

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



FIRST PACIFIC COMPANY LIMITED

第一太平有限公司

(Incorporated with limited liability under the laws of Bermuda)

Website: www.firstpacific.com

(Stock Code: 00142)

OVERSEAS REGULATORY ANNOUNCEMENT

Please refer to the attached disclosure filed by Philex Mining Corporation (“Philex”) with the Philippine Stock Exchange, in relation to Philex’s press release on its audited financial statements for the year ended 31 December 2018.

Dated this the 21st day of March, 2019

As at the date of this announcement, the Board of Directors of First Pacific Company Limited comprises the following directors:

Executive Directors:

Manuel V. Pangilinan, *Managing Director and Chief Executive Officer*

Christopher H. Young, *Chief Financial Officer*

Non-executive Directors:

Anthoni Salim, *Chairman*

Benny S. Santoso

Tedy Djuhar

Ambassador Albert F. del Rosario

Independent Non-executive Directors:

Prof. Edward K.Y. Chen, *GBS, CBE, JP*

Margaret Leung Ko May Yee, *SBS, JP*

Philip Fan Yan Hok

Madeleine Lee Suh Shin

21 March 2019

PHILEX MINING SET TO LAUNCH SILANGAN MEGA PROJECT BY 2022;
Silangan expected to deliver superior ore grades

HIGHLIGHTS

- **Strong indications of higher mineral resources in Silangan than previously declared levels**
- **Definitive feasibility studies for the first of four planned phases of the Silangan mining project to be completed in May 2019**
- **2018 net income at P608M and core net income at P600M amidst 100% increase in excise tax and depleting ore grades towards end of Padcal mine life**
- **Total of US\$8 million net loan repayments; Parent short-term dollar obligations down to US\$41 million as of end-2018; Zero peso-denominated loan exposure other than convertible bonds**
- **Increased investment in PXP Energy from 19.8% to 30.4%:
 - **Paid P770 million or 25% of the total subscribed portion in December 2018**
 - **Settled additional P1.387 billion representing 45% of the total subscribed portion in February 2019****
- **Scouting for potential partners to develop certain core and non-core assets**

Manila, Philippines – The Silangan mine situated in Surigao Del Norte is considered one of three big-ticket projects seen to catapult the country's to become a major copper producer. Silangan's tenements consists of three deposit areas - Boyongan, Bayugo and Kalayaan, with the latter representing a joint venture with Manila Mining Corporation. For Kalayaan, Philex Mining holds the option to further increase its stake up to 60% in the project.

Based on the initial development timeline, Philex Mining Corporation ("PX", "Company") will be launching Silangan in four phases with Boyongan set to commence maiden operations by 2022. Definitive feasibility studies are currently underway and are expected to be completed in May 2019. For now, mineral resource estimates are indicative of large high-grade gold and copper deposits within tenement scopes. In terms of methodology, PX is planning an infrastructure design to employ underground sub-level cave mining for ore extraction.

“We are currently working on securing all requisite permits and approvals to operate Silangan. We look forward to realizing the massive potential of a project of this magnitude,” said Mr. Eulalio B. Austin Jr., President and Chief Executive Officer of Philex Mining Corporation.

Meanwhile, the Board of Directors of Philex Mining Corporation, today announced a net income of P608 million in 2018. Core net income stood at P600 million as the Company faced various headwinds particularly rising inflation, regulatory hurdles and depleting ore grades. As it moves closer towards the end of mine life, Philex Mining will be focused on maximizing the remaining cash generation capabilities of Padcal.

Total tonnes milled was at 8.517 million from 8.673 million in 2017. Marginal ore grades, which are inherent within the fringes of the mineral body, contributed to weaker metal output. Less valuable mineral concentrations are a natural occurrence when extracting ore away from the core of the deposit. In addition, mining operations were also hampered by the impact of typhoons causing power disruptions and manpower safety concerns leading to lesser operating days. As a result, gold and copper production was at 61,977 ounces and 26.575 million pounds compared with previous year’s levels of 84,638 ounces and 30.118 million pounds, respectively.

Consolidated revenues, net of smelting charges, reached P7.640 billion, down by 16% from P9.142 billion in 2017, primarily weighed down by lower tonnage across all products. This was partly cushioned by the impact of stable metal prices and favorable foreign exchange rates.

Average realized prices for gold and copper were at \$1,294 per ounce and \$2.92 per pound compared with \$1,273 per ounce and \$2.96 per pound in 2017, correspondingly.

Cost and Expenses

Production costs declined to P4.408 billion from P4.412 billion in 2017 despite a peaking inflationary environment that saw escalating prices for input materials and utility rates. General and administrative expenses dropped by 16% to P306 million from P363 million in 2017 due to head office-based cost rationalization programs. Depletion and depreciation increased by 3% to P1.601 billion from P1.551 billion in 2017 related to additional depreciation of newly-acquired equipment.

Excise tax and royalties rose by 12% to P506 million from P452 million in 2017, attributable to recently enacted legislation that included the doubling of excise tax levied on mining from 2% to 4%.

Following its deleveraging strategy, the Company retired a net amount of US\$8 million in dollar-denominated borrowings, reducing its short-term loan balances to US\$41 million by end-2018.

Equity Investment in PXP Energy

In 2018, PX entered into a subscription agreement with upstream oil and gas affiliate PXP Energy Corporation (“PXP”), involving 260 million common shares of PXP at P11.85 per share, for a total consideration of P3.081 billion. The transaction will raise the Company’s equity stake from 19.8% to 30.4% in PXP. To date, the Company has settled 70% of its subscribed portion equivalent to approximately P2.157 billion. This undertaking forms part of the Company’s long-term growth strategy which includes deploying assets into value-accretive ventures.

Non-Core Assets

PX is currently scouting for potential partners to develop certain core and non-core assets among which includes select real estate assets in key rural areas.

Outlook

“We continue to address the complexities of the diminishing ore state of Padcal through various operational enhancements,” added Mr. Austin.

While exploration activities for new ore sources within the vicinity of Padcal are on-going, the Company continues to implement cost containment initiatives across the business.

“We are aggressively working on key project requirements in preparation for the eventual transition to Silangan. At the same time, while interim prospects remain subdued, we are determined to maximize the remaining mine life of Padcal,” ended Mr. Austin.

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

| | December 31 | |
|--|--------------------|-------------------|
| | 2018 | 2017 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 870,967 | 583,538 |
| Accounts receivable - net | 300,016 | 990,604 |
| Inventories - net | 1,137,581 | 1,517,097 |
| Advances to a related party | 1,387,370 | 2,168,632 |
| Other current assets -net | 757,292 | 1,007,000 |
| Total Current Assets | 4,453,226 | 6,266,871 |
| Noncurrent Assets | | |
| Property, plant and equipment - net | 5,404,049 | 6,721,022 |
| Financial assets measured at fair value through other comprehensive income (FVOCI) | 118,033 | - |
| Available-for-sale (AFS) financial assets | - | 76,036 |
| Investment in associates - net | 4,455,668 | 1,415,604 |
| Deferred exploration costs | 25,447,772 | 24,360,954 |
| Pension asset - net | 359,888 | 373,849 |
| Other noncurrent assets | 472,898 | 464,458 |
| Total Noncurrent Assets | 36,258,308 | 33,411,923 |
| TOTAL ASSETS | 40,711,534 | 39,678,794 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Loans payable | 2,155,780 | 2,446,570 |
| Accounts payable and accrued liabilities | 1,790,939 | 1,649,254 |
| Subscriptions payables | 2,312,981 | 2,456 |
| Income tax payable | 18 | 229,679 |
| Dividends payable | 550,995 | 528,836 |
| Total Current Liabilities | 6,810,713 | 4,856,795 |
| Noncurrent Liabilities | | |
| Deferred tax liabilities - net | 2,789,813 | 3,004,830 |
| Loans and bonds payable | 7,333,096 | 6,950,306 |
| Provision for losses and mine rehabilitation costs | 78,707 | 135,086 |
| Total Noncurrent Liabilities | 10,201,616 | 10,090,222 |
| Total Liabilities | 17,012,329 | 14,947,017 |
| Equity Attributable to Equity Holders of the Parent Company | | |
| Capital Stock - P1 par value | 4,940,399 | 4,940,399 |
| Additional paid-in capital | 1,143,981 | 1,143,981 |
| Retained Earnings | | |
| Unappropriated | 4,203,947 | 5,271,302 |
| Appropriated | 10,500,000 | 10,500,000 |
| Net Unrealized gain on financial assets measured at FVOCI | 35,341 | - |
| Net Unrealized gain on AFS financial assets | - | 558 |
| Equity conversion option | 1,225,518 | 1,225,518 |
| Net revaluation surplus | 1,572,385 | 1,572,385 |
| Effect of transactions with non-controlling interests | 77,892 | 77,892 |
| | 23,699,463 | 24,732,035 |
| Non-controlling Interests | (258) | (258) |
| Total equity | 23,699,205 | 24,731,777 |
| TOTAL LIABILITIES & EQUITY | 40,711,534 | 39,678,794 |

CONSOLIDATED STATEMENTS OF INCOME (AUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2018 AND 2017
(Amounts in Peso Thousands, except Earnings Per Share)

| | Years Ended December 31 | |
|---|--------------------------------|------------------|
| | 2018 | 2017 |
| REVENUES | 7,640,306 | 9,142,460 |
| COSTS AND EXPENSES | | |
| Production costs | 4,407,889 | 4,411,694 |
| Depletion, depreciation and amortization | 1,600,521 | 1,550,530 |
| General and administrative expenses | 305,631 | 363,071 |
| Excise taxes and royalties | 506,490 | 452,407 |
| | <u>6,820,531</u> | <u>6,777,702</u> |
| INCOME FROM OPERATIONS | 819,775 | 2,364,758 |
| OTHER INCOME(CHARGES) | | |
| Foreign exchange losses - net | (121,176) | (39,451) |
| Share in net losses of associates | (40,936) | (40,272) |
| Interest income | 2,275 | 1,861 |
| Gain on disposal of AFS financial assets | - | 21,773 |
| Others - net | 91,160 | 58,117 |
| | <u>(68,677)</u> | <u>2,028</u> |
| INCOME BEFORE PROVISIONS FOR IMPAIRMENT LOSSES | 751,098 | 2,366,786 |
| PROVISIONS FOR IMPAIRMENT LOSSES - NET OF REVERSAL | (67,033) | - |
| INCOME BEFORE INCOME TAX | 684,065 | 2,366,786 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX | | |
| Current | 275,408 | 664,806 |
| Deferred | (199,799) | 43,894 |
| | <u>75,609</u> | <u>708,700</u> |
| NET INCOME | 608,456 | 1,658,086 |
| NET INCOME ATTRIBUTABLE TO: | | |
| Equity holders of the Parent Company | 608,456 | 1,658,087 |
| Non-controlling interests | - | (1) |
| | <u>608,456</u> | <u>1,658,086</u> |
| CORE NET INCOME | 599,870 | 1,685,703 |
| BASIC EARNINGS PER SHARE | 0.123 | 0.336 |
| DILUTED EARNINGS PER SHARE | 0.123 | 0.336 |
| CORE NET INCOME PER SHARE | 0.121 | 0.341 |