



**FIRST PACIFIC COMPANY LIMITED**  
**第一太平有限公司**

*(Incorporated with limited liability under the laws of Bermuda)*

# Press Release

**Wednesday, 25 July 2018**

## **Philex 1H2018 core net income at P646M**

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

Philex is a Philippine-listed company engaged in the exploration and mining of mineral resources and, through a listed investment PXP Energy Corporation (PSE: PXP), in energy and hydrocarbon businesses.

Further information on Philex can be found at [www.philexmining.com.ph](http://www.philexmining.com.ph) and on PXP Energy Corporation at [www.pxpenergy.com.ph](http://www.pxpenergy.com.ph)

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

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July 25, 2018

## **PHILEX 1H2018 CORE NET INCOME AT P646M**

### **HIGHLIGHTS**

- CORE NET INCOME AT P646 MILLION (1H2017: P748 MILLION), DOWN 13.6%
- NET INCOME AT P552 MILLION (1H2017: P719 MILLION), DOWN 23.2%
- CASH PRODUCTION COSTS CONTROLLED AT P2.118 BILLION (1H2017: P2.175 BILLION) DESPITE AN INCREASE IN TONNAGE MILLED
- TOTAL CASH COSTS MAINTAINED AT P2.553 BILLION (1H2017: P2.557 BILLION) DESPITE A 100% RISE IN EXCISE TAX RATE
- DECLARATION OF CASH DIVIDEND WORTH P0.035 PER SHARE
- US\$10.0 MILLION DEBT REPAYED IN FIRST SIX MONTHS; PARENT'S SHORT-TERM DOLLAR DEBT DOWN TO US\$39.0 MILLION AS OF END-JUNE 2018
- SILANGAN UNDERGOING CONCEPT STUDIES FOR UNDERGROUND APPROACH AS ALTERNATIVE TO APPROVED SURFACE MINING DESIGN AND DEVELOPMENT PLAN

Manila, Philippines – The Board of Directors of Philex Mining Corporation (PSE:PX) (the “Company” or “PX”) today announced a Core Net Income of P646 million (1H2017: P748 million) and Net Income of P552 million (1H2017: P719 million) for the first six months of the year. These results reflect lower metal production, higher non-cash charges and a 100% increase in excise tax rates.

### **Production and revenue**

Padcal mine milled 4.388 million tonnes of ore during the period or 6% higher than 4.138 million tonnes the previous year, when low mine delivery was experienced due to issues associated with bouldery ore, equipment availability, and ground problem. These issues are currently being addressed.

Consolidated revenues amounted to P4.646 billion (1H2017: P4.756 billion), due to lower metal output, brought about by lower head grades and lower recovery, partially offset by higher tonnage, improved metal prices, and favorable foreign exchange rates.

Revenue from copper reached P2.262 billion (1H2017: P2.007 billion) as higher average realized copper prices at US\$3.11 per pound (1H2016: US\$2.65 per pound) offset lower copper production of 14.149 million pounds (1H2017: 14.992 million pounds).

On the other hand, gold revenue totaled P2.349 billion (1H2017: P P2.710 billion). Average realized gold prices at US\$1,314 per ounce (1H2017: US\$1,258 per ounce) were higher than the previous year but production at 34,583 ounces (1H2017: 43,251 ounces) was lower compared with 2017. Revenues from silver amounted to P35.9 million (1H2017: P38.9 million).

### **Cost and expenses**

Amid the 6% increase in tonnage, cash production costs were lower at P2.118 billion (1H2017: P2.175 billion) as new power supply contracts were renegotiated at lower terms. This brought down power costs to P601 million (1H2017: P663 million), which offset the rise in labor costs, arising from additional manpower hired.

Meanwhile, general and administrative (G&A) expenses in aggregate went down to P154.5 million (1H2017: P173.8 million) due to relentless productivity enhancements and manpower review.

As a result, cash costs, which include excise taxes, royalties and G&A expenses, were kept steady from the previous year at P2.553 billion (1H2017: P2.557 billion) despite the increased tonnage and the 100% rise in excise tax rates. Depletion, depreciation and amortization increased to P808 million (1H2017: P737.0 million) as a result of higher tonnage and new equipment, while excise taxes almost doubled to P170.7 million (1H2017: P87.0 million) attributed to the doubling of rates under TRAIN Package I.

The performance allowed the Company to declare a cash dividend of three and a half centavos (P0.035) per share to shareholders on record as of August 8, 2018 and payable on August 24, 2018.

The Company also sustained its deleveraging strategy and retired US\$10 million out of its outstanding short-term dollar-denominated bank debt in the first six months of 2018, which reduced the Parent Company's total short-term debt to US\$39.0 million (₱2.080 billion) as of end-June this year from US\$49 million in December 2017.

### **Outlook**

As the challenges of operating the mature Padcal mine continue, the Company is exploring various globally-accepted mining practices geared towards mine life extension beyond 2022.

"In addition, engineering interventions as well as operational efficiency improvements will be the focus of our Padcal Mine in the coming years, while waiting for the results of the explorations being undertaken in the vicinity of the Padcal Mine," said Eulalio B. Austin, Jr., President and CEO of Philex Mining Corporation.

The Company is also currently engaged in several concept studies including underground mining as one of the alternatives to the Silangan's Project's approved surface mining design and development plan. These reports are expected to be finalized before the end of the year.

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017**  
(Amounts in Peso Thousands, except Earnings Per Share)

	<b>SIX MONTHS ENDED</b>	
	<b>JUNE 30</b>	
	<b>2018</b>	<b>2017</b>
<b>REVENUE</b>		
Gold	2,349,005	2,709,854
Copper	2,261,592	2,006,787
Silver	35,864	38,949
	<u>4,646,461</u>	<u>4,755,590</u>
Less: Smelting charges	376,984	400,080
	<u>4,269,477</u>	<u>4,355,510</u>
<b>COSTS AND EXPENSES</b>		
Production costs	2,117,753	2,175,251
Depletion, depreciation and amortization	807,829	737,009
General and administrative expenses	154,461	173,848
Excise taxes and royalties	280,610	207,745
	<u>3,360,653</u>	<u>3,293,853</u>
<b>INCOME FROM OPERATIONS</b>	<b><u>908,824</u></b>	<b><u>1,061,657</u></b>
<b>OTHER INCOME(CHARGES)</b>		
Foreign exchange losses - net	(135,226)	(54,457)
Share in net losses of associates	(12,926)	(9,457)
Interest income	799	920
Others - net	18,367	28,894
	<u>(128,986)</u>	<u>(34,100)</u>
<b>INCOME BEFORE INCOME TAX</b>	<b><u>779,838</u></b>	<b><u>1,027,557</u></b>
<b>PROVISION FOR INCOME TAX</b>		
Current	222,963	301,011
Deferred	5,220	7,952
	<u>228,183</u>	<u>308,963</u>
<b>NET INCOME</b>	<b><u>551,655</u></b>	<b><u>718,594</u></b>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Equity holders of the Parent Company	551,655	718,594
Non-controlling interests	-	-
	<u>551,655</u>	<u>718,594</u>
<b>CORE NET INCOME</b>	<b><u>646,314</u></b>	<b><u>747,639</u></b>
<b>BASIC EARNINGS PER SHARE</b>	<b><u>0.1117</u></b>	<b><u>0.1455</u></b>
<b>DILUTED EARNINGS PER SHARE</b>	<b><u>0.1117</u></b>	<b><u>0.1455</u></b>
<b>CORE NET INCOME PER SHARE</b>	<b><u>0.1308</u></b>	<b><u>0.1513</u></b>

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Peso Thousands, except Par Value Per Share)

	June 30 2018 (Unaudited)	December 31 2017 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	843,122	583,538
Accounts receivable - net	489,379	990,604
Inventories - net	1,598,658	1,517,097
Advances to a related party	2,158,593	2,168,632
Other current assets -net	860,303	1,007,000
<b>Total Current Assets</b>	<b>5,950,055</b>	<b>6,266,871</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment - net	6,558,195	6,721,022
Investment in associates - net	1,402,678	1,415,604
Deferred exploration costs	24,797,390	24,360,954
Pension asset - net	365,713	373,849
Other noncurrent assets	543,587	540,494
<b>Total Noncurrent Assets</b>	<b>33,667,563</b>	<b>33,411,923</b>
<b>TOTAL ASSETS</b>	<b>39,617,618</b>	<b>39,678,794</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable	2,080,020	2,446,570
Accounts payable and accrued liabilities	1,446,223	1,651,710
Income tax payable	161,386	229,679
Dividends payable	543,771	528,836
<b>Total Current Liabilities</b>	<b>4,231,400</b>	<b>4,856,795</b>
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities - net	3,000,609	3,004,830
Loans and bonds payable	7,124,592	6,950,306
Provision for losses and mine rehabilitation costs	136,840	135,086
<b>Total Noncurrent Liabilities</b>	<b>10,262,041</b>	<b>10,090,222</b>
<b>Total Liabilities</b>	<b>14,493,441</b>	<b>14,947,017</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital Stock - P1 par value	4,940,399	4,940,399
Additional paid-in capital	1,143,981	1,143,981
Retained Earnings		
Unappropriated	5,625,536	5,271,302
Appropriated	10,500,000	10,500,000
Equity conversion option	1,225,518	1,225,518
Other reserves	38,724	558
Net revaluation surplus	1,572,385	1,572,385
Effect of transactions with non-controlling interests	77,892	77,892
	25,124,435	24,732,035
Non-controlling Interests	(258)	(258)
<b>Total equity</b>	<b>25,124,177</b>	<b>24,731,777</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>39,617,618</b>	<b>39,678,794</b>