host and neighboring communities in aim to improve quality of life addressing the areas of human resource development, health, education, infrastructure, sports and socio-culture and enterprise development during the life-of-mine. Mining companies are mandated to spend at least 1.5% of the annual operating costs for the SDMP.



Ensuring Safe Workplace

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 Responsible Mining at the strategic core of its policies, and where the values of teamwork, transparency and accountability are 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.



Promoting Employee Wellness



60th Anniversary Celebrations (Left to Right: Thanksgiving lunch at Baguio Country Club, Inauguration of Philex Park at Padcal Mine, Thanksgiving dinner at Makati Shangri-La)



Philex Mining at 60: Sixty Years of Responsible Mining

“Philex Mining is a very responsible company. It is a testament that Responsible Mining can be done—putting in place safeguards for our environment and, at the same time, contributing to economic progress.”

Baguio Mayor Mauricio Domogan

From his speech during Philex Mining's Diamond Anniversary Celebration at the Baguio Country Club

Philex Mining marked its 60th Anniversary with events and activities that focused on the theme: “Marching on with Humanized Responsible Mining.”

From its founders and up to the present leadership, the management of Philex Mining has conscientiously considered the protection of the environment, the welfare of its people, and the upliftment of host communities in crafting policies, determining strategies and making decisions.

Philex Mining has been and continues to proactively pursue environmental management long before this was required by legislation. In fact, mine waste

management and social development were policies already set in place before the Mining Act was enacted. Other such initiatives include community-based reforestation activities in the 1960s as livelihood projects even before the UNESCO Man and Biosphere Program was launched in 1971, and being the first metallic mine to be ISO 14001 certified in the country in 2002, before the release of DENR Administrative Order 2003-14 in June 2003, which mandates self-regulation towards improved environmental performance. Across the organization, Responsible Mining is the working culture at Philex Mining.

For its Diamond Anniversary, the Company decided to put the spotlight on people — people who are directly and indirectly affected by mining, its benefits and impacts.

The anniversary celebration kicked off at the Padcal mine camp with a tree-planting activity at the decommissioned and rehabilitated Tailings Storage Facility No. 1 (TSF1). This 26-hectare area, once barren due to over-logging by previous concessionaires, is now lush with greenery and vegetation as the Company's reforestation programs have turned it once again into productive land, teeming with life. It also serves as a bamboo plantation and experimental plot for high-value ornamental plants.

Several activities followed, such as the Women's Forum, which was held together with the DIWATA Women in Natural Resources Development group, and spearheaded by former Ambassador and Foreign Affairs Secretary Delia Albert. There were also medical missions in the host barangays, a sportsfest, community night, as well as a poster-making contest for both elementary and high school students from 28 schools. Through their poster designs, the students expressed what they saw as the impact of Philex Mining in their lives — showing appreciation for the free housing, electricity, water, health services and education that Philex Mining provides. The participants were from the host barangays of Camp 3 and Ampucao, and the neighboring barangays

of Camp 1, in Tuba, and Ansagan and Dalupirip, in Itogon.

In line with the anniversary celebration, Philex Mining also took an active part and contributed to the industry forums in the year's Mining Philippines 2016 Conference at the Marriott Grand Ballroom, in Pasay City, and at the 63rd Annual National Mine Safety and Environment Conference held at Camp John Hay, Baguio City. Apart from being a Platinum Sponsor for both conferences, Philex Mining took a stand along with the mining industry and advocated humanizing Responsible Mining for the good of the country.

The anniversary celebration culminated in a series of meaningful events. At the Padcal mine camp, an anniversary luncheon was held, along with the blessing and inauguration of the Anniversary Park and Salayaw — a story telling of the Company's history in decades through dance. Meanwhile, for the Corporate Head Office in Mandaluyong, a formal reception dinner was held at the Makati Shangri-La Hotel.

Through all these activities, Philex Mining has expressed support for government's call on all miners to be guided by a clear definition of Responsible Mining — that the utilization of mineral resources be based on technical feasibility, environmental sustainability, social acceptability, and financial viability — so that the industry will move forward based on what is right.

Sustainability Framework

For Philex Mining, building a sustainable business means generating an acceptable return to shareholders, while simultaneously understanding, managing, and mitigating the impact of its mining operations on the societies and environment in which it operates.

The Company is committed to constantly improve its sustainable development performance, which is influenced by legislation, commercial requirements, external reporting frameworks, and stakeholder expectations, and guided by the following principles:



Adhering to Good Governance

Philex Mining's Code of Conduct mandates that business should be conducted in accordance with ethical standards and all applicable laws, rules, and regulations. Philex Mining strives to act as a responsible corporate citizen and lend expertise to help engage in constructive public dialogue and informed debate on issues that are important to it as a Company, the mining industry, and the communities in which we operate.

Promoting Employee Wellness

The Company is committed to develop the full potential of its employees, respecting and valuing each of its employees and observing the fundamental tenets of human rights, safety, and non-discrimination in the workplace. It fairly compensates employees for their contributions, provides them with meaningful performance feedback, and offers professional development and training opportunities. The Company encourages accountability and employee involvement in issues affecting the workplace to help improve work conditions and safety, as well as efficiency of its business. Philex Mining also recognizes that best practices continue to evolve and that the Company must also learn and grow accordingly as a business.

Empowering Communities

Philex Mining fully considers social, cultural, environmental, governmental, and economic factors when evaluating project development opportunities under the SDMP. The Company interacts with residents, governments, non-governmental organizations and other interested groups in local communities, to facilitate long-term, mutually beneficial resource development. The Company gives priority to building partnerships in entrepreneurial endeavors that contribute to enhancing local capability. As such, the employment of indigenous peoples and local community members is a priority. It also respects the interests of all members of the communities in which it conducts business and encourages open and constructive dialogue and interaction with them. The Company takes the responsibility to listen carefully, be responsive, and provide information that is accurate, appropriate, and timely.

Protecting the Environment

Philex Mining has a responsibility to preserve and conserve the environment in which it operates, encouraging wise environmental stewardship and diligently applying proven management controls to achieve this goal. Through the comprehensive Environmental Protection and Enhancement Program (EPEP), it is committed to ensure that environmental effects are being addressed adequately; controls are in place to ensure compliance with corporate environmental policies and obligations; environmental management systems are supported by adequate resources and financial provisions; plans are set up to protect the environment for future generations; and the sustainability of nearby communities is safeguarded.

Ensuring a Safe Workplace

The Company's goal is to ensure that all employees maintain good health and are free from injuries during and after their work shifts, every single day. All employees and contractors are expected to work in accordance with the safety and occupational health management protocols for the benefit of colleagues, families, communities, and business partners. Through its health and safety systems, Philex Mining provides the equipment, training, and resources necessary to enable employees to work safely.

The Company believes that effective security controls, standards, policies, and procedures contribute to the safety and protection of employees, assets, reputation, and the communities in which it operates.

In addition to Philex Mining's compliance with all applicable laws and regulations, it is imperative that security functions adhere to its commitment to protect human rights and respect people. Above all, Philex Mining respects the human rights of all individuals impacted by its operations, and does not tolerate any violations.

Stakeholder Management

[102-21, 102-40, 102-42, 102-43, 102-44]

Over the years, Philex Mining has been cultivating strong stakeholder relationships and implementing effective engagement programs. The ability to understand stakeholder concerns and provide timely responses has been key to the Company's sustainability approach. The channels of communication between the Company and its various stakeholders are kept open and regularly utilized to keep the organization abreast with ongoing issues, allowing it to share its point of view.

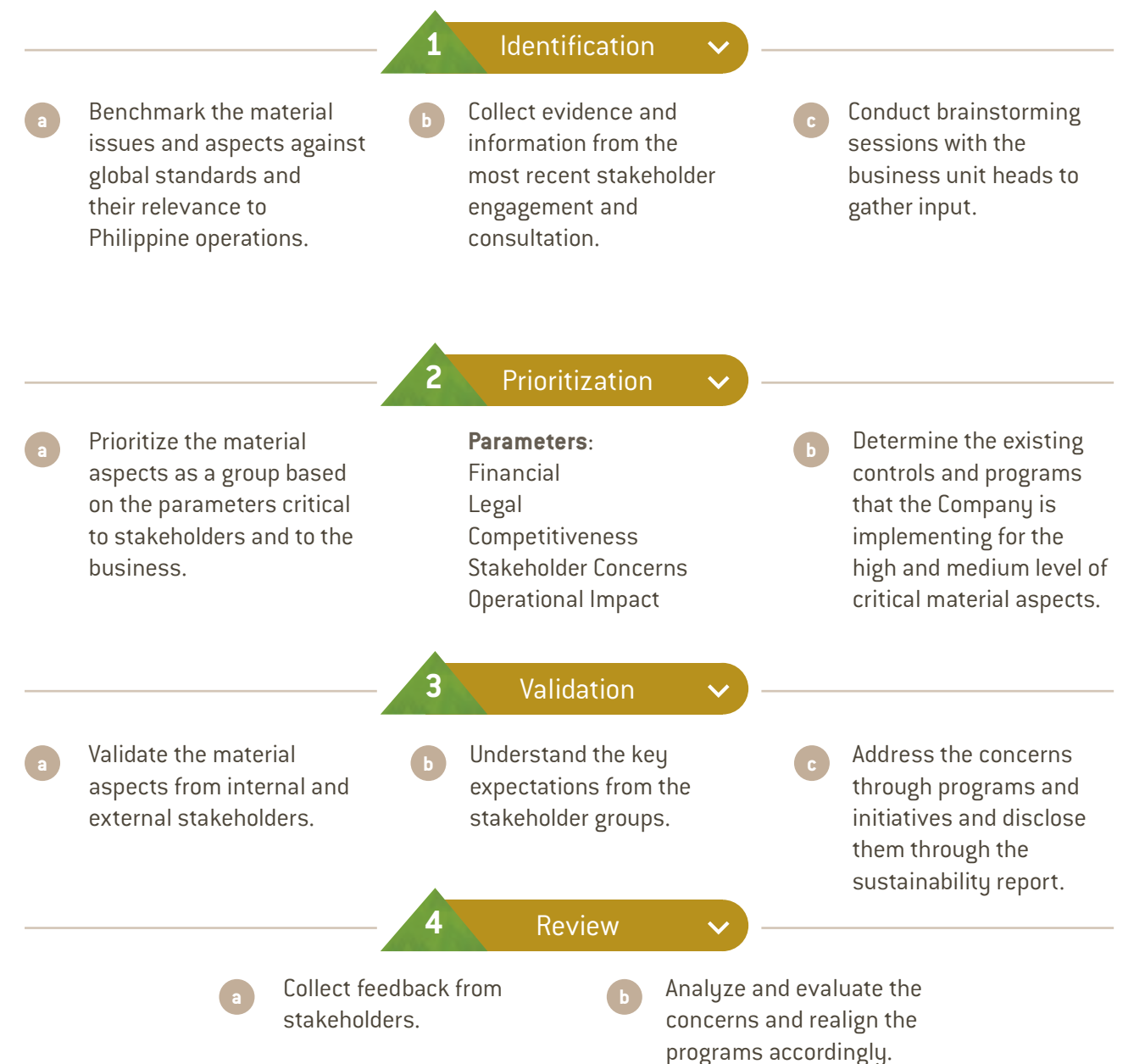
In 2016, the Company actively engaged with Industry Associations and the media as it responded to the concerns of regulators, putting forward the model of Responsible Mining as advocated by the organization.

Stakeholder	Concerns	Mode of Engagement	Frequency of Engagement	Response
Shareholders/ Investors	Higher financial returns Minimum risks related to business and expansion	Annual stockholders' meeting Direct communications through Investor Relations Group One-on-one investor meeting	Annual On Demand On Demand	Stable dividends Regular disclosure of financial performance
Regulators	Accurate disclosures Compliance to standards and regulations	Annual/ Quarterly/ Monthly Reports Audits Taxes/ Certification Processes	As necessary	Timely and accurate release of reports Strict compliance to regulatory requirements
Local Government Unit	Environment Management and Socio-Economic Development	SDMP/ CDP Community Meetings Focused Group Discussions One-on-one visits Annual/ Quarterly/ Monthly Monitoring Reports	Continuing	Quarterly briefing One-on-one meetings and conferences
Employees	Work life balance	Employee engagement programs	As needed	CSR/Environmental voluntary activities Company sports tournament
Contractors	Labor code practice by contractors Availability of supplies	Accreditation process Contractual Agreements	Once a year	Clear and transparent supplier management process
Host Communities	Socio-economic development of the communities Collaborative partnerships	SDMP Community meetings during the projects' planning, implementation and monitoring & evaluation	Once a year Continuing	Implementation of SDMP/CSR Program by Philex Mining in partnership with the communities Social acceptability of the project
Customers	Quality products Accessibility and convenience Account security Speedy services Better benefits Financial advice	Website Relationship teams	As necessary	Meeting of client expectations
Suppliers	Transparency in accreditation Integrity of bids Timeliness of payments Product Specification	Accreditation process Annual meetings with security agencies	As necessary	
Partners	Transparency in disclosures Alignment of advocacies	Corporate events/ forums	As necessary	
Media	Product brief/ details Transparency Factual information Timeliness of announcements	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

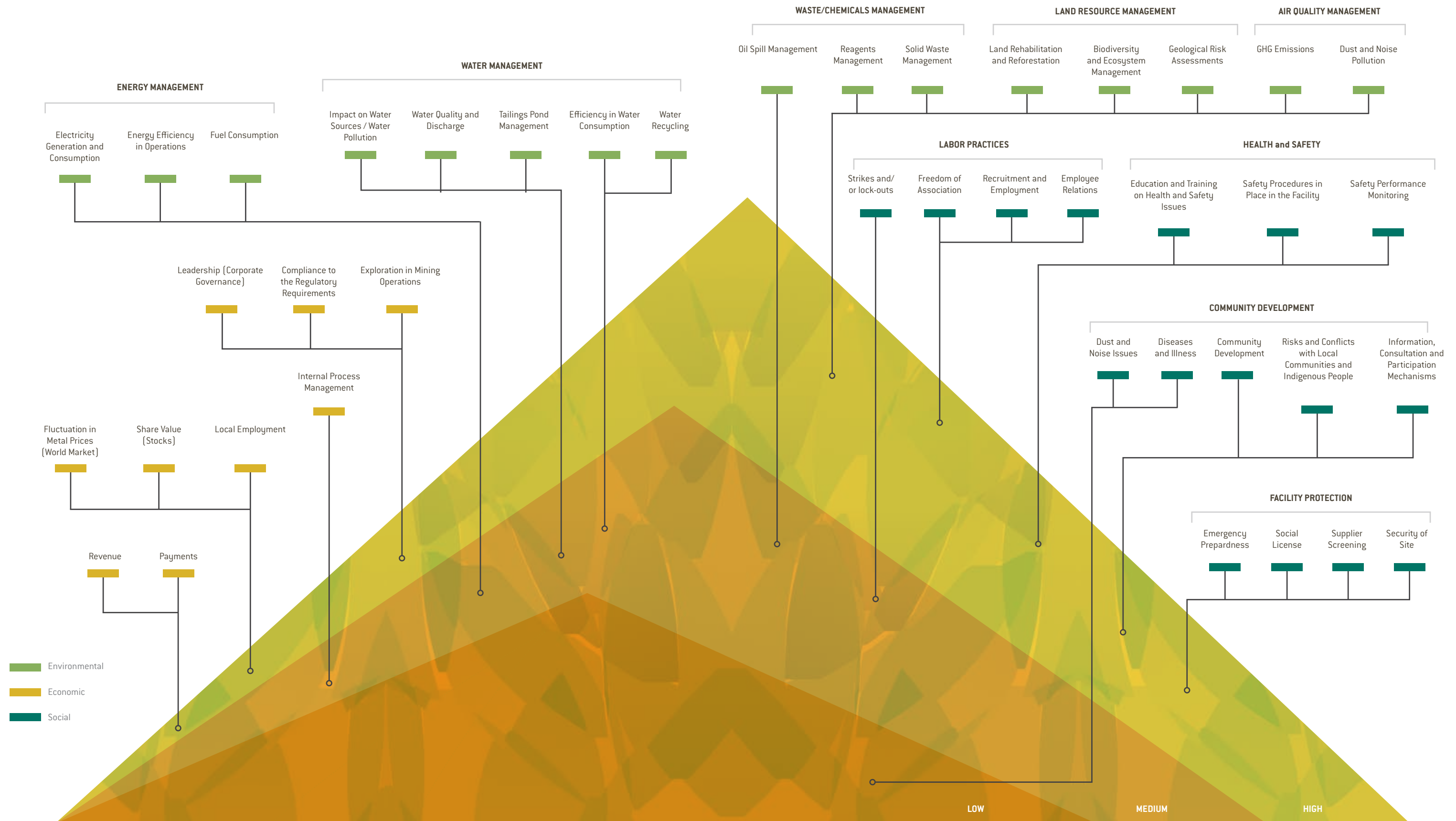
[102-46]

The materiality assessment in 2016 followed the identification and prioritization process of material issues done in 2015. This process included validation and review workshops with the different units and divisions within the Company. These workshops, conducted in March 2015, served to confirm that identified issues in the Social Development and Management Program, Environmental Protection, Legal Compliance, Employment Practices, Corporate Governance, and Financial Returns are indeed material and substantively influence the assessments and decisions of stakeholders.



Material Issues on Sustainability

[102-47]



Business Risks and Controls

[102:15]



Mill Plant in Padcal Mine

Integral to Philex Mining's approach to Sustainability is the application of Risk Management best practices that objectively measure the sets of risks particular and specific to the Company and the industry.

The Company has adopted a Risk Management Policy Manual, which encompasses the Enterprise Risk Management (ERM) framework, that contains detailed guidelines, including roles and responsibilities of each proponent for its implementation. The policy empowers operational units to identify significant risks and take appropriate decisions and actions to control these risks.

The Company's risk management program aims to identify, analyse and manage the risks to acceptable levels to enhance opportunities, reduce threats, and sustain competitive advantage.

Operational Risk for Mining Operations

Mining operations are subject to all the hazards and risks that are normally associated with exploration, development and production. These include unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage, increased costs and possible legal liability.

The Philippines has experienced a number of natural catastrophes over the years, including typhoons, volcanic eruptions, landslides, and earthquakes that may materially disrupt and adversely affect the Company's business operations.

The Padcal Tailings Storage Facilities have been designed to provide safety zones in cases of cave-ins. Emergency procedures are set and properly documented in case of a tailings storage facility overtopping. The Company maintains a warning system to alert its workers in cases of landslides, major earthquakes, and potential cave-ins. The Company schedules underground blasting activities and plans drilling activities to ensure employee safety at all times.

The Company ensures compliance from all of its employees and visitors with underground safety standards that include wearing the proper safety gadgets and gears and carrying appropriate equipment. It provides periodic training on underground mining safety and survival practices. The Company likewise has a highly commended team of underground rescue personnel that had assisted in the country's actual landslides and major earthquake disaster operations.

Environmental and Natural Events Risks

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

To manage the risk, the Company puts a great amount of effort and invests a substantial amount of resources into environmental protection and rehabilitation. As a manifestation of its commitment to responsible and sustainable mineral resource development, the Company has adopted an environmental policy statement which is consistent with ISO 14001 Certification on Environmental Management Systems. The Company is also covered by a pollution liability insurance to respond to possible claims against it in case of environmental pollution which may be caused by its Padcal mining operation.

Social License to Operate

The pressure on social license to operate remains a major risk for the Company. The presence of protesters with broad-ranging agendas may pose a risk to the timely completion of the Company's exploration activities. The regulators have given greater powers to local communities to make final decisions on approving mining and exploration activities in their areas. As a result, negotiations with surface owners and local residents take time, further hindering the production and exploration timetable. The uncertain stance of some government bureaus to approve and issue much-needed permits and licenses may also cause delays in the Company's exploration projects and improvement of major facilities.

To mitigate these risks, the Company provides full cooperation with the regulators to comply with governmental requirements in ensuring safety and environment protection in all aspects of operations. It continues to actively participate in LGU Community Development Programs on education and alternative learning system, construction of community infrastructures, and livelihood projects while at the same time, continuing to effectively communicate the positive impacts of mining.

Regulatory and Tax Environment

The local mining industry is heavily regulated and the level of regulation dictates the behavior of mining operations and investments into the sector.

Under the present administration, the DENR ordered the audit of all operating mines in the country. Philex Mining's Padcal Mine was one of the companies that passed an audit and was, therefore, not recommended for suspension.

The DENR also ordered the closure of 23 operating mines and issued a show cause order for the cancellation of 75 MPSAs across the country,

affecting the operations of several mines. As of this writing, the MICC, which is co-chaired by the Department of Finance (DOF) and the DENR, is pursuing a technical review of the closure orders from the DENR.

In addition, the government is perceived to be seeking greater control of and a higher tax take from the local industry. There is also an on going move from the MICC, the Department of Trade and Industry (DTI), BOI, DOF, and other related government and civic group organizations to amend the Fiscal Regime and Revenue Sharing Arrangement for Large-Scale Metallic Mining operations in the Philippines.

These policies and proposed changes in government policy towards mining have delayed major projects in the country due to the altered risk-reward equation. To mitigate these, the Company continues to uphold its commitment to Responsible Mining in all aspects and religiously ensures compliance with all laws, rules and regulations with respect to the industry. As a complementary measure, Philex Mining continues to build strong working relationships with the government, directly and indirectly, through the Chamber of Mines of the Philippines (COMP).

The Company is also increasing the transparency of its tax payments to the government to heighten public awareness. In relation to this, it supports the EITI (Extractive Industries Transparency Initiative) implementation of the Philippines as an EITI Candidate Country through compliance with the reportorial and documentary submissions required by the EITI as advocated/led by the COMP to express strong support for Responsible Mining practices.

Furthermore, the Company constantly makes representations to the government through different public forums and continues to effectively communicate the positive impacts of mining through various media.

Exploration and Development of Mineral Deposits

The exploration and development of mineral properties involve significant risks, which may not be completely eliminated even with a combination of careful evaluation, experience and knowledge. While the discovery of an ore body may result in substantial rewards, only a few properties explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, develop metallurgical processes, and construct mining and processing facilities at a particular site.

The success of the Company depends on, among others, the delineation of the economically mineable reserves, access to required development capital, securing and maintaining title to its exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities. The Company has a competent team of legal and technical personnel who handle and manage these matters.

Mineral Agreements, Permits and Licenses, and Operating and/or Royalty Agreements

The Company 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 MPSAs and operating and/or royalty agreements covering the Company's mineral properties expire at different times and 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 or they may not be issued in a timely fashion. It may also involve new requirements that may serve to restrict the Company's ability to conduct mining operations profitably.



Reforestation Program at Padcal Mine

Typically, however, the DENR would allow a tenement holder an 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) would move to have a mineral agreement, permit or license cancelled only when there is an irremediable material breach on the part of the tenement holder.

To address the foregoing risks, the Company employs a team of legal and operating personnel who exercise the necessary due diligence in reviewing mining and surface rights for ownership and location verification and ensuring enforceability of the Company's rights over its mining properties.

Price Risks

The Company's revenue is largely dependent on the world market prices for gold and copper and the factors affecting the behavior of these are beyond the Company's control.

To mitigate price risks, the Company constantly evaluates the advantages and disadvantages of hedging a portion of its annual production. In addition, production and operating costs are constantly being monitored to attain efficient use of working capital.

ECONOMIC RESPONSIBILITY



Financial Performance

As part of a global industry that drives economic development, Philex Mining keeps a disciplined eye on its three bottom lines of Sustainability – Economic, Environmental and Social – with a long-term perspective that is at the heart of Responsible Mining.

Philex Mining considers it a basic Company responsibility to generate acceptable returns for shareholders while delivering shared value to all its stakeholders. The quality of management can be weighed not only with the traditional financial criteria but also with the excellence of its corporate governance, the consistent practice of corporate values, and the level of innovation with which it is able to encourage within the organization.



Governance and Management

As a publicly-traded company, Philex Mining is committed to the highest standards of disclosure, transparency and fairness in information dissemination. It properly issues all necessary disclosures to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC). The Company's CEO, CFO, and the Investor Relations Head actively conduct meetings with institutional investors including company and site visits.

Furthermore, the Company's Investor Relations Division has been strengthened and refocused to address concerns of the investment community. In addition to the financial statements provided on a quarterly basis, operating statistics and other vital information are also disseminated to both equity and credit analysts to aid in their analysis and valuation of the Company.

In 2016, Philex Mining's CFO, Danny Y. Yu, was named the 2016 ING-FINEX CFO of the Year, a prestigious award bestowed by the premier professional organization for finance and financial services executives and decision makers in the Philippines. In his speech at the Awards Night, Mr. Yu asserted that the Company's constant drive for self-improvement was a result of the Board's staunch advocacy for good governance.

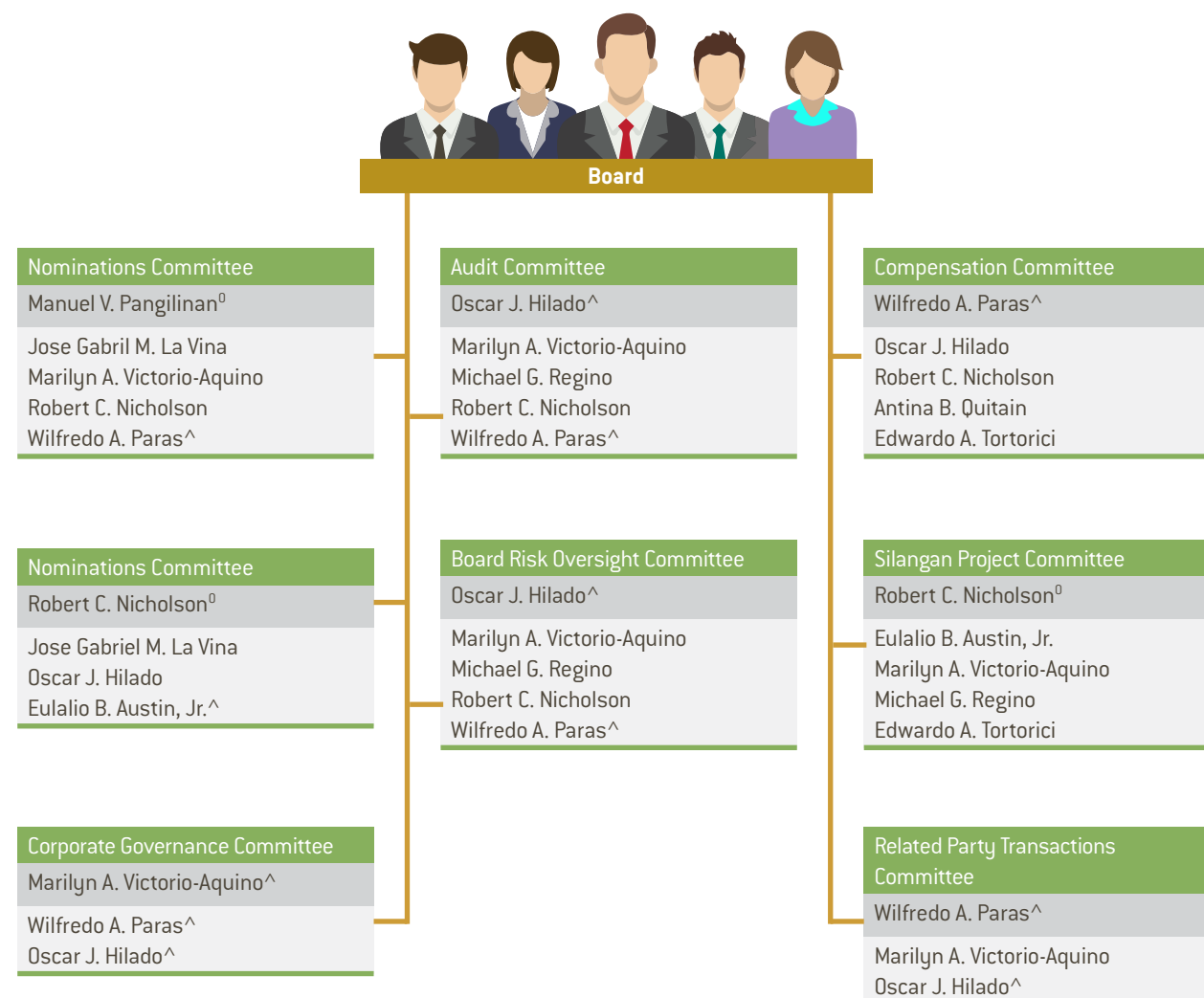


Supply Chain Management

Performance at a Glance

Governance

[102-18]



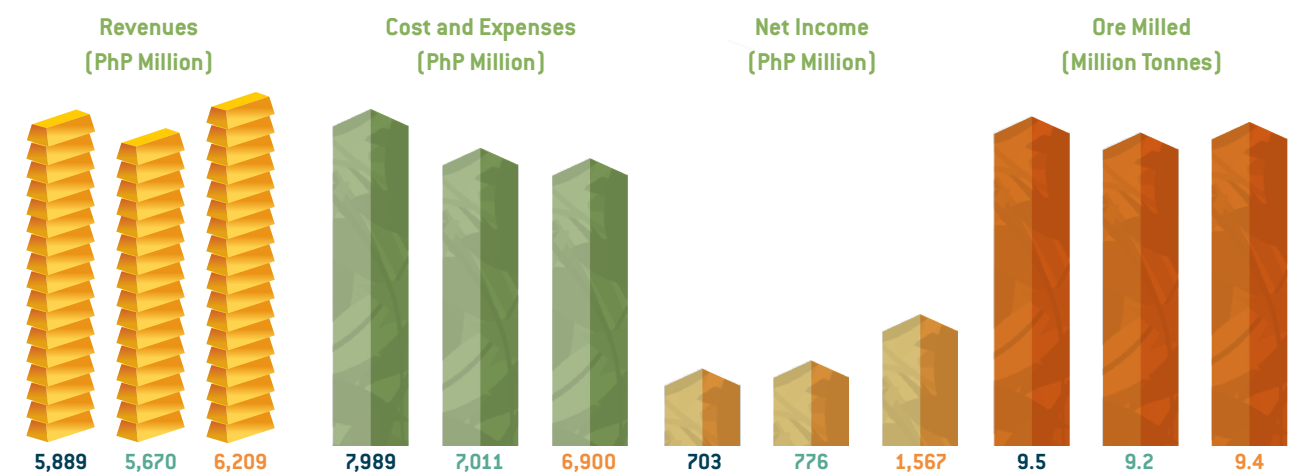
Legend

Chairman of the Committee

[^] Independent Director⁰ Non-Executive Director

Operational Highlights

[102-7]



Compliance with Environmental Regulatory Requirements



PD:705
Revised Forestry Code



RA: 9275
Clean Water Act



RA: 8749
Clean Air Act



RA: 9003
Ecological Solid Waste Management Act

PD - Presidential Decree

RA - Republic Act



Corporate Governance

[102-19, 102-20, 102-22 to 28, 102-30, 102-31, 102-33]

The Company is guided by a Board of Directors that ensures that the Company treads a path towards the corporate mission and vision, fostering the long-term success of the Company and securing its sustained competitiveness:

Director	Board Meetings Attended	%	Audit Committee	Compensation Committee	Nominations Committee	Risk Committee	Silangan Project Committee	Finance Committee	CG Committee
Manuel V. Pangilinan	7/8	87.5			1/1				
Eulalio B. Austin Jr.	8/8	100					2/2	1/1	
Juan B. Santos ¹	7/7	100	5/5	2/2	1/1			1/1	
Robert C. Nicholson	8/8	100	5/5	2/2	1/1	3/3	2/2	1/1	
Marilyn A. Victorio-Aquino	8/8	100	5/5		1/1	3/3	2/2		1/1
Edward A. Tortorici	6/8	75		1/2			1/2		
Oscar J. Hilado	8/8	100	5/5	2/2		3/3		1/1	1/1
Wilfredo A. Paras	8/8	100	5/5	2/2	1/1	3/3			1/1
Barbara Anne C. Migallos	8/8	100							
Michael Victor N. Alimurung ²	8/8	100	4/5			3/3	1/2		
Bienvenido E. Laguesma ³	7/8	87.5						1/1	

¹ Resigned as Director Effective 26 October 2016

² Resigned as Director Effective 29 November 2016

³ Resigned as Director Effective 31 December 2016

From left to right: Mr. Wilfredo A. Paras, Mr. Bienvenido E. Laguesma, Mrs. Marilyn A. Victorio-Aquino, Mr. Juan B. Santos, Ms. Barbara Anne C. Migallos, Mr. Manuel V. Pangilinan, Mr. Eulalio B. Austin Jr., Mr. Oscar J. Hilado, Mr. Robert C. Nicholson, and Mr. Michael Victor N. Alimurung

The Board

The Board has two (2) independent, non-executive directors in compliance with Philippine laws and regulations, specifically Section 38 of the Securities Regulations Code of the Philippines.

Independent Directors shall serve for a maximum cumulative term of nine (9) years, reckoned in accordance with pertinent rules of the SEC, after which the Independent Director shall be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a Non-Independent Director. In the instance that the Company wants to retain an Independent Director who has served for nine (9) years beginning 2012, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

Board Duties and Responsibilities

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

a three-fold duty of obedience, diligence and loyalty to the corporation they serve. The Director shall:

- Act within the scope of power and authority of the Company and the Board as prescribed in the Articles of Incorporation, by-Laws, and pursuant to existing laws, rules and regulations;
- Exercise their best care, skill, and judgment, and observe utmost good faith in the conduct and management of the business and affairs of the Company; and
- Act in the best interest of the Company and for the common benefit of the Company's shareholders and all stakeholders.

Faithful compliance with the principles of good corporate governance is the paramount responsibility of, and shall start with, the Board. Furthermore, the Board is required to exercise corporate powers, conduct the business and control the properties of the Company in compliance with the corporate governance principles instituted in the Company's Corporate Governance Manual. The Board shall also be responsible for fostering the long-term success of the Company and securing its sustained competitiveness.

Board Committees

Nominations Committee

The Nomination Committee screens the nominees to determine whether they have all the qualifications and none of the disqualifications for election to the Company's Board of Directors and prepares the final list of candidates for election at the Annual Stockholders' meeting.

Audit Committee

The Audit Committee reviews the AFS, discuss with the external auditor the various issues relating thereto and recommended for Board approval the financial reports and financial disclosures. It likewise reviews and approves the external auditors' work and all audit fees related thereto, the Internal Audit Plan, the Quarterly Financial Statements, the Internal Audit Quarterly Accomplishment Report, and various Internal Audit findings. In addition, the Committee adopted the Revised Audit Committee Charter and performed a self-assessment of the effectiveness and performance of Internal Audit as per SEC memo Circular No.4 Series 2012.

Compensation Committee

The Committee reviews and approves the compensation packages of senior officers, reviewed the total remuneration program and directors compensation plan for 2016 and the targets for 2017.

Finance Committee

The committee has the primary oversight responsibility of the Company's corporate finance activities, including the management of its equity, financial risk (credit and concentration risks, liquidity, market, including foreign currency, interest rate, equity price, commodity risk, and derivative financial instruments, including gold embedded, fair value changes on derivative and hedge effectiveness) and the financing of major acquisitions.

Board Risk Oversight Committee

The Risk Committee reviews the Environmental, Health, Safety and Operational Risks of the Philex Group and action plans to address said risks; and conducted a review of Insurance Coverage and Rates. The Committee also reviewed the Top 5 Enterprise Risks of the Philex Group and corresponding mitigating measures for 2016.

Corporate Governance Committee

The Corporate Governance Committee assists the Board of Directors of the Company in performing the corporate governance duties in compliance with Philex Mining's Manual of Corporate Governance, the Revised Code of Corporate Governance of the Securities and Exchange Commission (SEC), and the Corporate Governance Guidelines and the listing rules of the Philippine Stock Exchange (PSE) and review the Company's compliance to the new proposed SEC CG Code.



One of eight Board Meetings conducted during 2016

Company Policies

(102-25, 205-2)

The standards on behavior and protocols clearly and directly specified and provided by these policies guide the entire organization on what is considered ethical and acceptable by the Company.

Strict observance of the Conflict of Interest Policy, for instance, ensures that all work-related decisions, actions or inactions of Philex Mining's directors, officers, employees, and consultants are above-board and based on sound business principles and judgment. As a policy, transactions which are or may have the potential of being deemed as Conflict of Interest transactions are prohibited. Employees must disclose in writing any actual or potential instances where they may have a Conflict of Interest or the appearance of a Conflict of Interest as soon as they become aware of such actual or potential situations.

Meanwhile, those departments and positions prone to attempts at corruption are further bolstered by the Contractor/Vendor Relations Policy and the Policy on Gifts, Entertainment and Sponsored

Travels that help them refrain from putting themselves in situations or acting in a manner that could significantly affect the objective, independent and effective performance of their duties and responsibilities in the Company. These policies seek to uphold the highest professional standards of business practices, core values, and ethics in the company's dealings with other parties, including suppliers in the procurement of products and services.

Strengthening the effectiveness of these policies is the implementation of a Whistle Blowing Policy, wherein employees who, in good faith, make a disclosure or file a complaint regarding the illegal or unethical conduct or conduct that violates the CG Rules and the Company's Code of Discipline shall be treated in a confidential manner and the whistleblower protected from retaliation. Complaints will be investigated through a just and accountable procedure that respects rights and practices fairness for all.

Operational Highlights

[201-1]

The Company's total operating revenues for 2016 amounted to PhP10.3 billion, or 12% higher than the previous year. Operating for a full year, copper production was higher by 3% due to higher tonnage and better ore grades while gold production was down by 4% due to lower ore grade. Despite the lower gold production, however, gold revenues increased, due to higher gold prices.

Profit and Loss (PhP Millions)

	2014	2015	2016
Revenue			
Gold	5,889	5,670	6,209
Copper	4,616	3,450	3,976
Silver	82	70	86
Total	10,587	9,189	10,272
Cost and Expenses	7,989	7,011	6,900
Income from Operations	1,748	1,341	2,478
Other Income (Charges)	40	(55)	(202)
Net Income (loss)	703	776	1,567
Attributable to Philex Mining Shareholders	1,006	896	1,589
EBIDTA	3,320	2,779	3,854
Core Net Income	1,122	905	1,657

Operating Revenues

Gold production was down by 4% to 103,304 ounces in 2016 from 107,887 ounces in 2015 due to lower ore grade as a result mainly of declining ore grades at 908 ML and 840 ML which is expected as we approach end of mine life. Despite lower gold production, gold revenues – comprising 60% of the total in 2016 – increased to PhP6.21 billion from PhP5.67 billion in 2015, mainly from favorable gold prices. Analysts say the gold prices reflected market reactions to Britain's exit from the European Union and the Eurozone crisis in 2016. It also benefitted from high demand from China.

Copper production was higher by 3% to 34,961,063 pounds in 2016 from 34,104,049 pounds in 2015 due to higher tonnage and better ore grades. As a result of higher copper production, coupled with favorable copper prices, copper revenues were up to PhP3.98 billion in 2016 – accounting for 39% of the total in 2016 – from PhP3.45 billion in 2015. Analysts say that the rise in copper prices reflected the increasing

economic growth in countries that have been rapidly building infrastructures to meet the demand for new factories, commercial facilities, and homes. Copper pricing closely follows trends in economies due to copper's use in all types of industrial and commercial production.

Realized gold prices for 2016 reached \$1,254 per ounce versus \$1,147 per ounce in 2015. The recovery in realized gold price in 2016 was due to uncertainties in the global economy, particularly Britain's exit from the European Union, lower than expected interest rate hike in the US, and continued demand for gold from China, ending the decline in world metal prices that started the latter part of 2012.

Similarly, realized copper prices in 2016 recovered to an average of \$2.35 per pound as a result of supply-side constraints from the closure of major copper-producing mines. The decline of copper prices in 2015 was due to the decline in world metal prices starting the latter part of 2012.

Operating Costs and Expenses

For 2016, total operating costs, including the General and Administrative Expenses (GAE) amounted to PhP6,900 million, lower by 2% than previous year, as a result of the Company's continuing cost management and expense reduction program. Along with the effects of the manpower rightsizing program implemented in the previous years, the Company saw a substantial decrease in GAE to PhP373.1 million in 2016 compared with PhP414.3 million in 2015.

Depreciation, depletion and amortization was also down by 6% to PhP1,460 million against PhP1,546 million in 2015 following the extension of Padcal mine life by two more years from 2020 to 2022.

The Company spent 39% less in terms of capital expenditure last year, or PhP2,360 million, due to the completion of capital-intensive activities in our Silangan project and a generally more deliberate and focused capital investment program.

Overall, Padcal operations accounted for 69% of Philex Mining's capital outlays in 2016 at PhP1,636 million. This amount is higher compared with PhP1,524 million in 2015, with the increase mainly due to infrastructure costs incurred to raise the spillway at Tailings Storage Facilities 3.

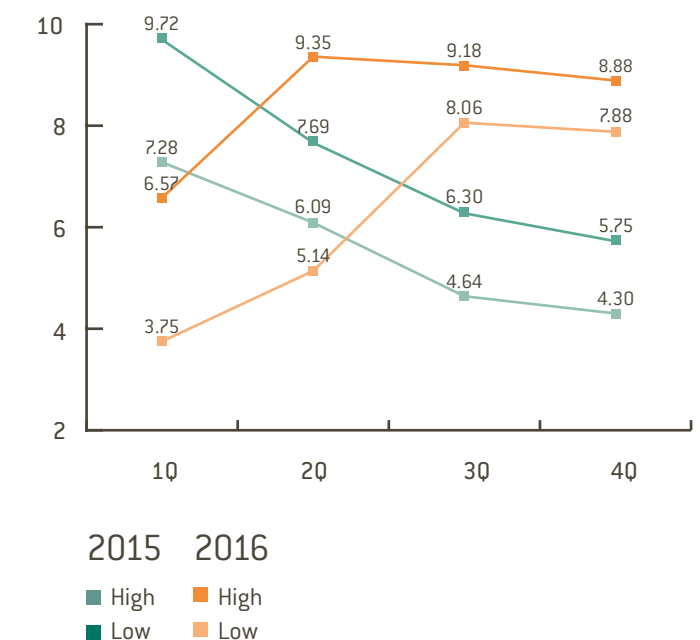
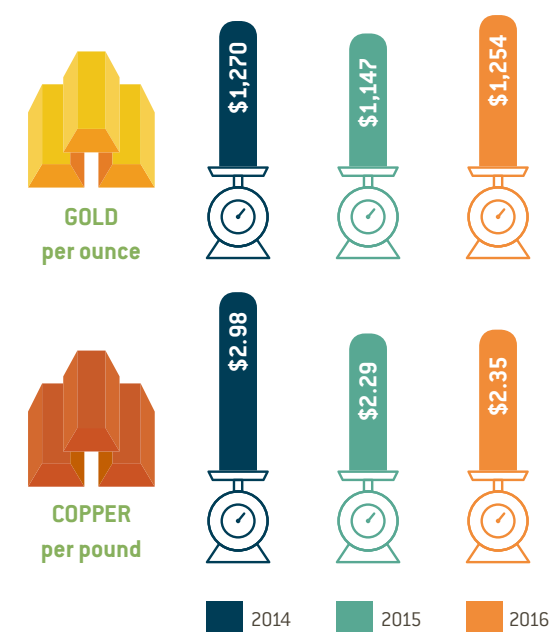
Excise tax and royalties in 2016, amounting to PhP452 million, was higher by 4% than 2015 as an offshoot of higher net revenue.

Share Value (Stocks)

The Company's shares are traded in the PSE under the code name PX, public float of 33.37% as of December 31, 2016.

The average quarterly stock prices for the common shares within the last two years were as follows:

Gold and Copper World Prices



The Company had 44,219 shareholders as of December 31, 2016 — with 4,940,399,038 common shares issued and outstanding, of which 38.78% are owned by foreign nationals and institutions. The top 20 shareholders were as follows:

	Name of Stockholder	Number of Shares	% of Ownership
1	ASIA LINK B.V.	1,023,275,990	20.71%
2	SOCIAL SECURITY SYSTEM Named account 864,444,930 Under PDTC Account 134,908,669	999,353,629	20.23%
3	PCD NOMINEE CORPORATION (Filipino/Non-Filipino)	1,051,370,751	21.28%
4	TWO RIVERS PACIFIC HOLDINGS CORPORATION	738,871,510	14.96%
5	KIRTMAN LIMITED	242,011,062	4.90%
6	MAXELLA LIMITED	239,479,900	4.85%
7	THE FIRST NATIONAL INVESTMENT COMPANY, INC.	12,195,042	0.25%
8	MAKATI SUPERMARKET CORPORATION	8,353,226	0.17%
9	ESTATE OF EUDALDO BOIX	5,025,422	0.10%
10	PHILIPPINE REMNANTS COMPANY, INC.	4,875,000	0.10%
11	MANUEL V. PANGILINAN	4,655,000	0.09%
12	FRANK PAO	3,639,260	0.07%
13	ESTATE OF EUDALDO BOIX and PETRA HERNANDO	3,093,203	0.06%
14	PAULINO DE UGARTE and/or ELENA E. UGARTE	3,068,143	0.06%
15	CAROL JOAN REIF	2,974,086	0.06%
16	ROBIN JOHN RETTYPER	2,644,747	0.05%
17	ESTATE OF JOSE TAN YAN DOO	2,569,251	0.05%
18	V and O COMPANY, INC.	2,513,292	0.05%
19	VICTOR SY	2,437,500	0.05%
20	LUCIO W. YAN and/or CLARA YAN	2,437,500	0.05%
	TOTAL	4,354,843,514	88.15%

Supply Chain Management

[102-9]

The raw materials for the production of copper concentrates containing copper, gold and silver come from the Padcal Mine's Sto. Tomas II ore body, which are deemed to be the basic raw materials of the copper, gold, and silver produced.

As such, the supply chain is involved in the process of producing copper concentrates for shipment to smelters – such as labor, materials and supplies, power, and other services that are employed and utilized.

Labor is generally provided by the Company's regular employees, augmented by accredited contractors for certain mining activities and projects. The total manpower complement of the Parent Company for 2016 consisted of 2,057 full-time regular employees – 1,954 in Padcal Mine and 103 in the Mandaluyong Head Office. Of the total, 1,400 were in operations while 657 were in support service functions.

Meanwhile, Philex Mining has a Supply Chain organization that oversees the sourcing of machinery and equipment, including the Maintenance, Repair and Operating (MRO) supplies. The organization ensures continuous availability and prevents supply risk by utilizing various medium- and long-term supply chain and inventory management strategies in cooperation with major mining equipment manufacturers and Original Equipment Manufacturers (OEMs).

Mining consumables are either ordered locally or imported. Locally sourced materials are diesel fuel, ball mill liners, explosives, limestone, oil and lubricants, cement and sand while imported items are grinding balls, copper flotation reagents, major equipment spare parts, and off-the-road (OTR) tires. The organization also employs various inventory and supply chain management programs, such as economic order quantity (EOQ), just-in-time (JIT) outsourcing, and partnerships with various suppliers— to ensure cost-efficiency, reliability and high quality of raw materials.

Power for Padcal Mine is sourced from TeaM Energy Corporation under a two-year contract for the supply of electricity, which was renegotiated in early 2016 under new terms for five years or up to December 25, 2020. The Padcal mine, however, has the capacity to self-generate standby electricity principally for underground mine use in case of power supply interruptions, using bunker fuel generating sets. The National Grid Corporation of the Philippines provides the transmission lines for the delivery of power to the mine. Diesel fuel is used mostly for the Load-Haul-Dump (LHDs) equipment and the Low Profile Trucks (LPTs) mostly acquired from Sandvik, Atlas Copco, and Volvo used underground, and for the mine's transportation fleet.

The maintenance of Padcal mine's cable-haul conveyor system, which transports the ore underground to the mill, is contracted with PrinceACE Corporation, a Philippine company that works closely with Conveyor Design Engineering (Australia) and JV Industries (Australia). Though the Company has drilling expertise and equipment to conduct its own drilling activities, drilling contractors, such as Quest Exploration Drilling (Philippines), Inc., DrillCorp Philippines, Inc., Indodrill Philippines, Inc. and MDGI Philippines, Inc., are also utilized, particularly for exploration. As the need arises, local and foreign consultants would also be engaged to provide the Company with technical advice or assistance in doing specific engineering projects.

The entire Supply Chain Organization is covered by and enjoined to strictly adhere to the Code of Business Conduct and Ethics as well as all relevant anti-corruption policies promulgated by the Company, namely: Conflict of Interest Policy, Contractor/Vendor Relations Policy, Policy on Gifts, Entertainment and Sponsored Travels, Related-Party Transaction (RPT) Policy, and Whistle Blowing Policy.

Compliance with Regulatory Requirements

In compliance with environmental regulations, Philex Mining has implemented environmental management measures, and installed pollution control measures or devices to manage quality of air, and water and prevent toxic pollution. The Company regularly reports the results of its inspections and monitoring activities to the Environmental Management Bureau under the DENR.

The Company also ensures that the following environmental policies are complied with:

- PD 1586: Establishing an Environmental Impact Statement System Including Other Environmental Management Related Measures and For Other Purposes – No person, partnership or corporation shall undertake or operate any declared environmentally critical project or area without first securing an ECC.
- PD 705: Revised Forestry Code of the Philippines – Provides guidelines on the utilization and development of forest lands to ensure their continuity in productive condition
- RA 6969: Toxic Substances and, Hazardous and Nuclear Wastes Control Act of 1990 – Regulating the handling, treatment and disposal of generated chemical wastes and other toxic and hazardous substances.
- RA 8749: Philippine Clean Air Act of 1999 – Provides for the management of point and nonpoint sources of pollution and quarterly monitoring and testing of pollution source device or facility.



Air Quality Monitoring Station, situated inside the Mill Plant

- RA 9275: Philippine Clean Water Act of 2004 – Regulating discharges of effluent from processing and other operation of the company.
- RA 9003: Ecological Solid Waste Management Act of 2000 – Regulating ecological solid waste management programs to ensure protection of public health and the environment.

The Padcal Mine acquired its Integrated Management System (IMS) in 2014 which includes its Environmental Management System (EMS). Consequent evaluation by TUV Rheinland resulted in two certifications – an ISO 14001:2004 Certification for EMS and a BS OHSAS 18001:2007 for Occupational Health and Safety Management.

DENR Environmental Audit



Inspection of facilities during DENR's Environmental Audit

In 2016, the DENR conducted a comprehensive audit on all mining companies operating in the country. An official 14-man DENR technical team, led by Office-in-Charge Executive Director Eligio Ildefonso of the National Solid Waste Management Commission (NSWMC), visited the mine camp to inspect the mine operations against their checklist of standards. During the audit, the Company was able to show the auditors its world-class ISO-certified mining operations, the results of its environmental enhancement programs, and the impact of its social programs on the host communities and neighboring areas.

After the thorough inspection and review, Philex welcomed the announcement at the Exit Conference held at the Environmental Management Bureau

(EMB)-DENR in Baguio City that it has passed the audit and has adhered to regulatory measures prescribed by government standards.

DENR's Ildefonso encouraged the Company to increase its information and educational campaign to share Padcal's model of community development and economic progress. The audit team also reminded the Company to include other groups of indigenous peoples (IP) in the SDMP and impart its expertise with smaller miners in the area.

In response to the positive results of the audit, the Company reiterated its commitment to continue working alongside the government in pushing for continued improvements and promoting Responsible Mining in every aspect of the business.



Bumolo Project operations



Bumolo access trail



Examination of drill cores from Desert Storm 156 Project

Exploration and Development

Within Padcal's MPSAs, the Company undertook three major exploration activities in 2016 – Bumolo, for intensive drilling, Desert Storm for surface assessment and targeting for porphyry copper-gold, and Tapsan for surface mapping for gold in veins.

All three projects are located in MPSA-156, although a significant area of the possible resources in Tapsan occurs within MPSA-157.

Bumolo Project

The Bumolo project covers a porphyry copper-gold deposit approximately 1.5 kms northeast of the Sto. Tomas II mine. Resource definition drilling was completed in August 2016. A total of 11,075 meters from 46 holes were drilled in 2016 and raised the total meters drilled to 17,782 meters from March 2015 when drilling started. Mineral Resource Estimation at Indicated classification will be completed in 2017 and will be based on the geological interpretation as of December 2016.

Metallurgical testing of mineralized drill core samples and environmental rehabilitation of Bumolo were also completed by December 2016.

The accessibility of the near-surface Bumolo ore to the existing mine and mill infrastructures makes it attractive to pursue mining feasibility study.

Desert Storm 156 Project

The project is an extensive exploration and drilling program designed to discover new porphyry copper deposits within the vicinity of Sto. Tomas II mine, specifically within MPSA 156, to extend the life of Padcal operation beyond 2022. The exploration is based on the observed clustering of porphyry copper deposits in the Baguio Mineral District and in other local and foreign analogues.

The Desert Storm Project consists of four prospects in MPSA 156, namely Southwest, North Midway, Oliva, and Tapsan, where potential for buried porphyry copper-gold mineralization is currently being investigated. Social access to the prospect areas was vigorously pursued in the last quarter of 2016 to initiate exploration. Diamond drilling is actively going on in three out of the four prospects: Southwest, North Midway and Oliva.

Tapsan Prospect

Tapsan is a gold-silver vein prospect located 5kms south-southeast of the Sto. Tomas II mine. Investigation of the prospect commenced in the second quarter of 2016. Geologic mapping of outcrops and pocket miners' tunnels identified possible targets for drilling. A 2-kilometer long tramline system is being constructed to convey drill equipment over the rugged terrain in the area to enable scout drilling within this year.

Other exploration activities

Activities in two other prospects in the vicinity of Padcal - Clifton and Sto. Tomas II West- were suspended in 2016 due to regulatory challenges.

ENVIRONMENTAL RESPONSIBILITY



Philex Mining supports the implementation of Republic Act 7942, otherwise known as the Philippine Mining Act of 1995 and its Revised Implementing Rules and Regulations (IRR)— Department Administrative Order (DAO) 96-40 . The DAO requires that an Environmental Protection and Enhancement Program (EPEP) covering the period of the mineral agreement or permit be prepared and approved prior to commencement of mining or exploration.

Through its EPEP, Philex Mining is committed to its submitted work program includes not only plans relative to mining operations but also to rehabilitation, regeneration, revegetation and reforestation of mineralized areas, slope stabilization of mined-out and tailing covered areas, aquaculture, watershed development and water conservation.

To ensure compliance of approved EPEPs, a Multi-partite Monitoring Team (MMT) monitors their implementation. The MMT is composed of representatives from environmental NGOs, the affected communities, concerned Indigenous Cultural Communities, the Department of Environment and Natural Resource (DENR)-Regional Office, Environmental Management Bureau (EMB), and with the Mines and Geosciences Bureau (MGB)-Regional Office as Head.

Furthermore, because mining is a temporary land use, the Mining Act also requires that a Final Mine Rehabilitation and Decommissioning Plan (FMR-DP) be submitted together with the EPEP to ensure that all disturbed areas will be restored, as near as possible to their original state or a pre-agreed productive end use.

The targets set by the EPEP illustrates the Company's deep commitment to protect the environment and ensure Responsible Mining that would help maintain productive use of the land and water resources for future generations.

As an advocate of Responsible Mining, Philex Mining has articulated its Environmental Policy as follows:

"Philex Mining Corporation, as a socially and environmentally responsible Filipino company striving for excellence in mineral resource development, is committed to the continued improvement of its operations to minimize adverse environmental impacts, by complying with applicable legislations and other requirements, and promote environmental awareness and commitment among its workers at all levels."

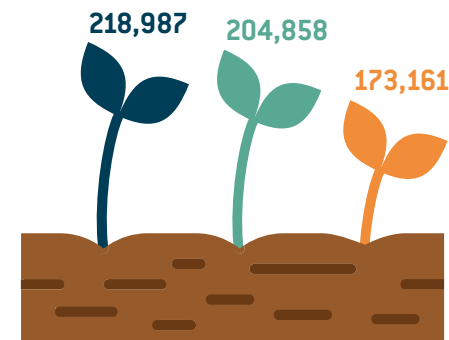
Performance at a Glance

[302-1]

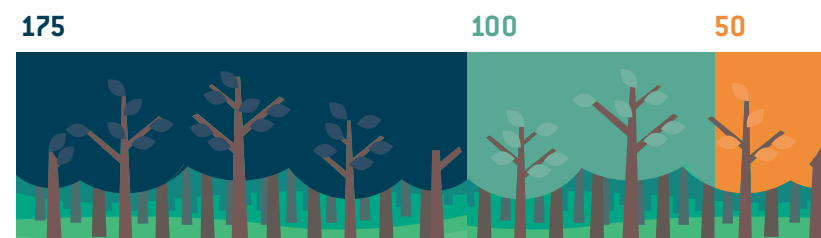
Land Resource Management

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

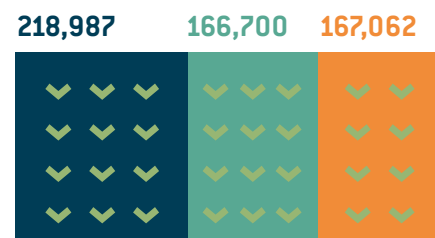
Total Seedlings Planted



Area Rehabilitated/Reforested (hectares)

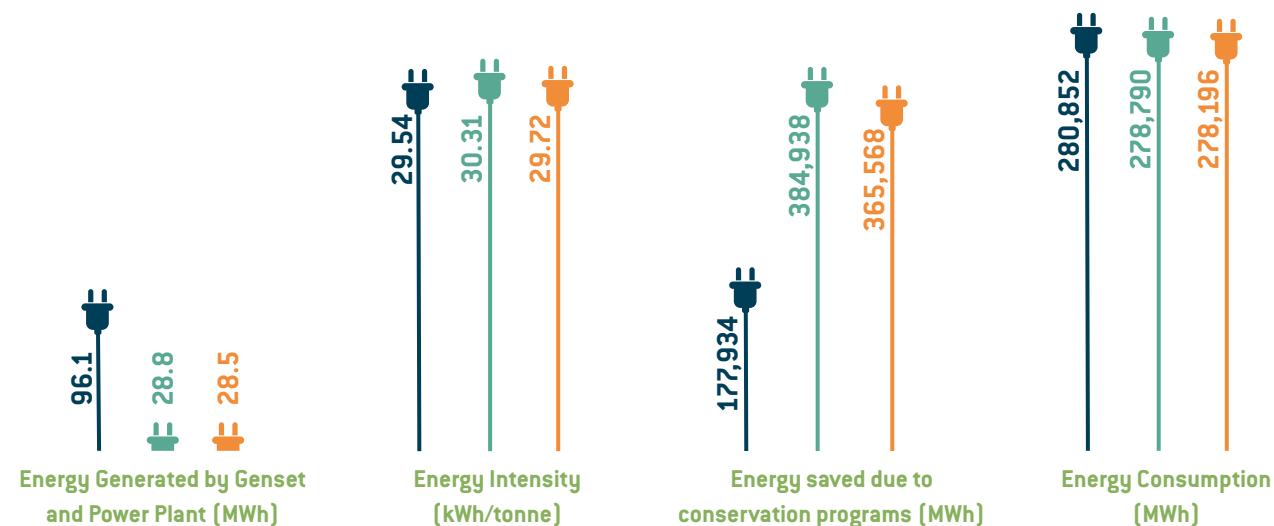


No. of Seedlings planted in rehabilitated area



Energy Management

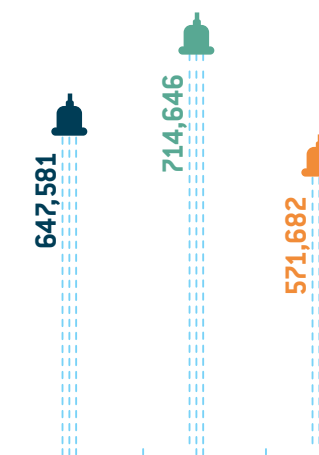
- Electricity Generation and Consumption
- Energy Efficiency in Operations
- Fuel Consumption - Transportation



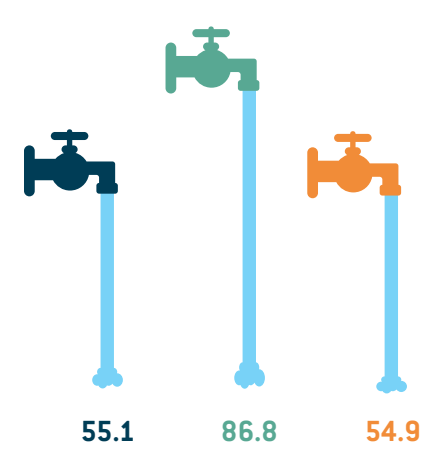
Water Management

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

Water Consumption (m³)



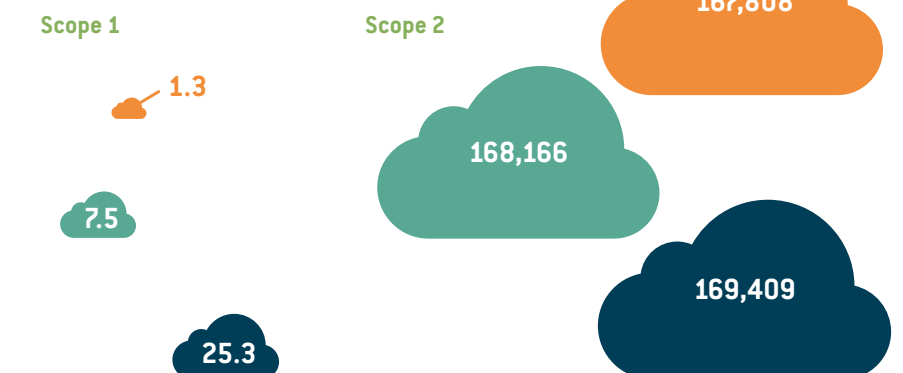
Wastewater Discharged (million m³)



Air Quality Management

[305-1, 305-2]

- GHG Emissions
- Dust Pollution
- Noise Pollution

Greenhouse Gas Emissions (tonnes CO₂e)

Waste/Chemicals Management

Biodegradable Reagents Used

Reagent (tonnes)	2014	2015	2016
Nasfroth	83	103	91
SIBX (Sodium Isobutyl Xanthate)	275	231	248
Lime (Calcium Hydroxide)	10,635	5,677	5,473



Tuba Mayor Rivera aids in the tree planting program

Environmental Programs

Aside from social investments, Philex Mining believes that the conservation of the bio-physical resources equates to good business ethics. Environmental Programs are implemented in all phases of mining, starting from exploration, mine development, operations and decommissioning.

The Padcal Mine was a logged over area with very few families before the Company started operations in 1958. Today, more than 2,800 hectares have been reforested with about eight million trees and a survival rate of 90%. In the past five years, the total for Padcal Mine's reforestation program has been over PhP2 billion.

Vegetative and engineering measures to stabilize slopes and control erosion are common practices in all mine areas. Aside from reforestation, below are some examples of the environmental management projects in Padcal:

- Water management and monitoring is conducted daily by in-house personnel and quarterly by the government-led Multi-partite Monitoring Team

(MMT) for the operating mine and the Community Technical Working Group for exploration projects.

- Regular effluent monitoring is being conducted at strategic sampling points inside and outside of the mine camp.
- Air quality is managed through fog cannon to suppress dust dispersal while used oil is sold to accredited buyers of the government.
- The first and second Tailings Storage Facilities 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.

All expenditures on environmental activities are budgeted and monitored under the official EPEP submitted to the DENR. Total 2016 Annual EPEP expenditure was PhP446.7 million, or 90.7% of the Total 2016 AEPEP Budget of PhP492.4 million.

Land Resource Management

True to its commitment to the environment, the kick-off program of the Company's 60th Anniversary celebration was a tree-planting movement called "Nurture-Nature Activity". The Company invited stakeholders from its host and neighboring communities to plant 5,000 Narra seedlings at Padcal Mine's Tailings Storage Facility No. 1 (TSF1).

Philex Mining's reforestation initiative spans a period of almost three decades, covering a total of 2,800 hectares included in its MPSA 156, of which 621 hectares are actually outside the MPSA.

For 2016, the forest nursery in Padcal Mine produced another 168,266 seedlings of various local trees that are endemic to the area, thereby meeting and exceeding its annual goal.

Meanwhile, the nursery began propagating another 200,000 seedlings to be used as 2017 planting stocks, where 180,000 different seeds were potted and approximately 20,000 seeds were sown in the seed beds. The Company partners with local communities for the implementation of the reforestation program and secure at least a 90% survival rate for the plants. This partnership with the community is in the form of three-year contracts that engages and empowers them to closely maintain and protect the plantations within their areas.

Aside from the maintenance and protection of the 2,800 hectares forest plantation established through the years, the activities for the year included putting in place over 363,000 square meters of firebreak through grass cutting along the roadsides/trails to prevent the occurrence of wildfires in the area, as well as the construction of another 5,000 m² of Vegetative Erosion Control.

The Company also sustained the maintenance and protection of the bamboo plantation and other vegetations in the mine site including the animal grazing/pasture area at the TSF 1. One thousand bamboo seedlings were also maintained during the last quarter, to be planted by the second semester of 2017.

The Company's sustained investments and initiatives on reforestation were rewarded as Padcal Mine was honored as First Runner-Up for Best Mining Forest by the Philippine Mine Safety and Environment Association (PMSEA) at its 63rd Annual National Mine Safety and Environment Conference (ANMSEC) held in Baguio City last November 2016.



Energy Management

[302-4]

Energy is an essential resource, used by Philex Mining for its operations, the mine camp residential areas, and community support services.

In 2016, Padcal Mine consumed 278,196 megawatt hours (MWh) of electricity, slightly lower than the previous year. The Company purchases the energy for its mining operations, milling processes, and residential areas from TeaM Energy Corporation.

Almost 99.9% of the total electricity consumed came from TeaM Energy Corporation, while electricity generated internally through generator sets accounted for only 0.1%.

Source	Period	Output (kWh)
AC Generating Set	February	200
	April	1,500
	October	12,400
	November	14,400

To conserve electricity, the mine has decided to replace the traditional fluorescent lighting tubes with the more eco-friendly LED light tubes. To date, 3,000 pieces of 16W LED tubes have been installed, replacing fluorescent tubes, to help manage electricity consumption in major load centers. For 2016, the change-over to LED, along with other conservation measures, has lowered power consumption by 115,843 kWh.

Year Total Consumption by LED Lights

2016	1,119,069 kWh
2015	1,234,912 kWh
2014	1,392,533 kWh

Electricity is delivered through the transmission lines of the National Grid Corporation of the Philippines (NGCP). The agency requires distribution utilities and electric cooperatives to curb consumption in the event the national grid is unable to meet power demand. As such, Philex Mining has been conducting a Power Load Shedding Program since 2014 and cutting down electricity supply at the residential areas for almost two hours daily. The program resulted in total savings of at least 365,368 kWh equivalent to more than Php2 million in 2016.

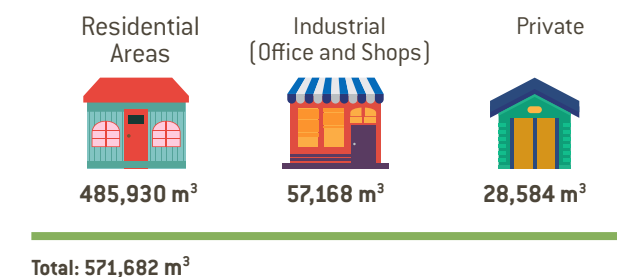
Electricity Savings through the Power Load Shedding Program

Month	Number of Days Implemented	kWh Saved per Day	Total kWh Saved	Total Amount Saved
February	23	3,072	70,656	454,318.08 (P6.43/kWh)
March	20	3,072	61,440	344,678.40
April	25	3,072	76,800	430,848.00
May	25	3,072	76,800	430,848.00
June	26	3,072	79,872	448,081.92
Total	119	3,072	365,568	2,108,774.40

Water Management

[303-1, 306-1]

Padcal Mine sources its raw water from the Smith Tunnel and the Banawel Pumping Station located in Banget and Padcal areas. These sources supply an average of 1,700 cubic meters (m³) of water per day, which is then distributed and consumed by residential, industrial and private users.



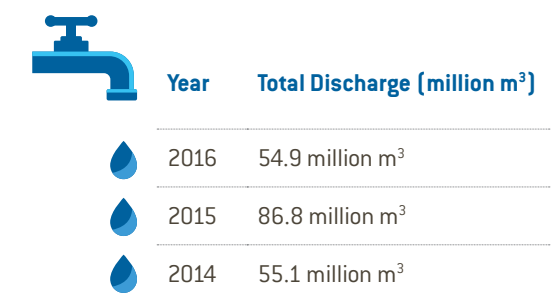
In an effort to promote efficient water management in 2016, the Company installed Tailings Cyclones in the Mill Processing Plant for ore processing. This technology will help increase the use of recycled water in Mill Operations from 10,000 tonnes per day to 16,000 tonnes per day, effectively reducing the consumption of fresh water.

The projected outcome of the initiative is to increase, from existing 24% to 57%, processed water recovered from tailings. This will reduce dependency on Sal-angan source, particularly during the dry season when fresh water from this source is limited. The additional water recovery would also ensure availability of water to attain target tonnage.

Water is an essential resource for mine operations and processes, and Philex Mining constantly monitors the impact of this on aquatic environment and downstream users to ensure that these are maintained at minimum levels. Through constant

water quality monitoring systems and waste resource management, the Company addresses concerns on the quality and quantity of effluents that flow through the spillway and down to the Maligaboy and Balog Creeks, and eventually to the Agno River.

In 2016, Padcal Mine operations discharged a total of 57.9 million cubic meters of water to TSF 3:



The mine has a Tailings Storage Facility designed with a catch basin that serves as a reservoir, and uses a decantation process to filter out undesired particles from the discharged waste water before it is allowed to flow through the spillway.

Philex Mining regularly test samples of its upstream and downstream discharges, checking and confirming that the quality meets the standards set by the Mines and Geosciences Bureau (MGB) and the Environmental Management Bureau (EMB). In 2016, the samples collected and tested adhered to the Water Quality Criteria (WQC) and the DENR classified the Company's effluent standard set as Class "A" freshwater.



Water Sampling and Assessment of Balog Creek

Water Sampling and Testing Results

Contaminants	Sampling Areas			DENR Standards	
	Sal-angan	Spillway	Balog Creek	DAO 2016-08	DAO 34
Total Suspended Solid	2.5	9	2.5	70	50
Arsenic	0.01	0.01	0.01	0.02	0.05
Cadmium	0.006	0.006	0.006	0.006	0.01
Chromium					0.05
Copper	0.01	0.01	0.01	0.04	1
Lead	0.05	0.05	0.05	0.02	0.05
Mercury	0.0002	0.0002	0.0002	0.002	0.002

Air Quality Management

[305-7]

Dust emissions produced by mine operations are reduced through a dust suppression system using air and water to act as suppressors. Meanwhile, regular preventive maintenance on vehicles and equipment ensure their emissions are controlled to a minimum.

Throughout the year, Ambient Air Quality Monitoring Tests are regularly conducted inside (industrial and administrative areas) and outside (community) the mill plant. The Company also conducts regular gas measurement and monitoring in the working areas to ensure that levels are maintained within allowable concentration as prescribed by Occupational Safety and Health Standard regulations.

In the Mill Plant, the Company undertakes mitigation activities to address air quality concerns, such as maintenance of the dust collectors and fume heads at crushing plant, provision of PPE (dust masks or respirators) for workers assigned in the area and monitoring of ambient air within the Mill Plant.

In underground areas, the Company maintains and sustains the operations of the ventilation system to ensure the production and generation of good quality of air in the working areas. At the same time, driving of ventilation drifts/raises and maintenance of all existing blowers are regularly undertaken. The use of respirators is also enforced among workers assigned in the different working areas.

The Company's annual expenditure on Air Quality Management is around PhP1.4 million, which includes the purchase of an upgraded Air Sampler designed to collect ambient particulate matter with an aerodynamic diameter of 2.5 micrometer (μm) or less, considered better than the past device that collected particulate matter 10 μm or less.

This is considered important because particles less than 2.5 μm in diameter (referred to as "fine" particles) are believed to pose the greatest

health risks to people. Due to their small size (approximately 1/30th the average width of a human hair), fine particles can lodge deeply into the lungs. Fine particulate matter is also an air pollutant that reduces visibility and causes the air to appear hazy. As such, it becomes a concern when levels in the air are high to require regular monitoring.

Area	Average Daily Concentration ($\mu\text{g}/\text{m}^3$)	Air Quality Index (AQI) Equivalent	AQI Category
Mill Industrial Area	27	82	Moderate
Outside Mill Plant / Community	33	95	Moderate
Tailings Storage Facility 3	26	81	Moderate
San R Field Office	14	55	Moderate

According to the Air Quality Index (AQI), a concentration level of "moderate" is considered acceptable. However, for some pollutants, there may be a health concern for a very small number of people who are unusually sensitive to air pollution. Active children and adults, and people with respiratory disease, such as asthma, should limit prolonged outdoor exertion whenever monitors show moderate air quality, most especially when air quality is shown as "unhealthy for sensitive groups".

In respect of sound pollution, sound level monitoring is regularly conducted in selected areas emitting high noise level in the Industrial Areas. To address this, the use of earmuffs or earplugs is strictly enforced among workers assigned in areas where noise level is high.

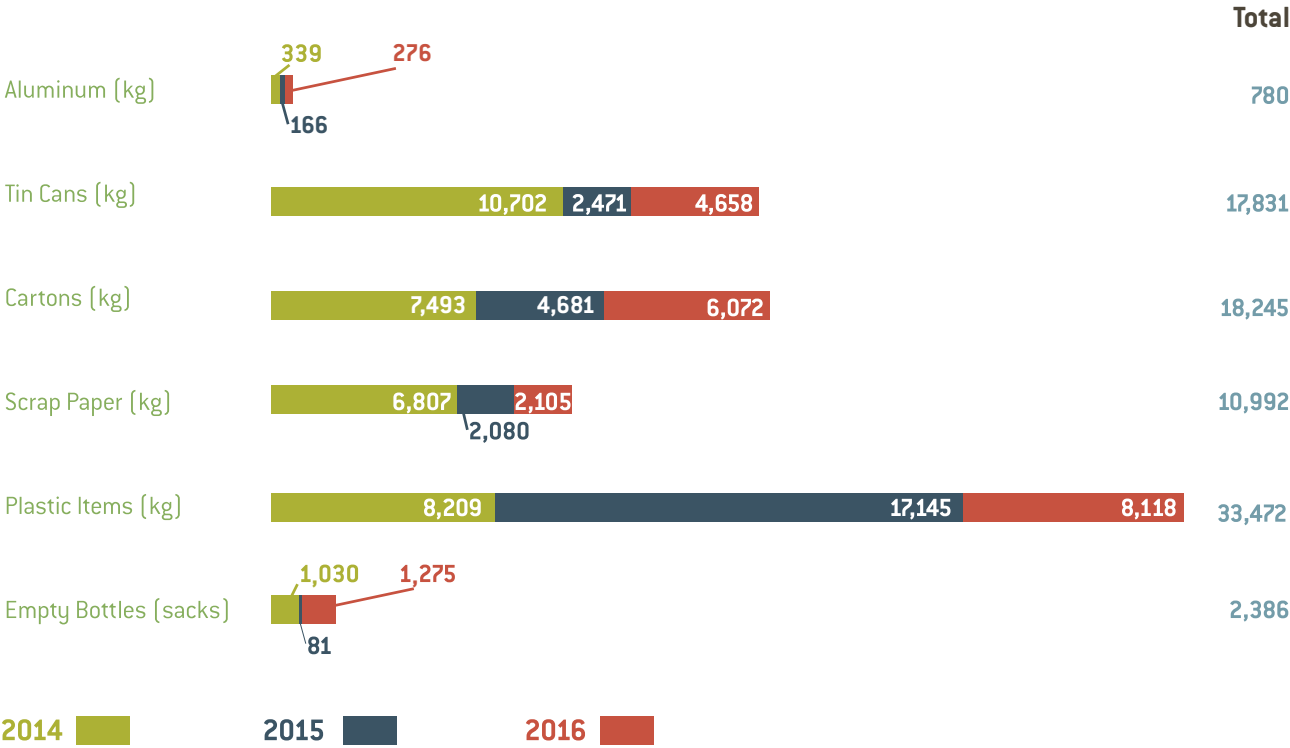
Waste/Chemicals Management

[306-2, 306-4]

Good housekeeping is practiced conscientiously in Padcal Mine. As part of this, scraps from different sections are collected and hauled to designated depository areas/scrapyard every first and last hour of each shift.

In addition, the mine operates a Sanitary Landfill Facility at TSF 2, in accordance with the ECC issued by the EMB-CAR. The practice of waste segregation and recycling is encouraged where recyclable materials are sorted and sold to DENR-accredited recycling company PBARM. In the past three years, the total amount raised from the sale of these recyclables amounted to Php1.32 million.

Recyclable Materials Collected and Sold



Waste segregation bins within the mine facility

Padcal Mine’s various operations consume oil and lubricants and consequently produce waste that require proper disposal. These kinds of materials are collected and shipped to the Banget sludge pond and oil depository area prior to collection and disposal by DENR-accredited laboratories. All used oil-water separators installed in the different shops discharge areas are monitored and inspected to ensure no oil spillage may affect the river system and the environment.

Type	Volume (Liters)
Used oil/water mixture	87,140
Transformer oil	104,000
Used grease	3,470
Used oil with sand and water	4,800
Total	199,410

The monitoring of chemicals and hazardous waste that come from the Assay Laboratory and the Hospital is of special concern for the Company. As such, the Assay Laboratory’s chemical wastes [acid, alkali and organic wastes] generated from the laboratory are treated and disposed properly.

Organic solvent wastes — such as used oil, kerosene, toluene, xylene, hexane — are contained in carbouys with tight cover and disposed properly at the Mill Sludge Pond. Acid waste solutions at the sump box are regularly monitored and neutralized with lime solution before disposing to the sewerage. As a result of all these, the pH of the discharge water came at an acceptable range from 6.5-8.5.

The Assay Laboratory’s reject crushed ore samples are accumulated in the collecting bin for proper disposal to the Mill Plant. In addition, 14,897 kgs lead oxide contaminated cupels were transported to treatment by All Waste Inc. [DENR-accredited] for treatment in 2016.

Meanwhile, the Sto. Nino Hospital strictly implements its waste disposal guidelines to prevent contamination of the environment and cross-infection as well as spread of infectious disease in the community. The hospital management continuously maintains and secures the designated depository area for biohazard sharps waste generated [such as hypodermic needles]. Infectious waste is sterilized through autoclave method prior to disposal to the Sanitary Landfill. In 2016, the hospital disposed of 121 kilograms of x-ray developing and fixer solutions.

SOCIAL RESPONSIBILITY



Labor Practices

The Company supports programs that champion the engagement and development of employees. Philex Mining values its people and is committed to the advancement of their full potential, including the rights guaranteed by existing labor laws.

The Company provides employees with fair compensation for their contributions, provides them with meaningful performance feedback, and offers professional development and training opportunities.



Health and Safety

The Company promotes safety and environmental awareness for the employee's well-being. Philex Mining follows a Site Safety Policy that adheres to the highest standards for ensuring a safe and secure workplace, conducive to enhancing professionalism and productivity. The Company provides necessary equipment and resources to enable employees to work safely, including trainings on safety and occupational health management protocols that they are expected to follow within the work site and its premises.

As best practices continue to evolve, the Company encourages accountability and employee involvement in issues affecting the workplace. In this way, employees themselves are able to help in continuously improving work conditions, safety, and efficiency.



Facilities Protection

Philex Mining considers itself a partner for progress of its host and outlying communities. Enjoined by the Mining Act to assist in the development of the mining community through its mandated five-year Social Development and Management Program (SDMP), Philex engages various stakeholders in dialogues and interactions to determine the best development programs to empower and enable them.



Community Development

Complementing the SDMP initiatives are the Company's Information, Education and Communications (IEC) campaign, and the Development of Mining Technology and Geosciences (DMTG) which are also encouraged by the government to help further develop the industry and its relationship with host communities.

Performance at a Glance

[102-41, 403-1]

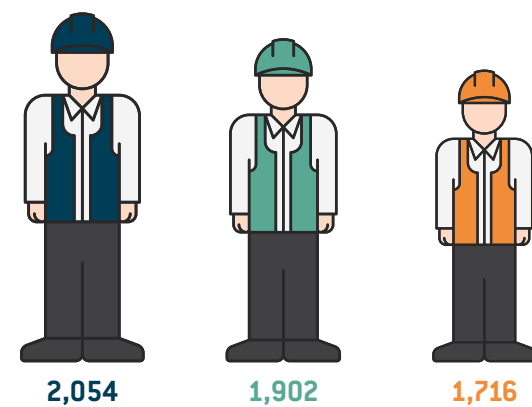
2014 2015 2016

Labor Practices

Total Number of Employees

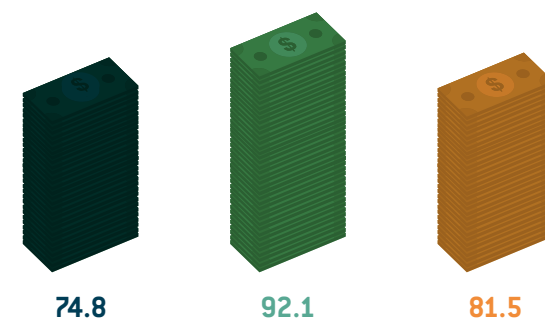


Number of employees under Collective Bargaining Agreements



Community Development

Total SDMP budget (PhP million)



Health and Safety

[403-2]

Incidence Rate [%]



Frequency Rate[%]



Number of employees in Health and Safety Committee



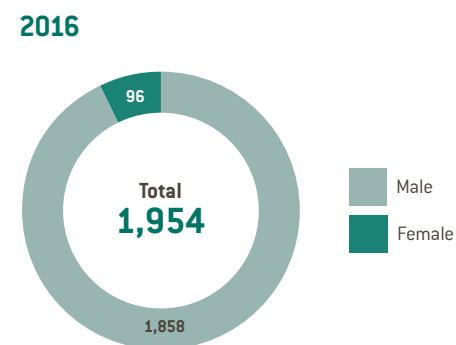
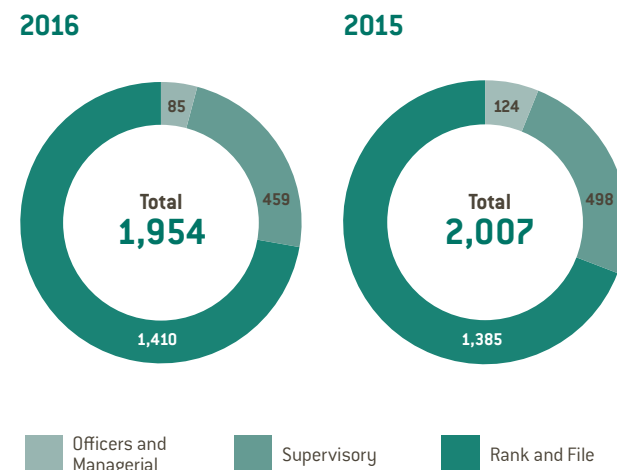
Number of employees who have attended safety training programs



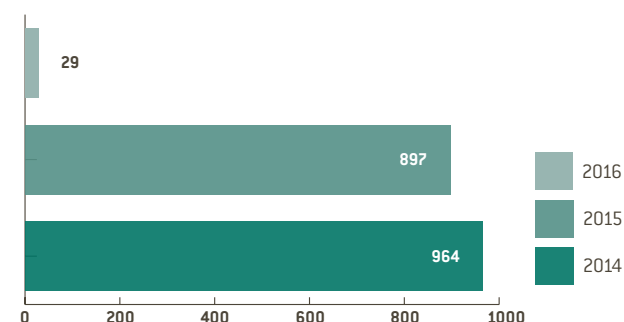
Labor Practices

[102-7, 102-8, 401-1, 401-2, 403-1, 403-4, 405-1]

The total manpower complement of the Company as of December 31, 2016 consisted of 1,954 full-time regular employees, classified according to Gender and Rank as follows:



Number of New Hires



The gender distribution of employees reflects the traditionally male-dominated industry, with about 95% of the workforce male and only 5% are female. Despite the minority of females, their work contribution is equally valued and they are given opportunities to occupy positions of trust, as shown by the data that 16.5% of the top positions and 15% of supervisory positions are held by women.

In addition, the Company's hiring policy prioritizes local residents for the mine site to generate jobs in the communities. As a result of this policy, approximately 55% of employees hail from Regions 1 and 2 and the Cordillera Administrative Region (CAR).

The overall average tenure of employees is 14 years, with an average age of 41 years old. After the Manpower Rightsizing Programs implemented in the preceding years, HR reported only two separations from the Company in 2016. The Company has been making a conscious effort to manage the number of employees, focusing on employee development over new hires and promoting previous project-based employees to regular status.

The Padcal employees belong to two collective bargaining agents: the Philex Mining Rank-and-File Employees Union-Association of Labor Unions (Trade Union Congress of the Philippines) or PRFEU-ALU (TUCP) for rank-and-file employees and the Philex Mining Supervisory Employees Union- Association of Professional Supervisory Office Technical Employees Union (Trade Union Congress of the Philippines) or PMSEU-APSOTEU (TUCP) for supervisors.

The five-year collective bargaining agreements (CBAs) with both unions were signed in January 2016 with effectivity up to January 2, 2020 for PRFEU-ALU (TUCP) and up to May 1, 2020 for PMSEU-APSOTEU (TUCP).



PMC values and gives opportunities to all employees

Through the CBAs, the following employee concerns were addressed:

- Medical, dental and hospitalization benefits
- Group life insurance and accident protection plan
- Personal protective equipment (PPE) provision
- Professional development, job enrichment, and safety seminars

There has been no major labor dispute or strike by any of the unions in the past five years. The Company offers a host of attractive benefits to regular employees, on top of those mandated by

law, which include paid vacation and sick leaves, free housing and utilities, rice subsidies, PPE, free medical consultations and medicines, as well as free transportation to and from work.

The Company also provides employees with a retirement plan, defined with a specific amount of retirement benefits based on factors such as age, years of service, and compensation. In terms of compensation, the Company offers attractive compensation packages that include base salaries above industry rates for regular and full-time employees in the Cordillera Autonomous Region (CAR).

Health and Safety

The Company believes that operational excellence can only be achieved when personnel's health and safety is given top priority. Policies, procedures, and precautions are in place to ensure people's safety as the Company has espoused the culture of "prevention is better than cure" in the worksite.

Furthermore, employees are constantly reminded of their key roles and responsibilities towards health and safety, emergency preparedness, and response solution. To this end, the Company has a warning system installed in cases of landslides, major earthquakes, and potential cave-ins.

Philex Mining also has a Central Safety, Health, and Environment Council (CSHEC) – a joint Management - Worker Health and Safety Committee – tasked to closely monitor the Company's safety performance and maintain a culture that prioritizes safety above all. The council, composed of 117 members, plays a crucial role in reviewing and recommending corporate policies and programs and monitors activities that impact the company's overall health, safety, and environmental management performance.

Council Membership	Ratio per Group	Percentage Against Total Members
Resident Manager	1 of 1	0.9
Assistant Resident Manager	1 of 1	0.9
Division Managers	5 of 5	4.3
Group Managers	7 of 7	6.0
Department Managers	27 of 29	23.0
Assistant Department Managers	55 of 59	47.0
Supervisors	4 of 524	3.4
Union [Supervisory]	2 of 2	1.7
Rank and File	2 of 1,721	1.7
Union [Rank and File]	2 of 2	1.7
Contractors	8 of 20	6.8
Community Officers	3 of 3	2.6

In 2016, the Company reported three Lost Time Accident-Fatal (LTA-F) cases in Padcal, caused by electrical and vehicular accidents. This figure is down from the four LTA-F cases in 2015, caused largely by Typhoon Lando. Meanwhile, there were nine Lost Time Accident-Non Fatal (LTA-NF) cases recorded in 2016. All these cases were fully investigated and addressed by all concerned departments and the CSHEC, to ensure that such incidents do not recur. In addition, safety posters are placed in highly conspicuous places across the mine camp, both in working and non-working areas, to serve as constant reminders.

The Company is working towards achieving a "zero-harm" record by constantly reviewing safety policies

and procedures. Initiatives are also in place to ensure that injuries are avoided and accidents are eliminated in the workplace. Third-party consultants are also engaged to evaluate the Company's existing safety performance and identify risks areas as well as possible areas for improvement.

Philex Mining is likewise conducting continuous safety trainings across the organization, with the objective of protecting people and ensuring their well-being at all times. All newly-hired employees are also required to complete a 40-hour training and orientation program that includes briefings in workplace safety, security, Code of Conduct, and other pertinent policies.



Mine employee extinguishes fire during Fire Safety Drill

Safety Training Programs Conducted in 2016

[404-2]

Seminar Title	Total Attendance
Basic Occupational Safety and Health (BOSH) Seminar	27
Trainer's Training Program	32
Behaviour Based Safety	40
Standard First Aid/Basic Life Support Seminar	181
Fire Safety Seminar	370
Underground Emergency Management	111
Defensive Driving Training	203
Safety Overhead Crane Operation	99
Incident Investigations, Analysis and Reporting	134
Basic Electrical Safety with Lockout /Tagout	153
Advanced Safety Training	15
Total	1,365



Employee undergoing training via simulation of heavy equipment



Commendation of the Philex Rescue Team

Meanwhile, members of the Philex Rescue Team (PRT) received commendation for their heroic assistance in a perilous search-and-retrieval mission in a flooded cofferdam for the Sumag River Diversion Tunnel in General Nakar in Quezon Province.

To recall, a flash flood caused by monsoon rains endangered nine workers in the site. Three workers were saved but, unfortunately, the rest were trapped and eventually perished. The retrieval operation was risky as the tunnel was filled with water and rescuers had little room to work in. It was emotionally tough for the team as two of the fatalities used to be miners in Padcal, while one grew up in Padcal mine camp.

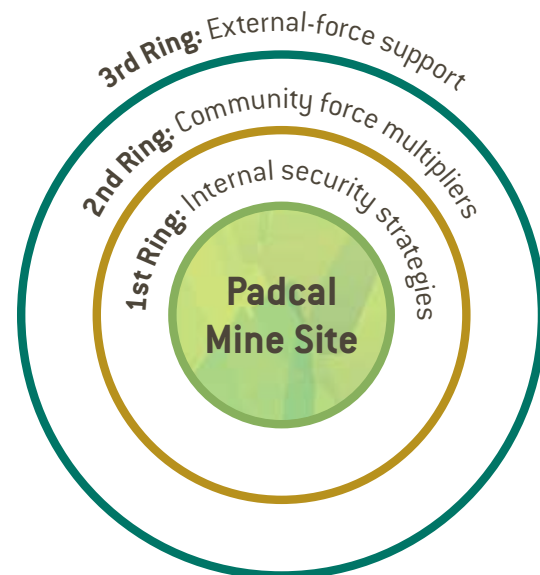
Recognized for their heroism were Roosevelt Rosalin (team leader and manager of Padcal's Safety/Loss Control Dept.), Abel Wandagan Sr.

(assistant team leader and underground safety supervisor at the Safety/Loss Control Dept.), Hilario Villanueva, (underground safety supervisor at the Safety/Loss Control Dept.), Renato Joaquin (Mine division's shift supervisor), and development miners at the Mine Division: Warner Asan, Reyes Asan, Jonathan Ay-yato, Norlie Cabacungan, and Danny Dammit (first-class).

Philex Mining volunteered the team for the mission due to their special skills in search-rescue-retrieval operations. In fact, there had been many instances in the past when the PRT was called on to help various communities in times of disaster. Their efforts were rewarded with 20 awards and recognitions from various award-giving bodies and organizations that expressed appreciation for their expertise, professionalism and humanity in times of great need.

Facilities Protection

The Padcal Mine is not just a base of operations but also a diversified community of 15,000 inhabitants, including employees, their families and indigenous peoples (IPs) living in the area. As such, site protection should not only cover the industrial and work areas but the residential area as well, as a peaceful and secure place to work and live in translates to efficient operations.



The Site Security for Padcal Mine Site generally follows the three (3) ring-protection-concept: the innermost rings covers the internal security system, which incorporates handling of highly valuable installations (CCTVs, fences, illumination, locks, etc.), internal security controls to protect equipment and materials, and the security guards and guarding system; the second ring integrates the security-force-multipliers from the community within; and the third ring covers the external support from government security — the Armed Forces and the Philippine National Police in the region.

For this to be an effective mode of security, these three rings should be synergized and integrated into one another. Cooperative-vigilance is the main component of the second ring, where



Philippine Military Academy cadets visit Padcal Mine

fusing the support of the Barangay Tanods, Purok Officers (the peace-keeping-force composed of residents), the Police units in the periphery, and other internal people organization like the Philex Jeepney Operators and Drivers Association (PJODA), are crucial in the security programs. They are instrumental in threat detection and proactive crime prevention as well as maintenance of peace and order through joint efforts like synchronized patrols.

The third ring calls for sustained interface with Government security forces nearby who can reinforce actions to confront any external threat. The Company also engages them beyond the call for force-support. Last November 2016, for instance, a community immersion in Padcal Mine was conducted for the Philippine Military Academy (PMA) graduating cadets from nearby Fort Del Pilar, Baguio City.

The 169 cadets, together with their 16 instructors, toured Padcal and engaged the Purok leaders.

They expressed their positive understanding of Responsible Mining and their appreciation of Philex Mining's contribution to community development and for nation building while taking care of the environment.

It is the Company's hope that these soon-to-be Military Officers will become advocates of Responsible Mining wherever they may be assigned after graduating from the Academy.

The innermost ring is considered the most vital as it is the first line of defense. When an external threat penetrates through the 2nd and 3rd rings, the innermost ring also serves as the last line of protection. As such, the most important component of this circle are the guards — the front-liners who can first detect and confront threats coming from within and also the last line to contain external threats should all the other security features fail. Since these elements interact with people daily — the workers, outlying residents, claimants, visitors, employees and their dependents, as well as other

tenants — their training and development should be adequate, continuous, and always up to date.

Last year, 88% of the Company security guards completed the pre-requisite training for the 5-year-TESDA National Certification 2 (NC2), which is on top of the re-training required for the renewal of their security licenses from the PNP and other Company-sponsored trainings. On the other hand, 25% of the contracted guards secured their NC2 certifications.

The NC2 training covers basic, common and core competencies, which extends beyond guarding and covers aspects like emergency response procedures and courtesy protocol towards clients and customers. This is complemented by refresher courses on the pertinent provisions of Republic Act (RA) 5487 (Private Security Agency Law), RA 10591 (Comprehensive Firearms and Ammunition Regulation Act) and RA 9165 (Comprehensive Dangerous Drug Act). The goal is to have both Company and contracted guards NC2-Certified in 2017 and become a mandatory certification for the entire Philex Mining security force by 2018.



Community Development

[203-1, 203-2, 413-1, 413-2]

As a partner for progress, Philex Mining not only acts as a responsible employer but also as an enabler of equal opportunity and economic freedom for its host and neighboring communities. Through its Annual Social Development Management Program (SDMP), the Company is able to deliver collaborative socio-economic projects that directly engage and benefit people.

For 2016, Philex Mining allotted Ph81.5 million for projects to support social development, PhP16.3 million for activities under the Information, Education and Communications (IEC) campaign, and another PhP10.9 million for the Development of Mining Technology and Geosciences (DMTG).

Through the SDMP, IEC and DMTG projects, the Company is able to empower communities and assist them in their efforts to improve their lives now and prepare them for the future.

Specifically, the Company's SDMP allotment brings economic opportunities to its host and neighboring communities and aims to enhance local capability by encouraging entrepreneurship and self-sufficiency. This is anchored on Health and Sanitation, Educational Assistance, Livelihood and Development, and Support to Public Infrastructure, which are important components for supporting families and creating functional communities. For instance, the various SDMP activities provide technical and financial assistance to various cooperatives and associations, support scholars and help them finish their schooling, build health centers and bring medical help to residents, construct farm-to-market and other access roads to facilitate economic activity, build water systems to provide potable water to the farthest barangay, put up electrification structures to power and light up sitios, and help the government deliver basic services to underserved barangays.

PROJECT IMPLEMENTATION PROCESS

The Company employs both Social Impact Assessment (SIA) and Participatory Rapid Appraisal methods to conduct assessment of the communities' needs and aspirations. The following tools are used in assessing the conditions of the host and neighboring communities:

Observation and Survey/Interview Tools.

A socio-economic baseline survey, or the rapid situation analysis, is conducted to identify the various resources, funds, skills, potentials, weaknesses, threats and opportunities within the community. Various community stakeholders interviewed using a guide questionnaire to solicit relevant information. Direct observation through ocular and community visits are also part of the assessment.

Participatory Approach/Community Involvement.

Annual planning and community fora serve as venues for community leaders and stakeholders to express their opinions on issues affecting their communities. Through these, communities are empowered when they participate in the planning and implementing programs that will have impact on them. Their active participation also creates a sense of local ownership and accountability of the identified and prioritized programs, projects, and activities (PPAs).

Monitoring and Evaluation.

Regular internal and external or third party monitoring is conducted during the implementation of projects. Post-evaluation is also conducted to assess and document the effectiveness and impacts of the PPAs.



Medical supplies are provided to the community during a medical mission

Health and Sanitation

The Padcal Mine's Philex-Sto. Nino Hospital caters to employees, their families, and the host and neighboring communities. On an average, it serves 350 out-patients daily who enjoy free consultation, medicines and treatment. The health program also includes regular medical and dental missions and trainings on health awareness, first-aid treatment, and herbal medicines for communities that are far from the hospital.

For 2016, the hospital was able to provide free medical consultation, treatment and medicines to 2,581 residents (1,122 males and 1,459 females) as well as provided Philippine Health Insurance to 374 indigents from the host and neighboring communities.

Philex Mining also conducted two medical and dental missions during the year. The first one benefited some 200 residents from three districts of Brgy. Ampucao, in Itogon town, where residents trooped to the chapel grounds of Sitio Sta. Fe, along the Philex-Kias Rd., to avail of free health-care services provided by Philex in partnership with the municipality's medical staff.

The second medical mission was held as a run-up to the Company's 60th Anniversary Celebration. The event attracted at least 238 residents in seven

of the barangay sitios in Tuba — Balayan, Mangga, Antamok Sur, Antamok Norte, Balding, Riverside, and Camp 3-Proper — who received free medicines, such as painkillers and antidotes for fever and respiratory illnesses, and vitamins for children and the elderly.

For both events, residents also availed free medical and dental check-ups, tooth extraction, and blood tests for glucose, cholesterol, and uric acid, administered by the in-house medical staff of Philex Mining and volunteer health staff from both municipalities.

Health and sanitation programs provides basic services and other health benefits such as a free hospitalization, medical missions, emergency response services, and health profiling, among others.



Educational Assistance

The Company's Educational Assistance Program supports and subsidizes 353 elementary and high school students (214 male and 139 female) from host and neighboring communities, who are enrolled at Philex Mines Elementary School and St. Louis High School-Philex. This does not include the free elementary education provided to employees' dependents.

Philex also provided financial support to 21 college students (5 males, 16 females) who attended schools in Baguio and La Trinidad, and 130 High School students (39 males, 91 females) who were enrolled in other High Schools within the host and neighboring communities. Scholarships for technical/vocational (TechVoc) and non-mining related courses were also granted to 12 students for the 1st semester and 6 students for the 2nd semester of the current school year.

In addition, Philex supported the Special Program for Employment of Students (SPES) launched by the Department of Labor and Employment (DOLE) by

offering summer job opportunities at Padcal offices for 19 students (4 males, 15 females). For the benefit of ALS learners, Philex Mining also donated a computer set to the Dalupirip- Alternative Learning System (ALS).

Education programs aid in improving the quality of education through scholarship assistance and teaching and learning enhancement programs.



2016 Scholar's Congress with partners from MGB-CAR, CHED, and the Local Government Units - Provincial, Municipal and Barangay



Livelihood programs help raise the income of local entrepreneurs



Livelihood and Development

In 2016, Philex Mining continued its support of local farmers and entrepreneurs through various projects and financial assistance aimed enhancing opportunities for success.

The Company provided initial capital for the operation of a Poultry Project in Sitio Catcatbal, benefitting the 166 members of the GENBER Clan Livelihood Association (composed of 91 male and 75 female members). In addition, a poultry house with a 192-head capacity was constructed to further support the initiative.

Meanwhile, Philex Mining also helped improved access to the poultry farm of the D'Uwangan ni Kalanguya Livelihood Association in Tuba through the concreting of a 150-meter tire path. The Company also improved and expanded the existing Tilapia fishpond of the Tacay Clan Livelihood Association Inc (TCLAI) benefitting its 50 members in the Balog Area.

Fish-farm projects are a good option in the area as the continued successful harvests of the Balding-Tokok Irrigators' and Farmers' Association (BATIFA) fish-farm in Sitio Balding demonstrates. BATIFA, composed of 57 farmer-beneficiaries, reported a harvest of 800 kilos of tilapia in December from one of its five fishponds located in the hinterlands

of Brgy. Camp 3. BATIFA has successfully managed its fish-farm since 2011. BATIFA is also expanding its livelihood projects to include hog-raising by next year, a new venture that will also be supported by Philex Mining. This is in addition to the Water Refilling and Purifying Station being prepared for the Colocol-Gangel Farmers Association (CGFA) in Sitio Mangga.

Aside from assistance to local farmers and entrepreneurs, Philex Mining also supported DOLE's Work Appreciation Program (WAP) for the youth, where 34 college and TechVoc graduates (12 males, 22 females) were exposed to pre-employment work procedures.

Livelihood programs help augment the income of local entrepreneurs and farmers by offering skills training programs and livestock raising seminars as well as the provision of seed capital for aquaculture, among other projects.



Philex Group Foundation, Inc.

On top of the Company's SDMP, another major initiative is the Philex Group Foundation, Inc. (PGFI). Established in 2010, PGFI was tasked to create and enhance livelihood programs for Philex Mining beneficiaries in the host and neighboring communities of Padcal's operations. PGFI's Social Enterprise Development Program is a holistic livelihood development initiative envisioned to provide alternative and additional sources of income to the Foundation's stakeholders, the mining community and the host and neighboring communities.

Through the program, the Foundation aims to enhance the agri-business ventures of the highland farmers, from subsistence to commercial-level production. To achieve this, PGFI provides the much-needed technical, organizational, and business acumen trainings to empower the stakeholders, with special focus on environmentally-sustainable farming techniques.

PGFI hired experts, who shared proper composting method, to improve soil quality and increase the annual production of organic coffee and vegetables of its farmer-beneficiaries in Sitios Balayan,

Mangga, and Torre, all in Brgy. Camp 3, Tuba, and in Sitio Sta. Fe, in the Itogon barangay of Ampucao.

Farmers were also taught traditional and organic farming methods, like pruning, to properly care and maximize yield from coffee shrubs. Coffee shrubs, if maintained well, could produce a kilo of beans per harvest season from December to March.

One of PGFI's customers of organic vegetables and coffee in the Manila market is the Holy Carabao Holistic Farms, known for products raised in healthy soil without the use of genetically modified organisms (GMO) and synthetic pesticides and fertilizers, which are marketed to S&R and Rustan's in Metro Manila.

Increasing the distributorship of organic coffee and organic vegetables, currently at eight and seven, respectively, has been the medium-term focus of the foundation from 2014-2018 to expand the market of these products, including processed meat. The processed meat products, on the other hand, has already penetrated the Baguio-Benguet market, especially for morcon, and is targeted to reach an annual production of 2.5-3 tons to serve more consumers.



Philex Mines Elementary School

Support to Public Infrastructure

Philex Mining sustained its efforts to put up critical infrastructures that will provide basic services to host and neighboring communities through the following projects :

- Provision of infrastructure support to Health and Education Programs
- Construction and improvement of buildings and facilities for livelihood development
- Development of farm-to-market and access roads
- Roll out of electrification projects

Under support to Health Program, accomplished projects included provision of water tanks and pipelines for the communities in Buo, Salat, Ansagan Proper, Catcatbal, Tainag, Upper Camp 3 and Lower Sal-angan. Ongoing projects include the construction of a health center in Ligay and provision of medical equipment for Ansagan Proper.

Among the projects completed to support Education were school ground roofing for Camp 3 Elementary School, retaining wall for Torre Elementary School, perimeter fence and ground concreting for Sioco Cariño Elementary School, school stage for Pimmingan Elementary School, concreting of school grounds

entrance for Ligay Elementary School, and repair of Fianza Elementary School's ALS school building. One of the existing projects is the construction of a Learning Center in Itogon, in support of the K-12 program.

In terms of improving facilities for livelihood development, the projects finished in 2016 were the bodega, with loading platform, in Sitio Macalbeng, agricultural canals in Sitio Mangga, and the electrification of a multi-purpose building in Ligay, Camp 1 for the benefit of 799 residents. Projects currently in the construction phase are the multi-

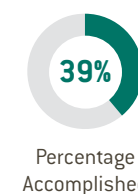
purpose halls in Alapang and Mangga.

In addition, Philex Mining was able to help improve farm-to-market roads and several access points through projects such as concreting, road widening, construction of retaining walls, drainage canals, riprap, road re-grading, and installation of pathway railings in various sitios and barangays, like Kimmabab, Dalupirip, Alang, Torre, Antamok Norte, Mangga, Balayan, SALBA, Bacaog, Ansagan, Balayan, Ampucao, Dungon, Lower Banget, Tokok, and Upper Camp, among others. Furthermore, Philex was able to finish the construction of suspension bridges in the barangays of Ampucao and Tokok.

Meanwhile, the Company's electrification projects included the P7.6-million electrification project, which benefited a total of 875 residents in seven sitios (districts) of Brgy. Camp 3, in Tuba. The project has been running for two years and was initiated by miners from Padcal operations, in coordination with the Benguet Electric Cooperative (BENECO), which took care of quality assurance for materials used as well as orientation of residents on safety measures pertaining to electricity.

Philex Mining also spent Ph5 million for secondary lines for the second batch of households in the sitios of Bastian, Kimmabab, Allapang, Alang, Camait, Torre, and Balayan. This includes the installation of electric posts and wires and power distribution lines to each of the households.

Infrastructure development includes construction of and improvements to roads, bridges, canals and water systems, concrete walls, and power distribution facilities.



**PhP65.0
million**

Annual budget (2016)

**PhP25.3
million**

Expense to date

The Padcal Mine Host Communities

The Padcal Mine is a conscientious provider to two host municipalities, namely, Tuba and Itogon. Tuba is a first class municipality, with 13 barangays and a population of about 48,000 (as of 2015 government survey). The Sto. Tomas ore body is located in Sitio Padcal, Barangay Camp 3, with a population of over 10,000 residents.



The original native tribes of Benguet Province are the Ibalois and Kankanaeys, with the Ibalois recognized as the original settlers of Tuba. They mostly occupy the flat lands of the agricultural valleys and their seat of culture was established in Kabayan, in the shadow of Mount Pulag — one of the highest mountains in the Philippines. The Ibalois are traditionally agriculturist and have a dialect similar to that of the Pangasinenses. On the other hand, the Kankanaeys, who occupied the northern portion of the province, migrated to Tuba and were traditionally known to be native miners.

Tuba is known to be the heart of Ibaloi area and is situated along the southern part of the Province of Benguet. The Spaniards, Americans and the Ilocanos of La Union, Ilocos Sur as well as the Pangasinenses then joined the native Ibalois. Today, majority of the local people speak Ilocano aside from their native tongues. Tuba's population is a mixture of various cultures and Tuba has become the "Gateway to the South and the Cordillera".

The locals consider the area of Philex Mining as the commercial center because it is where the community's schools, churches, hospital, recreational facilities and fire station are located. Dubbed as "a little city on top of the mountain", Barangay Camp 3 was chosen as one of the 50 Model Communities in "We the People: 50 Communities Award" during the 50th Anniversary of the United Nations in 1995.

Meanwhile, Itogon is also classified as a first class municipality and is one of the largest municipalities in Benguet with a population of about 60,000 people living in the nine barangays within its 49,800-hectare total land area. The host village, Brgy. Ampucao, is home to over 10,000 people within its 11,332-hectare

land area, which has become a popular destination among mountaineers and trekkers who wish to climb the picturesque Mount Ulap first opened to hikers in 2015.

Tuba and Itogon are two of the four first-class municipalities in Benguet, whose progress and development has long been supported by their mining industries.

Brgys. Camp 3 and Ampucao, together with neighboring villages Camp 1 and Ansagan in Tuba and Dalupirip in Itogon, are considered Padcal Mine's outlying communities, with a little less than 8,000 households or a combined population of around 27,000 residents.

Aside from the various local government taxes that it pays regularly, Philex Mining is committed to its inclusive and progressive annual SDMP and Environmental Protection and Enhancement Program (EPEP) that directly benefit the host communities and their environs.

At the same time, Philex Mining runs a free elementary and high school and a free hospital in the mine camp site, and provides scholarships to students in other schools in the area as well. The Company also provides free electricity and water for residents in the mine camp and other neighboring sitios.

Apart from the many SDMP livelihood projects it implements for farmer-entrepreneur associations and cooperatives, Philex Mining also supports its own employees' livelihood initiatives, including cooperatives such as the Philex Mines Community Consumers, which has grown into an organization

with PHP60 million in assets and 1,800 members. The Company also helped build Philex Community Credit Cooperative (PCCC), which now has P287 million in assets and 1,886 members from the Philex employees. The cooperative has primarily helped miners build their own dream homes in the area.

Philex Mining also promotes inclusive growth and supports the activities of the Philex Women's Club (PWC), a non-stock non-profit women's organization composed of female employees and the wives of male employees. PWC has a variety of programs aimed at highlighting the value of women's contributions to the progress of their barangays. PWC manages a restaurant and canteen, three variety stores and a bowling center at the mine camp.

Women's role in development is an issue that is relevant to the mining industry, specifically the empathetic wisdom of traditional female traits that is able to understand, appreciate and communicate with the community about concerns on the environment and the social issues of progress and development.

In 2016, Padcal mine site hosted a forum with a group of representatives from Diwata-Women in Resource Development Inc. who visited the area and toured the mine site. They noted the strides achieved by Responsible Mining for the host communities and expressed hope that other mining companies can follow Padcal's model.

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