



## FIRST PACIFIC COMPANY LIMITED

第一太平有限公司

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

# Press Release

Wednesday, 29 October 2014

### Philex Sustains Gains Quarter-on-quarter

- **3Q 2014 reported net income at P350.1 million vs 2Q 2014 of P333.0 million, up 5%**
- **Core net income up 22% to P342.1 million vs P280.6 million last quarter**
- **Consolidated revenues reached P2.596 billion (2Q2014: P2.868 billion)**
- **Consolidated expenses at P1.962 billion (2Q2014: P2.194 billion)**
- **Special cash dividend of 3.0 centavos per share**

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 a listed subsidiary Philex Petroleum Corporation (PSE: PXP), in oil and gas exploration.

Further information on Philex can be found at [www.philexmining.com.ph](http://www.philexmining.com.ph)

*\* Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific, holds an additional 15.0% economic and voting interests in Philex.*

\* \* \*

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October 29, 2014

**PRESS RELEASE**

**PHILEX SUSTAINS GAINS QUARTER-ON-QUARTER**

**HIGHLIGHTS**

- 3Q 2014 REPORTED NET INCOME AT P350.1 MILLION VS 2Q 2014 of P333.0 MILLION, UP 5%
- CORE NET INCOME UP 22% TO P342.1 MILLION VS P280.6 MILLION LAST QUARTER
- CONSOLIDATED REVENUES REACHED P2.596 BILLION (2Q2014: P2.868 BILLION)
- CONSOLIDATED EXPENSES AT P1.962 BILLION (2Q2014: P2.194 BILLION)
- SPECIAL CASH DIVIDEND OF 3.0 CENTAVOS PER SHARE

Manila, Philippines – The Board of Directors of Philex Mining Corporation (PSE:PX) (“Philex” or the “Company”) today announced that the Company’s Unaudited Core Net Income in the third quarter of 2014 reached P342.1 million, 22% higher than P280.6 million reported in the second quarter of the year as the Company continue to realize the effects of its operational enhancements and cost streamlining initiatives. Similarly, Reported Net Income for the period improved 5% to P350.1 million from P333.0 million in the second quarter due primarily to the impact of cost reduction and gain on the sale of the Pasig property, partially offset by write-down of some assets and unrealized foreign exchange losses.

In the first nine (9) months of the year, Core Net Income amounted to P901.2 million, while Reported Net Income came in at P950.6 million, lower by 39% and 34% year-on-year, respectively, due to generally lower ore grades and depressed metal prices. Last year’s figures also came with insurance proceeds related to business interruption arising from the TP3 accident, which was booked under Core Income.

**Production and Revenues**

In the third quarter of this year, Consolidated Revenues amounted to P2.596 billion, below the P2.868 billion reported in the previous quarter, as weak metal prices prevailed and offset the slight improvement in gold output.

Gold production totaled 26,458 ounces, 2% higher than the 25,844 ounces produced in the previous quarter as gold grades improved to 0.440 g/t – the highest recorded so far in the year – from 0.434 g/t previously. This was a result of operational adjustments aimed at bringing in better ore grade sources and maximizing metal recoveries. Realized prices for gold however fell to an average of US\$1,219 per ounce (2Q 2014: US\$1,311 per ounce), resulting in lower revenues of P1.404 billion (2Q 2014: P1.478 billion).

Copper output, on the other hand, continued to be affected by low grade sources and declined to 8,642,509 pounds from 8,728,904 pounds in the second quarter. With realized prices for copper falling to an average of US\$2.95 per pound in the third quarter (2Q 2014: US\$3.22 per pound), revenues from copper also came in lower at P1.096 billion (2Q 2014: P1.274 billion).

Nonetheless, Consolidated Revenues in the first nine (9) months of the year reached P8.378 billion (9M 2013: 7.730 billion) as higher number of operating days in 2014 (269 days vs 207 days) delivered higher metal output. Gold produced went up 8% to 78,744 ounces while copper production grew 13% to 26,839,422 pounds.

This however was offset by the decline in ore grades and metal prices. Specifically, average grades were 0.438 g/t for gold (9M 2013: 0.521 g/t) and 0.215% for copper (9M 2013: 0.243%) while average realized prices declined to US\$1,299/oz for gold (9M 2013: US\$1,340/oz) and US\$3.03/lb for copper (9M 2013: US\$3.26/lb).

Meanwhile, other revenues, which came mostly from sales of petroleum, silver, and coal products, contributed P336 million (9M 2013: P222 million) due primarily to the increased production in Galoc's Phase II project.

### **Operating Costs and Expenses**

Consolidated costs and expenses went down to P1.962 billion in the third quarter (2Q 2014: P2.194 billion) as the impact of the Company's cost-containment measures, aimed at managing the impact of declining ore grades and volatile metal prices, become more pronounced. As a result, operating margins improved further to 16.3% in 3Q2014 from 16.1% and 14.6% in 2Q2014 and 1Q2014, respectively.

Consolidated costs and expenses in the first nine (9) months of this year however reached P6.430 billion (9M 2013: P4.941 billion) due primarily to a higher number of operating days and the more expensive processing of ore due to its changing characteristics.

### **EBITDA, Earnings per Share and Dividends**

Consolidated EBITDA for the three (3) months ended September 2014 amounted to P770 million, lower than P842 million in the second quarter, with EBITDA margins rising to 30% from 29% previously as a result of cost streamlining initiatives.

On the other hand, nine-month 2014 EBITDA declined to P2.516 billion from P3.306 billion in 2013 as the rise in costs generally exceeded the growth in revenues.

On a per share basis, Net Earnings per share was unchanged at 11.70 centavos in the third quarter of this year (2Q2014: 7.6 centavos), while Core Earnings per share improved to 6.9 centavos (2Q2014: 5.7 centavos).

In the first nine (9) months, Core and Net earnings per share dropped to 18.3 centavos (9M 2013: 30.0 centavos) and 24.4 centavos (9M 2013: 30.5 centavos), respectively.

The Board of Directors also approved the declaration of cash dividend amounting to 3.0 centavos per share to shareholders of record as of 12<sup>th</sup> November 2014, which will be payable on the 28<sup>th</sup> November 2014.

### **Outlook**

"Amid lower ore grades in Padcal, we remain committed to the future of Philex especially after receiving the permanent lifting of the suspension order from the Mines and Geosciences Bureau last August 28, 2014. This provides us more confidence and a better perspective on the way forward," said Philex Mining President and Chief Executive Officer Eulalio B. Austin, Jr.

"Our cost streamlining measures across the entire organization thus far are delivering the desired results. However, we believe that more needs to be done moving forward to curtail the impact of low grades and weak metal prices on our bottomline. In addition, we are extensively exploring areas within and outside Padcal to extend the mine's life beyond 2020," Austin added.

The Silangan project, which is the Company's next big prospective mine, is also proceeding as planned after the pre-feasibility study confirmed the project's viability.

"We are on-track with completing the bankable or definitive feasibility study (DFS) for Silangan to de-risk the project and further increase our confidence level. We expect the DFS to be completed by mid-next year and are also looking forward to secure the remaining regulatory approvals to commence production," Silangan Mindanao Mining Company, Inc. President and Chief Operating Officer Yulo E. Perez said.

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Amounts in Peso Thousands, except Par Value Per Share)

	September 30 2014 <u>(UNAUDITED)</u>	December 31 2013 <u>(AUDITED)</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	2,340,098	4,080,512
Accounts receivable	670,692	295,451
Inventories	2,281,209	2,668,274
Derivative asset	5,259	-
Other current assets	1,381,523	1,343,245
<b>Total Current Assets</b>	<u>6,678,781</u>	<u>8,387,482</u>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment - net	7,250,523	6,880,096
Available-for-sale (AFS) financial assets	1,200,540	975,380
Deferred income tax assets	11,002	11,818
Goodwill	1,208,020	1,208,020
Deferred exploration costs and other noncurrent assets	24,953,495	22,427,186
<b>Total Noncurrent Assets</b>	<u>34,623,580</u>	<u>31,502,500</u>
<b>TOTAL ASSETS</b>	<u>41,302,361</u>	<u>39,889,982</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable - current	7,530,000	6,176,369
Accounts payable and accrued liabilities	1,785,822	2,321,301
Income Tax Payable	293,880	11,519
Dividends payable	471,487	460,650
Provisions and subscriptions payables	500,976	805,108
<b>Total Current Liabilities</b>	<u>10,582,165</u>	<u>9,774,947</u>
<b>Noncurrent Liabilities</b>		
Deferred income tax liabilities - net	3,865,911	3,916,378
Loans payable - net of current portion	-	55,014
Pension obligation	23,967	21,598
Provision for losses and mine rehabilitation costs	205,038	204,791
<b>Total Noncurrent Liabilities</b>	<u>4,094,916</u>	<u>4,197,781</u>
<b>Total Liabilities</b>	<u>14,677,081</u>	<u>13,972,728</u>
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital Stock - P1 par value	4,940,399	4,936,996
Additional paid-in capital	1,119,329	1,058,497
Retained Earnings		
Unappropriated	4,830,384	4,128,826
Appropriated	10,000,000	10,000,000
Net unrealized (loss) gain on AFS financial assets	229,848	4,689
Cumulative translation adjustments	53,275	25,116
Net revaluation surplus	1,611,397	1,611,397
Effect of transactions with non-controlling interests	46,610	45,099
	<u>22,831,242</u>	<u>21,810,620</u>
Non-controlling Interests	3,794,038	4,106,634
<b>Total equity</b>	<u>26,625,280</u>	<u>25,917,254</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u>41,302,361</u>	<u>39,889,982</u>

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**  
(Amounts in Peso Thousands, except Earnings Per Share)

	<b>2014</b>	<b>2013</b>
<b>REVENUE</b>		
Gold	4,492,915	4,178,891
Copper	3,548,821	3,329,540
Silver	60,511	63,050
	<u>8,102,247</u>	<u>7,571,481</u>
Less: Marketing charges	636,225	467,857
	<u>7,466,022</u>	<u>7,103,624</u>
Petroleum	272,331	153,590
Coal	3,197	2,831
Others		2,531
	<u><b>7,741,550</b></u>	<u><b>7,262,576</b></u>
<b>COSTS AND EXPENSES</b>		
Mining and milling costs ( including depletion and depreciation)	5,099,531	3,382,155
General and administrative expenses	737,637	999,158
Mine products taxes & royalties	398,346	409,923
Petroleum production costs	122,240	94,968
Handling, hauling and storage	68,587	51,389
Cost of coal sales	3,282	3,369
	<u>6,429,623</u>	<u>4,940,962</u>
<b>INCOME FROM OPERATIONS</b>	<u><b>1,311,927</b></u>	<u><b>2,321,614</b></u>
<b>OTHER INCOME(CHARGES)</b>		
Gain on sale of assets	764,685	-
Interest income	12,543	28,872
Insurance proceeds	-	1,017,125
Foreign exchange gains (losses)	(73,207)	(85,345)
Interest expense	(260,629)	(330,803)
Gain on sale of AFS financial assets	-	239,945
Impairment loss on deferred exploration costs and others	(413,197)	(366,779)
Padcal maintenance costs	-	(439,590)
Others - net	24,449	(111,031)
	<u>54,644</u>	<u>(47,606)</u>
<b>INCOME BEFORE INCOME TAX</b>	<u><b>1,366,571</b></u>	<u><b>2,274,008</b></u>
PROVISION FOR INCOME TAX	(415,989)	(827,667)
<b>NET INCOME</b>	<u><b>950,582</b></u>	<u><b>1,446,341</b></u>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Equity Holders of the Parent Company	1,204,804	1,504,396
Non-controlling interests	(254,222)	(58,055)
	<u><b>950,582</b></u>	<u><b>1,446,341</b></u>
<b>CORE NET INCOME</b>	<u><b>901,150</b></u>	<u><b>1,478,734</b></u>
<b>BASIC EARNINGS PER SHARE</b>	<u><b>0.2440</b></u>	<u><b>0.3050</b></u>
<b>DILUTED EARNINGS PER SHARE</b>	<u><b>0.2440</b></u>	<u><b>0.3050</b></u>
<b>CORE NET INCOME PER SHARE</b>	<u><b>0.1825</b></u>	<u><b>0.2998</b></u>

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THIRD QUARTERS ENDED SEPTEMBER 30, 2014 AND 2013**  
(Amounts in Peso Thousands, except Earnings Per Share)

	<u>2014</u>	<u>2013</u>
<b>REVENUE</b>		
Gold	1,404,920	1,924,818
Copper	1,096,091	1,528,977
Silver	17,467	28,094
	<u>2,518,478</u>	<u>3,481,889</u>
Less: Marketing charges	211,241	223,650
	<u>2,307,237</u>	<u>3,258,239</u>
Petroleum	77,286	58,300
Coal	487	1,800
Others	-	2,531
	<u><b>2,385,010</b></u>	<u><b>3,320,870</b></u>
<b>COSTS AND EXPENSES</b>		
Mining and milling costs ( including depletion and depreciation)	1,584,721	1,603,550
General and administrative expenses	197,604	358,526
Mine products taxes & royalties	117,719	186,931
Petroleum production costs	34,302	42,173
Handling, hauling and storage	26,757	21,703
Cost of coal sales	487	2,577
	<u>1,961,590</u>	<u>2,215,460</u>
<b>INCOME FROM OPERATIONS</b>	<u><b>423,420</b></u>	<u><b>1,105,410</b></u>
<b>OTHER INCOME(CHARGES)</b>		
Gain on sale of assets	764,685	-
Foreign exchange gains (losses)	(167,984)	(34,610)
Gain on sale of AFS financial assets	-	213,163
Interest income	3,354	16,981
Interest expense	(98,015)	(113,771)
Impairment loss on deferred exploration costs and others	(412,974)	(338,526)
Others - net	27,839	(61,249)
	<u><b>116,905</b></u>	<u><b>(318,012)</b></u>
<b>INCOME BEFORE INCOME TAX</b>	<u><b>540,325</b></u>	<u><b>787,398</b></u>
PROVISION FOR INCOME TAX	(190,201)	(295,426)
<b>NET INCOME</b>	<u><u><b>350,124</b></u></u>	<u><u><b>491,972</b></u></u>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Equity Holders of the Parent Company	577,856	429,747
Non-controlling interests	(227,732)	62,225
	<u><u><b>350,124</b></u></u>	<u><u><b>491,972</b></u></u>
<b>CORE NET INCOME</b>	<u><u><b>342,116</b></u></u>	<u><u><b>661,078</b></u></u>
<b>BASIC EARNINGS PER SHARE</b>	<u><u><b>0.1170</b></u></u>	<u><u><b>0.0871</b></u></u>
<b>DILUTED EARNINGS PER SHARE</b>	<u><u><b>0.1170</b></u></u>	<u><u><b>0.0871</b></u></u>
<b>CORE NET INCOME PER SHARE</b>	<u><u><b>0.0693</b></u></u>	<u><u><b>0.1340</b></u></u>