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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