



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	December 31
	2019	2018
	(Unaudited)	(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
	<u>1,565,970</u>	<u>1,566,539</u>	<u>1,676,504</u>	<u>4,809,013</u>	<u>5,087,183</u>
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
	<u>293,964</u>	<u>143,401</u>	<u>(1,622)</u>	<u>435,743</u>	<u>(172,283)</u>
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
	<u>(2,807)</u>	<u>4,997</u>	<u>51,743</u>	<u>53,933</u>	<u>225,511</u>
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)
	<u>206,499</u>	<u>184,890</u>	<u>47,584</u>	<u>438,973</u>	<u>569,889</u>
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