



FIRST PACIFIC COMPANY LIMITED

第一太平有限公司

(Incorporated with limited liability under the laws of Bermuda)

Press Release

Thursday, 14 November 2019

**Silangan Project commences early works program
pre full development phase**

Philex reported P439 million net income for 9M 2019

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 and on PXP at 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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13 November 2019

**SILANGAN PROJECT COMMENCES EARLY WORKS PROGRAM
PRE FULL DEVELOPMENT PHASE**

PHILEX REPORTED P439 MILLION NET INCOME FOR 9M 2019

HIGHLIGHTS

- **Approved ECC and DMPF for underground sub-level cave mining method pave commencement of Early Works Program, preparatory to full development phase**
- **Ongoing search for possible strategic partners for Silangan Project**
- **Reported net income of P439 million for year-to-date September 2019**
- **Core net income posted at P58 million in the third quarter, reversing year-to-date results to core net income of P39 million**

(MANILA, PHILIPPINES) – The Silangan Project commenced its early works program pre-full development phase with the approval of the Declaration of Mining Project Feasibility (DMPF) for the underground sub-level cave mining method by the Mines and Geosciences Bureau (“MGB”).

The Silangan Project 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 the Boyongan deposit and Bayugo deposit, covering Bayugo-Silangan and Bayugo-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. 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 (covering Bayugo-Silangan and Bayugo-Kalayaan), has an ongoing preliminary feasibility study (“PFS”) utilizing underground mining method and PFS will be completed 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 after the second phase will be subjected to future studies.

MGB’s approval of the mining method incorporates a three-year development utilization work program on the mine for the second half of 2019 to the first half of 2022, which covers the Environmental Protection and Enhancement Program (“EPEP”), Final Mine Rehabilitation and Decommissioning Plan (“FMRDP”), and Social Development and Management Program (“SDMP”).

"We are targeting to conclude the strategic partner and finalizing contracts within the first half of 2020, paving way for development," Philex Mining President and Chief Executive Officer Eulalio B. Austin, Jr. said in an ambush interview.

The Silangan Project activities under the three-year development and utilization work program approved by MGB have started which include early work program, pre full development phase, which is part of the earmarked capital expenditure of \$750M.

"The mine is designed for four million tonnes per year... We will start lower, then on the second year, that is in 2023, it will be a full four million tons per year,' Mr. Austin explained.

Financial Results

The Board of Directors of Philex Mining Corporation, today announced a reported net income of P439 million for the nine months ended September 30, 2019. The Company's Padcal Mine continues to improve production quarter on quarter that turned around financial results from a core net loss for the first half of 2019 to a core net income of P39 million for year-to-date September 2019. The third quarter generated gross revenues amounting to P1.943 billion that translated to a higher operating income of P101 million versus P46 million of the previous quarter and net operating loss of P90 million in the first quarter.

Total tonnes milled was at 5.939 million for the nine months ended September 30, 2019 from 6.529 million for the same period in 2018. Scheduled maintenance programs and other unexpected repair works of Padcal Mine's aging mining equipment and facilities as well as uncontrollable power interruptions contributed to lesser operating days that lead to lower volume of tonnage for the period. On the other hand, better metal recoveries were achieved, narrowing down metal production variances from previously reported output in the first half to year-to-date September. Consequently, gold and copper production were at 38,125 ounces and 18.859 million pounds versus previous year's production of 48,929 ounces and 20.509 million pounds, respectively.

On the quarterly performance, a tonnage increase of 8% per quarter was maintained from the first quarter to the third quarter with 2.134 million tonnes for the third quarter from 1.973 million tonnes for the second quarter and 1.832 million for the first quarter. As a result, gold and copper production came in higher at 14,450 ounces and 6.852 million pounds, respectively, for the third quarter of 2019 compared with metal outputs in the second quarter and also in the first quarter of 2019.

Gross revenues for the year-to-date September 2019 recorded at P5.308 billion from P6.586 billion in 2018 while smelting charges decreased to P442 million in 2019 from P531 million in 2018. Net revenues stood at P4.866 billion for the nine months ended September 2019 from P6.055 billion in 2018.

Revenues were boosted by favorable gold prices that averaged at \$1,445 per ounce in the third quarter alone, the highest compared with \$1,329 per ounce in the second quarter and \$1,304 per ounce in the first quarter. Year-on-year, average realized prices for gold and copper were at \$1,365 per ounce and \$2.67 per pound against \$1,304 per ounce and \$3.00 per pound.

With the continuous efforts to improve production output, the Company started realizing core income in the second quarter that extended to the third quarter. Consequently, the operating results reverted from the previously reported core net loss for the first half to a core net income of P39 million for the year-to-date September 2019.

Production costs decreased at P3.216 billion, from P3.243 billion, for the nine months ended September 30, 2019 mainly driven by lower power costs, and materials and supplies. Likewise, depletion, depreciation and amortization, decreased by 13% to P1.065 billion in 2019 from P1.220 billion in 2018, due to lower tonnage milled during the period. Similarly, excise taxes and royalties

decreased by 18% to P320 million from P393 million for the period on account of lower revenues. General and administrative expenses also decreased by 10% to P208 million from P232 million due to the on-going implementation of cost rationalization measures.

Outlook

The Company believes that the global demand for mineral products will continue to grow and gold prices will continue to be in the favorable momentum. The continuing operations of the Padcal Mine with improving operational efficiency at the forefront geared towards prolonging its life will surely benefit from this favorable outlook of global metal prices.

On the other hand, Silangan continue to gain momentum as we implement the Early Works Program as contained in the DFS project execution timeline and the fund raising exercise undertaken by the Company lead by its financial advisors.

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

| | September 30 2019 (Unaudited) | December 31 2018 (Audited) |
|---|--|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 280,398 | 870,967 |
| Accounts receivable - net | 947,370 | 300,016 |
| Inventories - net | 1,281,278 | 1,137,581 |
| Advances to a related party | 739,484 | 1,387,370 |
| Other current assets -net | 675,326 | 757,292 |
| Total Current Assets | 3,923,856 | 4,453,226 |
| Noncurrent Assets | | |
| Property, plant and equipment - net | 4,914,874 | 5,404,049 |
| Financial assets measured at fair value through other comprehensive income (FVOCI) | 118,033 | 118,033 |
| Investment in associates - net | 4,431,158 | 4,455,668 |
| Deferred exploration costs | 26,255,740 | 25,447,772 |
| Pension asset - net | 351,501 | 359,888 |
| Other noncurrent assets | 488,096 | 472,898 |
| Total Noncurrent Assets | 36,559,402 | 36,258,308 |
| TOTAL ASSETS | 40,483,258 | 40,711,534 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Loans payable | 2,644,040 | 2,155,780 |
| Accounts payable and accrued liabilities | 1,791,409 | 1,790,957 |
| Subscription payable | 926,531 | 2,312,981 |
| Income tax payable | - | - |
| Derivative liability | 25,920 | - |
| Total Current Liabilities | 5,387,900 | 6,259,718 |
| Noncurrent Liabilities | | |
| Deferred tax liabilities - net | 2,770,355 | 2,789,813 |
| Loans and bonds payable | 7,623,714 | 7,333,096 |
| Provision for losses and mine rehabilitation costs | 38,151 | 78,707 |
| Other payables | 550,881 | 550,995 |
| Total Noncurrent Liabilities | 10,983,101 | 10,752,611 |
| Total Liabilities | 16,371,001 | 17,012,329 |
| 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 | 4,642,919 | 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 |
| Cumulative loss on hedging instruments | (25,920) | - |
| Net revaluation surplus | 1,572,385 | 1,572,385 |
| Effect of transactions with non-controlling interests | 77,892 | 77,892 |
| | 24,112,515 | 23,699,463 |
| Non-controlling Interests | (258) | (258) |
| Total equity | 24,112,257 | 23,699,205 |
| TOTAL LIABILITIES & EQUITY | 40,483,258 | 40,711,534 |

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

(Amounts in Peso Thousands, except Earnings Per Share)

| | UNAUDITED | | | | |
|--|------------------|----------------|----------------|----------------|----------------|
| | 2019 | | | | 2018 |
| | 1Q | 2Q | 3Q | 9M | 9M |
| REVENUES | 1,475,698 | 1,613,025 | 1,777,453 | 4,866,176 | 6,054,866 |
| COSTS AND EXPENSES | | | | | |
| Production costs | 1,074,224 | 1,039,374 | 1,101,920 | 3,215,518 | 3,242,627 |
| Depletion, depreciation and amortization | 326,984 | 358,692 | 379,413 | 1,065,089 | 1,220,101 |
| General and administrative expenses | 70,887 | 62,928 | 74,428 | 208,243 | 231,906 |
| Excise taxes and royalties | 93,875 | 105,545 | 120,743 | 320,163 | 392,549 |
| | 1,565,970 | 1,566,539 | 1,676,504 | 4,809,013 | 5,087,183 |
| INCOME (LOSS) FROM OPERATIONS | (90,272) | 46,486 | 100,949 | 57,163 | 967,683 |
| OTHER INCOME(CHARGES) | | | | | |
| Foreign exchange gains (losses) - net | 941 | 60,480 | (15,352) | 46,069 | (167,626) |
| Interest income - net | 231 | 243 | 439 | 913 | 1,248 |
| Share in net income (losses) of associates | (10,717) | 1,688 | (15,481) | (24,510) | (19,390) |
| Others - net | 303,509 | 80,990 | 28,772 | 413,271 | 13,485 |
| | 293,964 | 143,401 | (1,622) | 435,743 | (172,283) |
| INCOME BEFORE INCOME TAX | 203,692 | 189,887 | 99,327 | 492,906 | 795,400 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX | | | | | |
| Current | (23,568) | 13,974 | 41,767 | 32,173 | 142,932 |
| Deferred | 20,761 | (8,977) | 9,976 | 21,760 | 82,579 |
| | (2,807) | 4,997 | 51,743 | 53,933 | 225,511 |
| NET INCOME | 206,499 | 184,890 | 47,584 | 438,973 | 569,889 |
| NET INCOME ATTRIBUTABLE TO: | | | | | |
| Equity holders of the Parent Company | 206,499 | 184,890 | 47,584 | 438,973 | 569,891 |
| Non-controlling interests | - | - | - | - | (2) |
| | 206,499 | 184,890 | 47,584 | 438,973 | 569,889 |
| CORE NET INCOME (LOSS) | (111,589) | 92,554 | 58,233 | 39,198 | 687,229 |
| BASIC EARNINGS PER SHARE | 0.0418 | 0.0374 | 0.0096 | 0.0889 | 0.1154 |
| DILUTED EARNINGS PER SHARE | 0.0418 | 0.0374 | 0.0096 | 0.0889 | 0.1154 |
| CORE NET INCOME (LOSS) PER SHARE | (0.0226) | 0.0187 | 0.0118 | 0.0079 | 0.1391 |