



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

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

## Press Release

**Tuesday, 28 February 2017**

**Philex 2016 core net income (83% higher) at P1.657B;  
Reported net income (102% higher) at P1.567B**

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 oil and gas exploration.

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

*\* Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific, holds additional 15.0% and 7.7% economic interests in Philex and PXP Energy Corporation, respectively.*

\* \* \*

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## **PRESS RELEASE**

**2016 CORE NET INCOME (83% HIGHER) AT P1.657B;  
REPORTED NET INCOME (102% HIGHER) AT P1.567B**

### **HIGHLIGHTS**

- I. FINANCIAL AND OPERATING RESULTS
  - FY2016 CORE NET INCOME AT P1.657 BILLION (FY2015: P905 MILLION)
  - REPORTED NET INCOME AT P1.567 BILLION (FY2015: P776 MILLION)
  - CONSOLIDATED REVENUES IMPROVED 12% TO P10.272 BILLION (FY2015: P9.189 BILLION)
  - CONSOLIDATED COSTS AND EXPENSES LOWER BY 2% TO P6.900 BILLION (FY2015: P7.011 BILLION) DESPITE THE 2% INCREASE IN TONNAGE
  - PARENT COMPANY DEBT REPAYMENT TOTALLED US\$8.5 MILLION; TOTAL SHORT-TERM BANK LOANS DOWN TO US\$62 MILLION
  - CASH DIVIDENDS OF P0.04/SHARE TO SHAREHOLDERS ON RECORD AS OF MARCH 14, 2017
- II. SILANGAN DFS FOR COMPLETION NOTWITHSTANDING DENR PRONOUNCEMENTS
- III. PARTNER FOR DEVELOPMENT, WITH P1.914 BILLION (22% MORE THAN REPORTED NET INCOME) SPENT IN TAXES, ROYALTIES, SDMP, EPEP AND OTHER FEES,
  - FUNDING FOR ENVIRONMENTAL AND COMMUNITY PROJECTS AT P564 MILLION,
  - TAXES, FEES AND ROYALTIES PAID AT P1.35 BILLION

Manila, Philippines – The Board of Directors of Philex Mining Corporation (PSE:PX) (the “Company” or “PX”) today announced that the Company generated a Core Net Income of P1.657 billion, 83 percent higher than the previous year’s P905 million. In the same manner, Reported Net Income more than doubled to P1.567 billion (FY2015: P776 million) with Net Income Attributable to Equity Holders of the Parent Company growing 77 percent to P1.589 billion (FY2015: P896 million).

### **FINANCIAL AND OPERATING RESULTS**

#### *Production*

The FY2016 performance was attributed to better copper output, higher metal prices and favorable exchange rates. Last year’s copper concentrate production of 73,107 dry metric tons (DMT) was the highest recorded since 2008, which was generally attributed to operational improvements. Meanwhile, foreign exchange rates averaged P47.80/US\$1 in 2016 against P45.31/US\$1 the previous year.

Padcal mine operated for 362 days during the period (FY2015: 358 days) and milled 9.4 million tonnes of ore (FY2015: 9.2 million tonnes). The tonnage translated to 35.0 million pounds of copper produced, which was 3 percent more than the previous year’s 34.1 million pounds as copper grades improved to 0.206% (FY2015: 0.205%).

Gold production, on the other hand, reached 103,304 ounces (FY2015: 107,887 ounces) due to lower grades of 0.417 grams/tonne (g/t) (FY2015: 0.438 g/t) and metal recovery as higher-grade content in the current drawpoints gets depleted.

#### *Revenues*

Revenues for 2016 increased 12 percent to P10.272 billion (FY2015: P9.189 billion), with copper accounting for P3.976 billion (FY2015: P3.450 billion) and gold contributing P6.209 billion (FY2015: 5.670 billion) – both higher than the previous year’s levels by 15 and 10 percent, respectively. Revenues from silver amounted to P86.5 million (FY2015: P69.7 million), which was 24% higher from year-ago levels.

The performance was attributed to improved average metal prices during the year. The average realized price for copper was 3 percent higher at US\$2.35 per pound (FY2015: US\$2.29 per pound), which complemented the increase in copper output. The average gold price, on the other hand, was 9 percent higher at US\$1,254 per ounce (FY2015: US\$1,147 per ounce), which more than offset the lower gold output.

#### *Costs, Expenses and Debt*

Despite the 2 percent increase in tonnage, the Company continued to vigilantly manage its costs and expenses, resulting in a 2 percent reduction in consolidated costs and expenses to P6.900 billion (FY2015: P7.011 billion), with general and administrative expenses (GAE) declining another 10 percent to P373 million (FY2015: P414 million). From 2013-2016, GAE declined by an average of 9 percent annually as a result of the Company's relentless pursuit to constantly improve operational efficiency through innovation, cost rationalization and manpower development.

Meanwhile, the Company repaid a total of US\$8.5 million in debt during the period, which brought total short-term debt to US\$62.0 million (P3.083 billion) as of end-December 2016, from US\$70.5 million (P3.318 billion) as of end-December 2015.

Based on the 2016 results, the Company also declared cash dividends of four centavos per share (P0.04/share) to shareholders on record as of March 14, 2017, which will be payable on March 27, 2017.

#### **SILANGAN**

The Silangan project's Definitive Feasibility Study (DFS) is expected to be completed soon and despite the current uncertain regulatory environment, the Company's wholly-owned subsidiary, Silangan Mindanao Mining Co., Inc. (SMMCI) will be able to proceed to the next stages of project development.

"Contrary to media pronouncements, we are confident that Silangan's MPSA is valid and legal because it is not within any proclaimed watershed forest reserves or critical watersheds, where mining is prohibited, and was issued following all relevant legal requirements and procedures, including regulatory clearance, that the area covered by the MPSA is open to mining and DENR took its action and made its announcement with no legal basis whatsoever," said SMMCI President Yulo E. Perez.

#### **PARTNER FOR DEVELOPMENT**

"Specifically, we contributed P117 million to our Social Development Management Program (SDMP) in 2016, which was 7 percent more than what we laid out in 2015. Since 2011, we have funded P454 million for our SDMP projects to further our goal of financial inclusion and social progress within our areas of operation. In addition, we contributed P447 million to our Environmental Protection and Enhancement Program (EPEP) initiatives last year, which included the reforestation of 52 hectares of new areas, maintenance of 150 hectares of existing plantations, care over 75 hectares of agro-forestry land and planting of around 180,000 new seedlings of various species in upland and coastal areas across the different areas where we are present. This brought our total outlays to P2.158 billion from 2011-16 to ensure that the natural surroundings around our areas of operations are maintained and restored," said Eulalio B. Austin, Jr. President and CEO of Philex Mining Corporation.

In an earlier statement, PX said, "The Company and its subsidiaries are strong partners of the Government in protecting the environment and in its fight against poverty and unemployment." On top of the EPEP and SDMP expenses, the Company paid P1.35 billion in taxes, which funds national and local government projects. "We constantly look for ways to improve our operational platform, organizational framework, governance structure, and compliance level to enable us to achieve long-term sustainability and consistently pursue our objective of being a responsible and conscientious mineral resource development company, amid the turmoil in the local mining industry," added Austin.

In 2016, the Company paid a total of P1.914 billion in taxes, royalties, SDMP, EPEP and other fees to the national and local governments and the surrounding communities, which was 22% higher than the reported net income for the period.

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

	December 31	
	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P457,937	P1,008,686
Accounts receivable	486,497	897,479
Inventories	2,318,850	1,886,544
Advances to a related party	2,193,829	–
Other current assets	1,437,752	1,478,748
<b>Total Current Assets</b>	<b>6,894,865</b>	<b>5,271,457</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment	6,735,578	6,828,052
Deferred exploration costs and other noncurrent assets	23,158,325	29,153,010
Available-for-sale (AFS) financial assets	104,615	106,687
Investment in associates	1,455,876	659,408
Pension asset - net	312,570	263,867
Goodwill	–	1,238,583
Deferred income tax assets - net	–	5,992
<b>Total Noncurrent Assets</b>	<b>31,766,964</b>	<b>38,255,599</b>
<b>TOTAL ASSETS</b>	<b>P38,661,829</b>	<b>P43,527,056</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable	P3,082,640	P3,317,730
Accounts payable and accrued liabilities	1,832,661	1,904,488
Income tax payable	164,265	13,014
Dividends payable	498,129	479,652
<b>Total Current Liabilities</b>	<b>P5,577,695</b>	<b>5,714,884</b>
<b>Noncurrent Liabilities</b>		
Deferred income tax liabilities – net	2,957,896	3,939,160
Loans and bonds payable	6,592,854	6,259,063
Provision for losses and mine rehabilitation costs	134,124	330,047
<b>Total Noncurrent Liabilities</b>	<b>9,684,874</b>	<b>10,528,270</b>
<b>Total Liabilities</b>	<b>15,262,569</b>	<b>16,243,154</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	1,142,722
Retained earnings		
Unappropriated	4,442,436	5,496,271
Appropriated	10,000,000	10,000,000
Net unrealized loss on AFS financial assets	(3,094)	(1,022)
Equity conversion option	1,225,518	1,225,518
Cumulative translation adjustments	–	124,334
Net revaluation surplus	1,572,385	1,611,397
Effect of transactions with non-controlling interests	77,892	23,164
	23,399,517	24,562,783
<b>Non-controlling interests</b>	<b>(257)</b>	<b>2,721,119</b>
<b>Total Equity</b>	<b>23,399,260</b>	<b>27,283,902</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P38,661,829</b>	<b>P43,527,056</b>

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Thousands, Except Earnings per Share)

	<b>Years Ended December 31</b>	
	2016	2015
<b>REVENUE</b>		
Gold	<b>₱6,209,006</b>	₱5,669,860
Copper	<b>3,976,184</b>	3,449,799
Silver and others	<b>86,475</b>	69,723
	<b>10,271,665</b>	9,189,382
Less smelting charges	<b>893,278</b>	836,597
	<b>9,378,387</b>	8,352,785
<b>COSTS AND EXPENSES</b>		
Production costs (including depletion and depreciation)	<b>6,074,862</b>	6,160,352
General and administrative expenses	<b>373,123</b>	414,255
Excise taxes and royalties	<b>452,415</b>	436,856
	<b>6,900,400</b>	7,011,463
<b>OTHER INCOME (CHARGES)</b>		
Foreign exchange losses - net	<b>(145,213)</b>	(158,697)
Share in net losses of associates	<b>(44,572)</b>	(13,200)
Interest income	<b>2,081</b>	4,085
Gain on disposal of AFS financial assets	<b>–</b>	107,088
Others – net	<b>(14,439)</b>	5,642
	<b>(202,143)</b>	(55,082)
<b>INCOME BEFORE PROVISIONS FOR IMPAIRMENT LOSSES</b>	<b>2,275,844</b>	1,286,240
<b>PROVISIONS FOR IMPAIRMENT LOSSES - NET</b>	<b>(2,504,850)</b>	–
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(229,006)</b>	1,286,240
<b>PROVISION FOR INCOME TAX</b>		
Current	<b>586,483</b>	245,550
Deferred	<b>110,742</b>	121,030
	<b>697,225</b>	366,580
	<b>(926,231)</b>	919,660
<b>INCOME (LOSS) ON DECONSOLIDATED SUBSIDIARY GROUP, NET OF TAX</b>		
Loss from deconsolidated subsidiary group	<b>(29,102)</b>	(144,025)
Gain from loss of control over a subsidiary group	<b>2,522,704</b>	–
	<b>2,493,602</b>	(144,025)
<b>NET INCOME</b>	<b>₱1,567,371</b>	₱775,635
<b>Net Income (Loss) Attributable to:</b>		
Equity holders of the Parent Company	<b>₱1,589,045</b>	₱896,181
Non-controlling interests	<b>(21,674)</b>	(120,546)
	<b>₱1,567,371</b>	₱775,635
<b>Core Net Income</b>	<b>₱1,657,404</b>	₱905,242
<b>Basic Earnings Per Share</b>	<b>₱0.322</b>	₱0.181
<b>Diluted Earnings Per Share</b>	<b>₱0.322</b>	₱0.181