



FIRST PACIFIC COMPANY LIMITED
第一太平有限公司

Press Release

Wednesday, 27 February 2013

**Philex Mining Corporation core net income at P1.705 billion, down 69%
due to suspension of Padcal Mining Operations and
loss at Philex Petroleum**

The attached press release was released today in Manila by Philex Mining Corporation (“Philex”), in which First Pacific Group holds an economic interest of approximately 31.2%*.

Philex is a Philippine-listed company engaged in exploration and mining of mineral resources and, via a listed subsidiary Philex Petroleum Corporation in oil and gas exploration.

Further information on Philex can be found at www.philexmining.com.ph.

** Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific, holds an additional 15.0% interest in Philex.*

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pressrelease

CORE NET INCOME AT P1.705 BILLION, DOWN 69% DUE TO SUSPENSION OF PADCAL MINING OPERATIONS AND LOSS AT PHILEX PETROLEUM

- **Core net income of P1.705 billion for 2012, 69% lower than the 2011 Core net income of P5.568 billion, due to suspension of mining operations in Padcal starting 1st August 2012 and losses incurred at Philex Petroleum**
- **Reported net loss of P295 million versus reported net income of P5.800 billion a year ago**
- **Philex Petroleum, reported a net loss of P1.086 billion from P538 million income in 2011, due to exceptional charges arising from write-down of investments in Forum's SC40 and of Brixton Energy coal operations**
- **Operating income down 57% to P3.447 billion from P7.943 billion a year ago**
- **Core earnings per share at P0.346 in 2012 from P1.13 in 2011**

MANILA, Philippines—Philex Mining Corporation (PX:PSE) and its subsidiaries (“Philex” or the “Company”) reported a consolidated Core Net Income of P1.705 billion for 2012, a reduction of 69% from P5.568 billion a year earlier, as the Padcal mine suspended its operations starting 1st August 2012 over a tailings spill accident.

There was, however, a reported net loss of P295 million for the year as Philex Petroleum Corporation, a 64.79%-owned subsidiary, reported a Net Loss of P1.086 billion compared with Net Income of P538 million in 2012. Forum Energy Plc, a subsidiary of Philex Petroleum, wrote down P389 million of its investments in the North Cebu oil field under Service Contract No. 40, and Brixton Energy & Mining Corporation, another subsidiary, writing off P578 million of its coal assets under Coal Operating Contract No. 130 in Zamboanga Sibugay.

Despite the significant reduction in revenue because of the prolonged suspension of its Padcal mine in the second half of the year, the Company managed to generate Core Net Income for the year, even after provisioning for the P1.034 billion mine waste and tailings fees assessed by the Mines and Geosciences Bureau (MGB). Other provisions amounting

to P413 million have also been made for the remediation and rehabilitation of the areas affected by the tailings spill accident including a provision for penalty for suggested violations of the mine's environmental clearance certificate under the Clean Water Act of 2004. Expenses for the repair of the mine's Tailings Storage Facility No. 3 were capitalized as part of the tailings facility's carrying cost for future amortization.

"We are at a situation where we can regard Philex's lower core income for the year as not entirely negative, considering the prolonged suspension of our Padcal operations," Manuel V. Pangilinan, Chairman and CEO of Philex Mining, said. "Since that regrettable tailings accident last 1st August—where we immediately decided to shut down the mine—every effort has been made by Philex to remediate and rehabilitate the tailings pond and the affected areas, and restore operations and the environment to normalcy as quickly as we could. I believe we have gone a long way in the effort and that the performance of Philex will be restored as soon as Padcal recommences operations."

Operating income declined 57% from P7.943 billion in 2011 to P3.447 billion last year as production at the Padcal mine came to a halt for almost the entire second half. Ore mined was reduced to 5.5 million tonnes, producing 71,297 ounces of gold and 22.3 million pounds of copper - from 9.5 million tonnes last year, producing 140,113 ounces of gold and 38.0 million pounds of copper. The Padcal mine incurred maintenance costs of P908 million during the last five months period without operations as the workforce were all retained, and as maintenance work for the underground and the mill were maintained—in order to keep the mine ready for resumption of operations.

"We have paid the fee assessment of P1.034 billion that the Government has imposed upon us, one day ahead of the 19th February 2013 deadline given to us. The construction of the spillway in place of the penstocks is on-going, and would be completed according to schedule. We have requested the MGB to allow the mine to resume operations to fill the void left in the sinkhole, in order to beach the water away from the main embankment and ensure the stability of the overall tailings storage facility. Once Philex starts operations, things can be put back to normalcy," said Eulalio B. Austin, Jr., Philex President and COO.

On February 26, 2013, the MGB issued its Order granting the Company the authority to resume operations to undertake the urgent remediation measures for the Tailings Storage Facility No. 3 of the Padcal Mine, subject to the conditions that the resumption of operation shall not exceed four months, and that an independent third party chosen jointly with the MGB shall be commissioned to undertake a monitoring and audit of the remediation measures to be undertaken by the Company.

Accordingly, the remaining constraint on the resumption of operation of the Padcal mine is expected to be resolved shortly upon the submission of the surety bond and undertaking required by the Pollution Adjudication Board.

In the meantime, First Pacific Company Limited, a significant shareholder, has provided the Company a loan facility of up to US\$200 million to fund its activities, even if Padcal was closed. This facility also enabled Philex to keep the exploration and development of the Silangan Project in Northern Mindanao to proceed to schedule, and in compliance with our

work program commitment to the Government. On 12th February 2013, the Company received the amount of US\$25 million in claims settlement from its pollution legal liability insurance policy.

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About Philex Mining Corporation

Philex Mining Corporation was incorporated in the Philippines in 1955 and is listed in the Philippine Stock Exchange. The Company, Philex Gold Philippines, Inc. (PGPI, a wholly-owned subsidiary through a holding company and incorporated in the Philippines), and Silangan Mindanao Exploration Co., Inc. (SMECI, a wholly-owned subsidiary through a holding company and PGPI, and incorporated in the Philippines) and its subsidiary, Silangan Mindanao Mining Co., Inc. (SMMCI) are primarily engaged in large-scale exploration, development and utilization of mineral resources. The Company operates the Padcal Mine in Benguet. PGPI operated the Bulawan mine in Negros Occidental until the second quarter of 2002. SMECI, through SMMCI, owns the Silangan Project covering the Boyongan and Bayugo deposits which are currently under the prefeasibility stage.

The attached financial statements of Philex Mining Corporation for 2012 and 2011 are audited.

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PHILEX MINING CORPORATION AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011
(Amounts in Peso Thousands, Except Earnings Per Share)

	2012	2011	% Variance
REVENUE			
Gold	4,946,041	9,294,021	(47)
Copper	3,865,704	6,091,803	(37)
Silver	79,571	187,893	(58)
	<u>8,891,316</u>	<u>15,573,717</u>	<u>(43)</u>
Less: Marketing charges	439,771	810,467	(46)
	<u>8,451,545</u>	<u>14,763,250</u>	<u>(43)</u>
Petroleum	191,003	551,568	(65)
Coal	48,030	1,288	3,629
Others	7,011	7,843	100
	<u>8,697,589</u>	<u>15,323,949</u>	<u>(43)</u>
COSTS AND EXPENSES			
Mining and milling costs (including depletion and depreciation)	3,457,837	5,248,910	(34)
General and administrative expenses	1,144,803	1,036,537	10
Mine products taxes & royalties	454,858	854,229	(47)
Petroleum production costs	98,245	175,883	(44)
Handling, hauling and storage	59,339	63,723	(7)
Cost of coal sales	35,238	1,210	2,812
	<u>5,250,320</u>	<u>7,380,492</u>	<u>(29)</u>
INCOME FROM OPERATIONS	<u>3,447,269</u>	<u>7,943,457</u>	<u>(57)</u>
OTHER INCOME(CHARGES)			
Padcal maintenance costs during suspension of operation	(907,777)	-	-
Provision for rehabilitation, clean up and other costs	(1,446,859)	-	-
Impairment loss on deferred exploration costs and others	(1,042,431)	(170,772)	510
Foreign exchange losses	(164,716)	(14,681)	1,022
Interest expense	(44,355)	(36,161)	23
Interest income	58,201	86,017	(32)
Marked-to-market gains	307,928	-	100
Gain on dilution of interest in an associate	-	523,710	(100)
Equity in net earnings (losses) of associates	-	(44,116)	100
Others - net	52,654	(156,773)	(134)
	<u>(3,187,355)</u>	<u>187,224</u>	<u>(1,802)</u>
INCOME BEFORE INCOME TAX	<u>259,914</u>	<u>8,130,681</u>	<u>(97)</u>
PROVISION FOR INCOME TAX	(554,539)	(2,330,792)	(76)
NET INCOME (LOSS)	<u>(294,625)</u>	<u>5,799,889</u>	<u>(105)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity Holders of the Parent Company	224,947	5,771,223	(96)
Non-controlling interests	(519,572)	28,666	(1,913)
	<u>(294,625)</u>	<u>5,799,889</u>	<u>(105)</u>
CORE NET INCOME	<u>1,705,495</u>	<u>5,568,410</u>	<u>(69)</u>
EBITDA	<u>1,025,063</u>	<u>8,851,114</u>	<u>(88)</u>
BASIC EARNINGS PER SHARE	<u>0.046</u>	<u>1.171</u>	<u>(96)</u>
DILUTED EARNINGS PER SHARE	<u>0.046</u>	<u>1.170</u>	<u>(96)</u>
CORE NET INCOME PER SHARE	<u>0.346</u>	<u>1.130</u>	<u>(69)</u>
EBITDA PER SHARE	<u>0.208</u>	<u>1.797</u>	<u>(88)</u>

PHILEX MINING CORPORATION AND SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Peso Thousands, except Par Value Per Share)

	<u>December 31</u> <u>2012</u>	<u>December 31</u> <u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	1,669,542	3,947,295
Accounts receivable	207,749	1,595,629
Inventories	1,314,851	1,118,667
Derivative assets	-	904,701
Prepaid income tax	166,467	-
Other current assets	997,340	765,334
Total Current Assets	<u>4,355,949</u>	<u>8,331,626</u>
Noncurrent Assets		
Property, Plant and Equipment - net	6,035,174	5,399,716
Available-for-sale (AFS) financial assets	3,990,761	5,428,069
Goodwill	258,593	258,593
Deferred income tax assets - net	-	12,720
Deferred exploration costs and other noncurrent assets	14,766,674	13,023,504
Total Noncurrent Assets	<u>25,051,202</u>	<u>24,122,602</u>
TOTAL ASSETS	<u>29,407,151</u>	<u>32,454,228</u>
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans	1,450,000	350,000
Accounts payable and accrued liabilities	1,095,550	1,160,205
Income tax payable	-	376,006
Dividends payable	483,257	325,333
Provisions and subscriptions payables	1,589,578	317,111
Derivative liabilities	-	47,270
Total Current Liabilities	<u>4,618,385</u>	<u>2,575,925</u>
Noncurrent Liabilities		
Deferred income tax liabilities - net	2,381,163	2,635,330
Provision for losses	171,631	173,731
Provision for mine rehabilitation costs	18,892	17,775
Total Noncurrent Liabilities	<u>2,571,686</u>	<u>2,826,836</u>
Total Liabilities	<u>7,190,071</u>	<u>5,402,761</u>
Equity Attributable to Equity Holders of the Parent Company		
Capital Stock - P1 par value	4,933,027	4,929,751
Additional paid-in capital	963,867	887,290
Retained Earnings	13,704,164	16,093,059
Net unrealized gain on AFS financial assets	601,055	2,020,940
Cumulative translation adjustments	(41,785)	495,019
Net revaluation surplus	1,611,397	1,611,397
Effect of transactions with non-controlling interests	45,099	106,027
	<u>21,816,824</u>	<u>26,143,483</u>
Non-controlling Interests	400,256	907,984
Total Equity	<u>22,217,080</u>	<u>27,051,467</u>
TOTAL LIABILITIES & EQUITY	<u>29,407,151</u>	<u>32,454,228</u>