



FIRST PACIFIC COMPANY LIMITED

第一太平有限公司

(Incorporated with limited liability under the laws of Bermuda)

Press Release

Wednesday, 20 May 2020

Philex swings to Php103 million core income in 1Q2020 from core net loss of Php112 million last year

The attached press release was released 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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PRESS RELEASE

PHILEX SWINGS TO PHP103 MILLION CORE INCOME IN 1Q2020 FROM CORE NET LOSS OF PHP112 MILLION LAST YEAR

HIGHLIGHTS:

- 1Q2020 Core Net Income of Php103 million turnaround from a Core Net Loss of Php112 million in 1Q2019, driven by the positive momentum in the business operations beginning 3Q2019.
- Favorable gold prices continue to push operating revenues higher by 15% to Php1.860 billion for 1Q2020 from Php1.613 billion for the same period in 2019, inspite of a 21% decline in realized copper prices. Realized gold prices increased by 23%.
- Operational improvements reduced cash and non-cash production cost and expenses by Php41 million in 1Q2020 to only Php1.360 billion versus Php1.401 billion in 1Q2019
- Core EBITDA for 1Q2020 significantly increased by 93% to Php419 million from Php217 million in 1Q2019.

Manila, Philippines – The Board of Directors of Philex Mining Corporation (PSE:PX) (the “Company” or “Philex”) today announced that for the first quarter of 2020, the Company generated Core Net Income of Php103 million which is a complete turnaround from a Core Net Loss of Php112 million reported in 1Q2019, mainly due to higher metal output and higher realized gold prices during the period. The Company also reported a 15% increase in its operating revenue to Php1.860 billion in 1Q2020 from Php1.613 billion for the first quarter of 2019. On the other hand, the Company reported a Net Income of Php102 million for 1Q2020 versus a Reported Net Income of Php206 million for the same period in 2019 which however includes a one time non-recurring net gain of Php318 million in the first quarter of 2019.

Production and Revenues

For the first quarter of 2020, total tonnage milled increased by 7% to 1.969 million tonnes from 1.832 million tonnes during the first quarter of 2019. The continuing improvement in the mining procedures, resulted in the increase of the final blended metal grades for both gold and copper.

The higher tonnage milled and the improvement in blended metal grades increased gold production by 35% to 14,159 ounces for 1Q2020 versus 10,493 ounces of gold produced in 1Q2019. Copper output increased by 18% to 6.738 million pounds in 1Q2020 versus the 5.727 million pounds for 1Q2019.

For 1Q2020, operating revenues increased by 15% to Php1.860 billion from Php1.613 billion for the first quarter of 2019 due to higher tonnage milled, better blended metal grades, favorable realized gold prices but was tempered by declining realized copper prices, and lower foreign exchange rates.

Costs and Expenses, Core and Net Income

Meanwhile, the continuing improvement in the operating process has resulted into a slight decrease in the Company’s total costs and expenses from Php1.566 billion in 1Q2019 to Php1.552 billion in 1Q2020. The slight decrease is attributable to lower cash and non-cash production costs in 1Q2020 amounting to Php1.360 billion as compared with the cash and non-cash production costs in 1Q2019 amounting to Php1.401 billion. The slight improvement is due to the lower cost of power, materials and supplies usage during the period. The favorable cash and non-cash production costs was partly offset by the higher

excise tax and royalties on account of higher operating revenues as well as slight increase in the Company's general and administrative expenses .

The Company generated an EBITDA of Php419 million for the first quarter of 2020 versus Php217 million in 1Q2019, a 93% improvement. It also turned around to core profitability from Core Net Loss of Php112 million in 1Q2019 to Core Net Income of Php103 million for 1Q2020. However, the Company's operations resulted into a lower net income amounting to Php102 million for the first quarter of 2020 as compared with Php206 million for the same period in 2019, since last year's net income is inclusive of a one time non-recurring net gain amounting to Php318 million.

COVID 2019

“As an export-oriented company, Philex was allowed to remain operational during the Enhanced Community Quarantine (“ECQ”) in accordance with the guidelines of the government Inter-Agency Task Force (IATF) for the Management of Emerging Infectious Diseases.

The Company's Padcal mine operations continued to function in strict compliance with the applicable government mandated operating guidelines. The Padcal mine camp was placed on lock down and similar entry and exit protocols were implemented under the DOH guidelines. Among others, Padcal mine implemented a 24-hour curfew, implemented social distancing in our work places, Company quarters as well as in support services areas such as medical facilities and areas providing necessities such as food. The safety of our constituents inside the camp was our foremost priority.

The Company was also affected by the limited disruption in its supply chain during the first two weeks of the implementation of the ECQ in NCR and Region IV-A where most of the Company's supplies originates. With the strong government support for export-oriented enterprises like Philex, the potential significant impact to the Company's business of the supply chain disruptions were mitigated and partially eliminated. Alternative supply chain sources was put in place to ensure continued and unhampered business operations of the Company.

The full impact of COVID19 to the medium term and long term business operations is yet to be seen as the pandemic is continuously shaping the new normal for all businesses, including that of Philex.

In Surigao del Norte, however, because of the executive order made by the provincial governor, all mining companies including our Silangan Project and all mineral processing plants in the province had to suspend operations until the local quarantine is lifted.” said Eulalio B. Austin, Jr., Philex Mining Corporation President and CEO.

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

	March 31	December 31
	2020	2019
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P 544,842	P 795,709
Accounts receivable - net	294,479	416,154
Inventories - net	1,533,600	1,043,748
Derivative assets	2,322	-
Other current assets -net	704,021	665,768
Total Current Assets	3,079,264	2,921,379
Noncurrent Assets		
Property, plant and equipment - net	3,199,696	3,185,283
Financial assets measured at fair value through other comprehensive income (FVOCI)	120,898	120,898
Investment in associates - net	4,194,731	4,208,339
Deferred exploration costs	26,779,495	26,616,343
Pension asset - net	215,521	223,775
Other noncurrent assets	500,368	622,710
Total Noncurrent Assets	35,010,709	34,977,348
TOTAL ASSETS	38,089,973	37,898,727
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable	2,588,780	2,531,750
Accounts payable and accrued liabilities	1,525,390	1,608,003
Subscription payable	186,531	186,531
Income tax payable	38,742	53,284
Dividends payable	585,771	549,632
Total Current Liabilities	4,925,214	4,929,200
Noncurrent Liabilities		
Deferred tax liabilities - net	2,266,374	2,218,550
Loans and bonds payable	7,835,291	7,743,020
Provision for losses and mine rehabilitation costs	39,905	39,029
Total Noncurrent Liabilities	10,141,570	10,000,599
Total Liabilities	15,066,784	14,929,799
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	3,524,179	3,471,281
Appropriated	10,500,000	10,500,000
Net unrealized gain on financial assets measured at FVOCI	37,745	37,745
Equity conversion option	1,225,518	1,225,518
Cumulative gain on hedging instruments	1,363	-
Net revaluation surplus	1,572,385	1,572,385
Effect of transactions with non-controlling interests	77,892	77,892
	23,023,462	22,969,201
Non-controlling Interests	(273)	(273)
Total equity	23,023,189	22,968,928
TOTAL LIABILITIES & EQUITY	P 38,089,973	P 37,898,727

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Amounts in Peso Thousands, except Earnings Per Share)

	UNAUDITED	
	THREE MONTHS ENDED	
	MARCH 31	
	2020	2019
REVENUES	P 1,712,538	P 1,475,697
COSTS AND EXPENSES		
Production costs	1,064,747	1,074,224
Depletion, depreciation and amortization	295,231	326,983
Excise taxes and royalties	118,570	93,874
General and administrative expenses	73,276	70,888
	<u>1,551,824</u>	<u>1,565,969</u>
INCOME (LOSS) FROM OPERATIONS	160,714	(90,272)
OTHER INCOME(CHARGES)		
Share in net losses of associates	(13,609)	(10,717)
Foreign exchange (losses) gains - net	(594)	941
Interest income - net	148	231
Others - net	(27,837)	303,509
	<u>(41,892)</u>	<u>293,964</u>
INCOME BEFORE INCOME TAX	118,822	203,692
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	(5,929)	-
Deferred	22,449	(2,806)
	<u>16,520</u>	<u>(2,806)</u>
NET INCOME	P 102,302	P 206,498
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the Parent Company	102,302	206,498
Non-controlling interests	-	-
	<u>P 102,302</u>	<u>P 206,498</u>
CORE NET INCOME (LOSS)	P 102,718	(P 111,589)
BASIC/DILUTED EARNINGS PER SHARE	P 0.0207	P 0.0418
CORE NET INCOME (LOSS) PER SHARE	P 0.0208	(P 0.0226)
EBITDA	P 418,684	P 217,183