



October 7, 2019

PHILIPPINE STOCK EXCHANGE, INC.

Tower One & Exchange Plaza
Ayala Avenue, Makati City
Makati City

Attention: **Mr. Jose Valeriano B. Zuno**
Head, Disclosure Department

Gentlemen:

We write with respect to the clarification you require to the attached news article entitled "Underground mining to erode Philex returns" posted in Philstar.com on October 7, 2019. The article reported in part that:

"Manila, Philippines — Pangilinan-led Philex Mining Corp.'s move to shift to underground mining operations for the Silangan copper and gold project will likely yield lower earnings but this may be offset by changing global prices.

The Mines and Geosciences Bureau said returns may take a while as Philex decided to do sub-level cave mining operation from the original open pit method as the government has yet to lift the ban on the latter.

'Earnings would definitely be lower because cost of mining operations will be higher compared with the open pit.

Open pit is really cheaper than doing the tunnel,' MGB Mining Technology Division chief Teodorico Sandoval told The STAR.

'But it will also depend on several factors especially on what the prices of gold and copper by that time, it depends on the global market. Luckily, gold is not severely affected by the fluctuation in prices unlike nickel,' he added.

This is to confirm that generally operating a mine using underground mining method entails higher cost than that of an open pit. For Silangan Project, the favorable prices of copper and gold in the global market would temper the cost implications of using an underground mining method in our Silangan Project. Further, the results of our Definitive Feasibility Study indicate that we will ultimately use underground mining method to fully mine the Boyongan ore body as open pit mining method has its limitations considering that the Silangan resource is within a deep-seated ore body.

With the existing ban on open pit mining and based on the results of the DFS, the current plan is to operate the Silangan Project using underground sub-level cave mining method throughout its 22-year mine life under phase 1 of the Project.

For your information.

Very truly yours,

(Original Signed)

ROMEO B. BACHOCO

Chief Finance Officer