



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

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

## Press Release

**Thursday, 1 August 2019**

**Philex completes definitive feasibility study for the first phase  
of the Silangan Project,  
2<sup>nd</sup> quarter core net income at P93 million**

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 investment in Philippine-listed PXP Energy Corporation (PSE: PXP), in energy and hydrocarbon exploration and production.

Further information on Philex can be found at [www.philexmining.com.ph](http://www.philexmining.com.ph) and on PXP 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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**PHILEX COMPLETES DEFINITIVE FEASIBILITY STUDY FOR THE FIRST PHASE  
OF THE SILANGAN PROJECT  
2<sup>ND</sup> QUARTER CORE NET INCOME AT P93 MILLION**

**HIGHLIGHTS**

- **Significantly higher mineral resource estimates of 571 million tonnes up 43% compared to previously declared levels of 398 million tonnes in 2011 for the Boyongan, Bayugo and Kalayaan ore deposits of the Silangan Project**
- **Completed definitive feasibility study for the first phase of the Silangan Project based on 81 million tonnes of mineable reserves out of 279 million tonnes of mineral resource estimates for the Boyongan ore deposit carrying high-quality ore grades for copper and gold**
- **Appointed J.P. Morgan, Mizuho, White & Case and Sycip Salazar Hernandez & Gatmaitan as financial and legal advisers to the Silangan Project**
- **Launch search process for possible strategic partners**
- **Reported net income of P391 million for the first semester of 2019**
- **Core net income posted at P93 million in the second quarter, narrowing year-to-date core net operating performance to almost break-even**

Manila, Philippines – Definitive feasibility study has finally concluded for the first phase of the Silangan Project.

The Silangan mine is a large-scale high grade copper-gold development, with a number of greenfield and brownfield components, located in Surigao del Norte, Mindanao. Silangan's tenements are composed of three deposits namely Boyongan, Bayugo and Kalayaan, with the latter being held by the Company through a joint-venture with Manila Mining Corporation. It has been branded as one of three big-ticket mining projects seen to propel the Philippines as a major regional copper producer.

Based on the development timeline, the Silangan Project will be developed in phases. The Boyongan deposit, which is planned as the maiden phase, will be fully developed within 2.5 years and is expected to commence commercial production by the second half of 2022. The first phase of the Boyongan deposit has an initial estimated mine life of 22 years. For this initial stage, Silangan is expected to yield high grade mineable ore grades of 0.63% for copper and 1.20 grams per tonne for gold. The second phase, which will be comprised of the Bayugo deposit, is scheduled to undergo preliminary feasibility study for underground sub-level cave mining within 2019. Bayugo is expected to be mine-ready as early as the fifth year from the start of Boyongan's commercial operations. The remaining substantial mineral resource and inventory including Kalayaan and the remnants of Boyongan will be subjected to future studies.

In terms of methodology, the Company will be adopting underground sub-level cave mining for ore extraction which will feature a state-of-the-art milling facility that will utilize modern convention technologies for ore processing.

“We are thrilled with the outcome of the study which reaffirms the immense potential and magnitude of the project. Over the next few months, we will be focusing our efforts on raising equity and financing for mine development,” said Mr. Eulalio B. Austin Jr., President and Chief Executive Officer of Philex Mining Corporation.

The Company is set to earmark around \$750 million for the development of the Boyongan ore body. For its fund raising exercise, the Company has appointed reputable financial institutions namely J.P. Morgan for equity investment and Mizuho for project financing. It has also engaged international law firm White & Case and Philippine law firm Sycip Salazar Hernandez & Gatmaitan as legal consultants.

On the permitting end, the Company is fully compliant with all existing regulations and requisite documentation as it continues to work closely with regulators for the issuance of final operating permits for underground mining.

Meanwhile, the Board of Directors of the Company today announced a reported net income of P391 million for the first half of 2019 while core net loss narrowed to P19 million or almost break-even. For the second quarter alone, the Company registered a core net income of P93 million, marking a sharp rebound after a challenging start.

Total tonnes milled was at 3.805 million from 4.388 million in the first half of 2018. Metal production was slowed down by programmed maintenance and other unscheduled repair works of aging mining equipment as well as uncontrollable power interruptions that resulted in lesser operating days. Consequently, gold and copper production were at 23,675 ounces and 12.007 million pounds versus previous year's haul of 34,583 ounces and 14.149 million pounds, respectively.

Gross revenues recorded at P3.365 billion from P4.646 billion while smelting charges decreased to P276 million from P377 million for the first half of 2018. Net revenues stood at P3.089 billion from P4.269 billion for the first half of 2018.

Average realized prices for gold and copper were at \$1,316 per ounce and \$2.75 per pound against \$1,314 per ounce and \$3.11 per pound year-on-year.

Following a core operating loss in the first quarter, the Company immediately swung back to profitability in the subsequent period after realizing the impact of improved operational efficiencies and cost containment measures that were carried out in the first three months of 2019.

As a result, metal output increased by 8% to 1.973 million tonnes for the second quarter of 2019 from 1.832 million tonnes for the first quarter of 2019. Gold and copper production came in at 13,182 ounces and 6.280 million pounds for the second quarter of 2019 compared to 10,493 ounces and 5.727 million pounds for the first quarter of 2019, respectively.

### Cost and Expenses

Production costs were maintained at P2.114 billion from P2.118 billion for the first half of 2018 mainly driven by lower supplies and utilities expenses. Depletion, depreciation and amortization decreased by 15% to P686 million from P808 million for the first half of 2018 due to reduced tonnage. Excise taxes and royalties decreased by 29% to P199 million from P281 million in the first half of 2018 due to lower revenues. General and administrative expenses decreased by 13% to P134 million from P154 million for the first half of 2018 due to the on-going implementation of cost rationalization measures across the business.

Quarter-on-quarter, production costs dropped by 3% to 1.040 billion from 1.074 billion while general and administrative expenses went down by 11% to P63 million from P71 million in the first quarter of 2019.

### Outlook

The Company is optimistic that global interest for mineral products will stay robust in the long-term with consistent growth from Asia particularly from China, led by its power and infrastructure sectors. Also, notable advancements in electric vehicle technology and renewable energy will also serve as demand catalysts to drive usage for copper materials. On the domestic front, Silangan is envisioned as a key economic and social contributor for the development of Mindanao in particular and for the country in general, through substantial tax payments and the creation of more than 3,000 new jobs in Mindanao, where the project is located, to be supported by an expansive corporate social responsibility agenda. From a sustainability perspective, Silangan shall conform to international environmental standards aligned with the basic requirements of the World Bank and in consideration of the Equator Principles.

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

	<b>June 30</b>	<b>December 31</b>
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	101,472	870,967
Accounts receivable - net	852,804	300,016
Inventories - net	1,275,056	1,137,581
Advances to a related party	739,484	1,387,370
Other current assets -net	720,152	757,292
<b>Total Current Assets</b>	<b>3,688,968</b>	<b>4,453,226</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment - net	4,916,460	5,404,049
Financial assets measured at fair value through other comprehensive income (FVOCI)	118,033	118,033
Investment in associates - net	4,446,639	4,455,668
Deferred exploration costs	26,049,920	25,447,772
Pension asset - net	356,782	359,888
Other noncurrent assets	486,740	472,898
<b>Total Noncurrent Assets</b>	<b>36,374,574</b>	<b>36,258,308</b>
<b>TOTAL ASSETS</b>	<b>40,063,542</b>	<b>40,711,534</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable	2,511,060	2,155,780
Accounts payable and accrued liabilities	1,604,241	1,790,957
Subscription payable	926,531	2,312,981
<b>Total Current Liabilities</b>	<b>5,041,832</b>	<b>6,259,718</b>
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities - net	2,780,331	2,789,813
Loans and bonds payable	7,519,736	7,333,096
Provision for losses and mine rehabilitation costs	80,169	78,707
Other payables	550,881	550,995
<b>Total Noncurrent Liabilities</b>	<b>10,931,117</b>	<b>10,752,611</b>
<b>Total Liabilities</b>	<b>15,972,949</b>	<b>17,012,329</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	4,595,335	4,203,947
Appropriated	10,500,000	10,500,000
Net unrealized gain on financial assets measured at FVOCI	35,341	35,341
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
	24,090,851	23,699,463
Non-controlling Interests	(258)	(258)
<b>Total equity</b>	<b>24,090,593</b>	<b>23,699,205</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>40,063,542</b>	<b>40,711,534</b>

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**COMPARATIVE CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE PERIOD ENDED JUNE 30, 2019**

(Amounts in Peso Thousands, except Earnings Per Share)

	2019			2018
	1Q	2Q	1H	1H
<b>REVENUES - NET</b>	1,475,698	1,613,025	3,088,723	4,269,477
<b>COSTS AND EXPENSES</b>				
Production costs	1,074,224	1,039,374	2,113,598	2,117,753
Depletion, depreciation and amortization	326,984	358,692	685,676	807,829
General and administrative expenses	70,887	62,928	133,815	154,460
Excise taxes and royalties	93,875	105,545	199,420	280,610
	1,565,970	1,566,539	3,132,509	3,360,652
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(90,272)</b>	<b>46,486</b>	<b>(43,786)</b>	<b>908,825</b>
<b>OTHER INCOME(CHARGES)</b>				
Foreign exchange gains (losses) - net	941	60,480	61,421	(135,226)
Interest income - net	231	243	474	799
Share in net income (losses) of associates	(10,717)	1,688	(9,029)	(12,926)
Others - net	303,509	80,990	384,499	18,367
	293,964	143,401	437,365	(128,986)
<b>INCOME BEFORE INCOME TAX</b>	<b>203,692</b>	<b>189,887</b>	<b>393,579</b>	<b>779,839</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
Current	(23,568)	13,974	(9,594)	222,963
Deferred	20,761	(8,977)	11,784	5,220
	(2,807)	4,997	2,190	228,183
<b>NET INCOME</b>	<b>206,499</b>	<b>184,890</b>	<b>391,389</b>	<b>551,656</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company	206,499	184,890	391,389	551,656
Non-controlling interests	-	-	-	-
	<b>206,499</b>	<b>184,890</b>	<b>391,389</b>	<b>551,656</b>
<b>CORE NET INCOME (LOSS)</b>	<b>(111,589)</b>	<b>92,554</b>	<b>(19,035)</b>	<b>646,314</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>0.0418</b>	<b>0.0374</b>	<b>0.0792</b>	<b>0.1117</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>0.0418</b>	<b>0.0374</b>	<b>0.0792</b>	<b>0.1117</b>
<b>CORE NET INCOME (LOSS) PER SHARE</b>	<b>(0.0226)</b>	<b>0.0187</b>	<b>(0.0039)</b>	<b>0.1308</b>