



FIRST PACIFIC COMPANY LIMITED

第一太平有限公司

(Incorporated with limited liability under the laws of Bermuda)

Press Release

Wednesday, 28 October 2015

Philex Mining ytd September results lower due to weaker metal prices despite strong 3Q production

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

** 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 28, 2015

PRESS RELEASE

YTD SEPTEMBER RESULTS LOWER DUE TO WEAKER METAL PRICES DESPITE STRONG 3Q PRODUCTION

HIGHLIGHTS

- 3Q2015 PRODUCTION HIGHEST YEAR-TO-DATE
- 9M2015 CORE NET INCOME AT P811 MILLION (9M2014: P901 MILLION)
- AVERAGE GOLD AND COPPER PRICES AT FIVE-YEAR LOWS DURING THE PERIOD; 9M2015 GOLD PRICES DOWN BY 10% AND COPPER BY 19% FROM LAST YEAR
- 9M2015 PARENT COMPANY DEBT REPAYMENT TOTALLED US\$21.8 MILLION
- ADDITIONAL 20 MILLION TONNES OF RESERVES TO EXTEND PADCAL LIFE OF MINE TO CY2022
- SILANGAN'S DEFINITIVE FEASIBILITY STUDY TO BE COMPLETED IN 1Q2016

Manila, Philippines – The Board of Directors of Philex Mining Corporation (PSE:PX) (the “Company” or “PX”) today announced that operations in the first nine (9) months of 2015 yielded a Core Net Income of P811 million (9M2014: P901 million) due to depressed metal prices. Similarly, Reported Net Income came in at P756 million (9M2014: P951 million) while Net Income Attributable to Equity Holders of the Parent Company amounted to P851 million (9M2014: P1.205 billion) as last year’s figures were boosted by the gain on the sale of the Pasig property in July 2014.

Production

The third quarter of 2015 recorded the highest metal production statistics for the year. For reference, the average quarterly metal output for 9M2015 was 8.57 million pounds for copper and 27,199 ounces for gold. In the third quarter alone, copper production rose by 2 percent to 8.82 million pounds (3Q2014: 8.64 million pounds) while gold output rose 5 percent to 27,910 ounces (3Q2014: 26,458 ounces). Operational enhancements and equipment upgrades resulted in improved metal recovery rates.

Meanwhile, Padcal mine operated for 269 days in the first nine months of 2015, the same number of days as last year, and milled 6.89 million tonnes of ore (9M2014: 7.16 million tonnes). The tonnage translated to 25.7 million pounds of copper produced (9M2014: 26.8 million pounds) as copper grades were lower at 0.205% (9M2014: 0.215%). Meanwhile, gold production reached 81,599 ounces (9M2014: 78,744 ounces) with gold grades slightly improving to 0.440 grams/tonne (g/t) (9M2014: 0.438 g/t).

Revenues

Revenues for the first nine months of 2015 were P4.366 billion from gold (9M2014: P4.493 billion) and P2.752 billion from copper (9M2014: P3.549 billion) as average realized prices for gold went down by 10 percent to US\$1,171 per ounce (9M2014: US\$1,299 per ounce) while average copper prices fell by 19 percent to US\$2.45 per pound (9M2014: US\$3.03 per pound),

offsetting the reported higher production. These price levels were the lowest recorded in the last five years and touched their lowest points in August 2015.

Revenues from petroleum and other sources were mainly affected by lower output from Galoc Phase II and the 45 percent drop in average crude prices to US\$58.7/barrel from US\$105.8/barrel last year, resulting in the decline in petroleum revenues to P118.8 million (9M2014: P275.5 million). Meanwhile, revenues from silver amounted to P55.4 million (9M2014: P60.5 million).

Total consolidated revenues for the period amounted to P7.292 billion (9M2014: P8.378 billion).

Costs and Expenses

The Company is relentless in its pursuit of managing costs and reducing expenses to cushion the impact of depressed metal prices in the world market. As a result, consolidated operating cost and expenses in the first nine months of 2015 were 13 percent lower year-on-year at P5.612 billion (9M2014: P6.430 billion). Specifically, cash production costs declined by 12 percent to P3.525 billion (9M2014: P3.989 billion) while general and administrative expenses decreased by 28 percent to P533.2 million (9M2014: P737.6 million).

During the nine month period, the Parent company repaid a total of US\$21.8 million in debt. This brought total debt to US\$74.5 million (P3.482 billion) as of end-September 2015 from US\$96.3 million (P4.308 billion) as of end-December 2014.

Outlook

Meanwhile, an engineering study conducted on the mineral resource estimates from the 800-600 meter level (ML), based on our March 2015 disclosure, identified an additional 20 million tonnes of ore reserves that will extend Padcal's life of mine by two more years from 2020 to 2022.

"The validation of additional reserves in the 800-600ML is indeed a very welcome development for the Company. Aside from extending Padcal's life-of-mine, the incremental reserves also enhance the Company's value and provide us with more flexibility before the Silangan project comes on stream," Philex President and CEO Eulalio B. Austin, Jr. said.

With respect to the Silangan project, "We are currently evaluating several techniques on waste materials handling and refining our mine design that will enable us to develop the Silangan project into an efficient and environment-friendly mine operation. These initiatives will extend the completion of the project's definitive feasibility study (DFS) to the first quarter of 2016 from our original projection this year," said Yulo E. Perez, President of Silangan Mindanao and Mining Co., Inc. (SMMCI).

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PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	September 30 2015 (UNAUDITED)	December 31 2014 (AUDITED)
ASSETS		
Current Assets		
Cash and cash equivalents	2,542,731	5,231,892
Accounts receivable	405,299	1,055,864
Inventories	1,657,965	1,858,220
Derivative assets	-	7,766
Other current assets	1,474,833	1,376,741
Total Current Assets	6,080,828	9,530,483
Noncurrent Assets		
Property, Plant and Equipment - net	7,085,513	7,138,912
Available-for-sale (AFS) financial assets	490,727	906,681
Goodwill	1,238,583	1,238,583
Deferred income tax assets	8,502	8,224
Deferred exploration costs and other noncurrent assets	28,613,420	25,817,465
Total Noncurrent Assets	37,436,745	35,109,865
TOTAL ASSETS	43,517,573	44,640,348
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Loans payable - current	3,481,590	4,307,720
Accounts payable and accrued liabilities	1,502,445	1,795,755
Income Tax Payable	129,920	47,423
Dividends payable	480,395	488,818
Provisions and subscriptions payables	477,525	883,102
Total Current Liabilities	6,071,875	7,522,818
Noncurrent Liabilities		
Deferred income tax liabilities - net	3,951,689	3,859,141
Bonds payable	6,168,345	5,947,366
Pension obligation	27,529	43,585
Provision for losses and mine rehabilitation costs	356,521	225,618
Total Noncurrent Liabilities	10,504,084	10,075,710
Total Liabilities	16,575,959	17,598,528
Equity Attributable to Equity Holders of the Parent Company		
Capital Stock - P1 par value	4,940,399	4,940,399
Additional paid-in capital	1,141,201	1,117,627
Retained Earnings		
Unappropriated	5,462,506	4,712,032
Appropriated	10,000,000	10,000,000
Net unrealized loss on AFS financial assets	(289,590)	(64,010)
Equity conversion option	1,225,518	1,225,518
Cumulative translation adjustments	99,570	37,370
Net revaluation surplus	1,611,397	1,611,397
Effect of transactions with non-controlling interests	23,957	19,084
	24,214,958	23,599,417
Non-controlling Interests	2,726,656	3,442,403
Total equity	26,941,614	27,041,820
TOTAL LIABILITIES & EQUITY	43,517,573	44,640,348

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(Amounts in Peso Thousands, except Earnings Per Share)

	<u>2015</u>	<u>2014</u>
REVENUE		
Gold	4,366,199	4,492,915
Copper	2,751,563	3,548,821
Silver	55,423	60,511
Petroleum & others	118,756	275,528
	<u>7,291,941</u>	<u>8,377,775</u>
Less: Marketing charges	<u>626,760</u>	<u>636,225</u>
	<u>6,665,181</u>	<u>7,741,550</u>
COSTS AND EXPENSES		
Mining and milling costs (including depletion and depreciation)	4,598,200	5,099,531
General and administrative expenses	533,180	737,637
Excise taxes & royalties	344,532	398,346
Petroleum production costs	82,059	122,240
Handling, hauling and storage	54,494	68,587
Cost of coal sales	-	3,282
	<u>5,612,465</u>	<u>6,429,623</u>
OTHER INCOME(CHARGES)		
Gain on sale of AFS financial assets	107,088	-
Gain on sale of assets	-	764,685
Interest income	10,187	12,543
Interest expense	-	(260,629)
Impairment loss on deferred exploration costs	-	(413,197)
Foreign exchange losses - net	(100,135)	(73,207)
Others - net	36,336	24,449
	<u>53,476</u>	<u>54,644</u>
INCOME BEFORE INCOME TAX	1,106,192	1,366,571
PROVISION FOR INCOME TAX	(350,161)	(415,989)
NET INCOME	756,031	950,582
NET INCOME ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	851,324	1,204,804
Non-controlling interests	(95,293)	(254,222)
	<u>756,031</u>	<u>950,582</u>
CORE NET INCOME	811,470	901,150
BASIC EARNINGS PER SHARE	0.1723	0.2440
DILUTED EARNINGS PER SHARE	0.1723	0.2440
CORE NET INCOME PER SHARE	0.1643	0.1825