



Confirmation statement from Philex's Audit Committee:

July 27, 2020

The Audit and Risk Management Committee
First Pacific Company Limited
24th Floor, Two Exchange Square
8 Connaught Place
Hong Kong

Dear Committee Members,

This is to inform you that the Audit Committee of Philex Mining Corporation ("Philex") has conducted a review of the effectiveness of the Philex Group's (including its subsidiaries, major associated companies and joint ventures, except PXP Energy) internal control systems for the six-month period ended 30 June 2020. The review covered all material controls, including financial, operational and compliance controls.

Please refer to the attached summary report for the six-month period ended 30 June 2020 highlighting the major internal control issues and the remedial actions taken.

Based on our review of the internal audit reports, and discussion with the internal and external auditors and with management, we would like to confirm that the internal controls (including financial, operational and compliance controls) of Philex Group are adequate and effective.

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

We hope that this letter is sufficient for your requirements.

Sincerely yours,

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

Oscar J. Hilado
Chairman of the Audit Committee
Philex Mining Corporation

A handwritten signature in black ink, appearing to read "Geraldine B. Ateo-an", written over a horizontal line.

Geraldine B. Ateo-an
Chief Audit Executive
Philex Mining Corporation



Appendix A

PHILEX MINING CORPORATION

STATEMENT OF INTERNAL CONTROL AND MANAGEMENT OF THE TOP ENTERPRISE RISKS

Corporate Governance Certificate of Confirmation to First Pacific Company

- A. During the 1st Half of 2020, the Internal Audit Department has not identified any major internal control issues based on its review of the business processes and system of internal control. The results of the business processes review were regularly reported to the Audit and Board Risk Oversight Committees. For its part, the Management implemented the internal auditors' recommendations on operational control issues and process improvements.
- B. The Group's external auditors, SGV & Co., did not find any major internal control issues that may materially impact the Company's financial report ended June 30, 2020.
- C. The top ten enterprise risks identified in the 1st Half of 2020 and corresponding mitigation measures were as follows:

1. **Inability to raise funding for the Silangan mine development**

Type: Financial and Regulatory Risk

Mitigants:

- With the completion of the PFS for Bayugo, continue to engage JPM to do another road show with previously tap potential partners who decline due to size of the project
- Revisit and/or restructure the engagement of JPM for their failure to deliver solid lead on potential equity investor – to open avenue for other boutique financial advisors who may have direct link to other non-traditional investor group
- Continue to process and follow up the submitted application for the early renewal of MPSA 149, prior to its expiration by 2024.
- Sustained and extensive community relations to maintain the support from the local community.

2. Failure of Padcal to meet the 2020 production and financial targets due to due to various operational challenges

Type: Financial and Operational Risk

Mitigants:

- Observance of proper/planned mining sequence and program
- Focused managerial supervision and strengthened engagement over our line personnel for both Mine and Mill operating units
- Implementation of timely maintenance program
- Ensure optimum inventory level of critical parts
- Continued sourcing of alternative suppliers
- Timely execution of scheduled replacement or servicing of critical parts
- Usage of existing inventory to reduce cash flow to suppliers
- Continue to maintain commodity hedging for gold and/or copper

3. Inability of the Company to sustain positive operating cash flow and positive cash position between 2020 to 2022

Type: Financial and Operational Risk

Mitigants:

- Strict adherence to budgeted operating plan and numbers (OpEx and Capex)
- Implement innovations in the replacement, repair and maintenance of our aging equipment.
- Disposal of Lepanto shares and other non-core assets like the office currently leased out to PXP
- Conversion of convertible bonds into equity (P7.2 Billion + P1.9 Billion) up to 2022
- Conversion of Philex advances of P2.1B into equity
- Sale of PXP shares
- Sale of Currimao and Tuding properties
- Sale of non-core Silangan assets like bus, materials and supplies, and equipment

4. Enactment of legislation on mining industry (i.e New Mining Regime-Substitute Bill, and CITIRA)

Type: Financial

Mitigants:

- Continue to work with the Chamber for possible last minute changes in the New Mining Regime that will increase taxes.
- Continue to coordinate with the Chamber for the simultaneous implementation of the New Mining Regime with CITIRA to mitigate the financial impact to Padcal and to the NPV of Bayugo and Boyongan combined.

5. Non-renewal of Expiring MPSA No.149

Type: Regulatory

Mitigants:

- Submitted an Application for renewal of the expiring MPSA before the office of Regional MGB.

6. Non-conversion of MOA to Special Use Agreement for Protected Areas (SAPA) for TSF3 and NPC claim of jurisdiction and NPC issuance of permits by NPC

Type: Regulatory

Mitigants:

- Ongoing discussions with NPC to clarify the NPC's claim of jurisdiction over the portion of TSF 3 as under the San Roque Watershed.

7. Possible structural failure or physical damage to TSF 3

Type: Financial and Operational

Mitigants:

- Management will implement the agreed structural reinforcement of the TSF 3 and raising of the embankment, based on the recommendation of Australian-based Coffey and local consultant Geotecnica.
- Strengthening of TSF 3 will be undertaken in 3 Phased over a period of 3 years
- Renew pollution coverage with higher sub-limit for TSF

8. Failure to convert idle land properties into performing assets

Type: Financial



Mitigants:

- Paid 2020 real property taxes for patented and patentable lots
- We will actively sell Currimao by advertising the sale in the property itself and working with local community.
- Engaged legal consultant to facilitate property reclassification from mineral land to multi-use zone
- Exploring joint development opportunities with real estate players

9. Inclusion of EXPA-78 (Clifton) inside No Go Zone

Type: Regulatory

Mitigants:

- No Go Zone by MGB has no basis and can only be promulgated by the President of the Philippines.
- Protest letter filed with ex-MGB Director Jasareno (2014) and refiled with Usec. Jacinto (2016)
- Issue pending with Mining Industry Coordinating Council

10. Delay of issuance of docking permit by PPIC (Poro Point Industrial Corp) as a result of PPIC asserting its right as port operator.

Type: Operational

Mitigants:

- In spite of the signed Foreshore Lease with DENR, PPIC is now claiming that we should pay rent of the pier to PPIC.
- Continue to negotiate with PPIC for a reasonable rent structure for the pier.
- If negotiation fails, to avoid delay of shipment, pay the incremental fee being asked by PPIC.