



**FIRST PACIFIC COMPANY LIMITED**  
**第一太平有限公司**

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

## Press Release

**Wednesday, 9 May 2018**

**Philex 1Q2018 core net income at P346M;  
Reported net income at P303M**

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 investment PXP Energy Corporation (PSE: PXP), in energy and hydrocarbon businesses.

Further information on Philex can be found at [www.philexmining.com.ph](http://www.philexmining.com.ph) and on PXP Energy Corporation at [www.pxpenergy.com.ph](http://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**

### **1Q2018 CORE NET INCOME AT P346M; REPORTED NET INCOME AT P303M**

#### **HIGHLIGHTS**

- 1Q2018 CORE NET INCOME AT P346 MILLION (1Q2017: P458 MILLION)
- REPORTED NET INCOME AT P303 MILLION (1Q2017: P432 MILLION)
- CONSOLIDATED REVENUES AT P2.373 BILLION (1Q2017: P2.542 BILLION)
- CASH COSTS AND EXPENSES AT P1.288 BILLION (1Q2017: P1.316 BILLION)
- US\$5.0 MILLION SHORT-TERM DEBT REPAYED IN APRIL-MAY; TOTAL OUTSTANDING DEBT DOWN TO US\$44.0 MILLION TOTAL
- MINE LIFE EXTENSION STUDY ONGOING; EXPECTED COMPLETION IN JULY
- POLICY ALIGNMENT WITH CANADA'S TSM MINING STANDARDS IN PROGRESS
- VALUE GENERATION FROM INVESTMENT IN AND ADVANCES TO PXP ENERGY UNDER CONSIDERATION

Manila, Philippines – The Board of Directors of Philex Mining Corporation (PSE:PX) (the “Company” or “PX”) today announced that the Company generated a Core Net Income of P346 million (1Q2017: P458 million) and a Reported Net Income of P303 million (1Q2017: 432 million). The results were attributed to lower metal production, caused by low ore grades, higher non-cash charges, and increased taxes arising from the doubling of excise tax rates under the Tax Reform Acceleration and Inclusion (TRAIN) Law.

#### **Production and Revenues**

In the first three months of 2018, Padcal milled 2.2 million tonnes of ore, which was 10% higher than last year's 2.0 million tonnes. This was achieved as production-related issues, such as bouldery ore, manpower shortage, and ground conditions, were generally addressed during the course of 2017. However, ore grades, low metal recoveries, and equipment repairs resulted in lower volumes of metal.

In particular, gold produced reached 17,947 ounces (1Q2017: 22,451 ounces) as grades averaged 0.329 grams per tonne (g/t) (1Q2017: 0.421 g/t) and metal recovery reached 77% (1Q2017: 83%). Revenue from gold, on the other hand, amounted to P1.237 billion (1Q2017: 1.426 billion) as higher average gold prices, which reached US\$1,338 per ounce (1Q2017: 1,264 per ounce), partially offset the impact of lower output.

Similarly, copper output reached 7.1 million pounds (1Q2017: 7.8 million pounds) as grades averaged 0.185% (1Q2017: 0.209%) and metal recovery reached 79% (1Q2017: 84%). However, with realized copper prices averaging US\$3.10 per pound during the period (1Q2017: 2.77 per pound), revenue from copper totaled P1.117 billion (1Q2017: 1.094 billion), despite lower copper production.

Revenue from silver totaled P18.8 million (1Q2017: 21.9 million), which brought the Company's consolidated operating revenues in the first quarter of 2018 to P2.373 billion (1Q2017: 2.542 billion).

#### Costs and Expenses, Core and Net Income

Meanwhile, cash costs and expenses were at P1.288 billion (1Q2017: P1.316 billion) as production costs during the period decreased to P1.064 billion (1Q2017: 1.112 billion) due to lower cost of power and raw materials expenses. General and administrative expenses also declined to P81.5 million (1Q2017: P93.7 million) as the Company continued to prudently manage its resources.

However, higher depletion and depreciation charges at P408.8 million (1Q2017: P351.6 million) and higher excise taxes at 1Q2018: P143.1 million (1Q2017: P110.6 million), due to the effectivity of the 100% increase in excise tax rates under the TRAIN Law Package 1 starting January 1, 2018, pushed consolidated operating costs and expenses to P1.697 billion (1Q2017: P1.668 billion).

As a result, Core Net Income and Net Income Attributable to Equity Holders of the Parent Company amounted to P346.0 million (1Q2017: P458.3 million) and P302.8 million (1Q2017: 432.3 million), respectively.

Additionally, the Parent Company repaid US\$5 million of its outstanding short-term bank loans in April and May, to bring down total debt to US\$44 million as of May 9, 2018.

#### Mine Life Extension and Beyond

"The results of the first three months of the year reveals the challenges for Padcal as it mines the fringes of its current ore body. This makes achieving an extension to mine life imperative to sustain operations and continue our commitment to our stakeholders," said Eulalio B. Austin, Jr., Philex President and Chief Executive Officer.

Related to this, the Company is currently completing studies, focusing on the most effective and efficient means to expand the capacities of its existing tailings storage facilities (TSFs) to accommodate additional tailings and allow for Padcal's life of mine to be extended beyond 2022. These studies are expected to be completed by the first half of this year. Coupled with tailings management studies, mining methodology at the active mining levels is also being reviewed to generate optimum returns. Over the longer-term, the Company will follow a strategic road map that will support its long-term sustainable growth objectives.

"As an essential element of our right and principled mining advocacy, we are programmed to plant close to 180,000 trees this year, on top of the nine million trees we have already planted, under our proactive reforestation and rehabilitation program across the areas where we have presence. In terms of further extending Padcal's life of mine, we shall actively explore new areas within and around the vicinity of the current ore body for new ore sources. Furthermore, we will also be evaluating several globally acceptable techniques and innovations, related to our tailings storage process, which will hopefully

augment our TSF capacities and result in a significant mine life extension. We are likewise aligning our policies with the Mining Association of Canada's Towards Sustainable Mining (TSM) initiative to strengthen our adherence to international mining standards. Though admittedly these initiatives are still at preliminary stages, we believe these will build the foundation for a strong and stable operating platform in the future," Austin added.

With respect to the Silangan Project, the Company is evaluating options that will meet the present regulatory, financial, technical, and environmental requirements of the Department of Environment and Natural Resources and other government agencies to launch the Project into mine development.

In light of recent developments, PX is also considering on how to generate the best value out of its 20% equity investment in, and advances to, its affiliate - PXP Energy Corp.

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

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

	March 31 2018 <u>(Unaudited)</u>	December 31 2017 <u>(Audited)</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	508,372	583,538
Accounts receivable - net	464,390	990,604
Inventories - net	2,230,674	1,517,097
Advances to a related party	2,158,593	2,168,632
Other current assets -net	997,127	1,007,000
<b>Total Current Assets</b>	<u>6,359,156</u>	<u>6,266,871</u>
<b>Noncurrent Assets</b>		
Property, plant and equipment - net	6,645,209	6,721,022
Investment in associates - net	1,409,141	1,415,604
Deferred exploration costs	24,559,393	24,360,954
Pension asset - net	373,280	373,849
Other noncurrent assets	541,390	540,494
<b>Total Noncurrent Assets</b>	<u>33,528,413</u>	<u>33,411,923</u>
<b>TOTAL ASSETS</b>	<u><b>39,887,569</b></u>	<u><b>39,678,794</b></u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable	2,555,840	2,446,570
Accounts payable and accrued liabilities	1,372,098	1,651,710
Income tax payable	291,256	229,679
Dividends payable	585,483	528,836
<b>Total Current Liabilities</b>	<u>4,804,677</u>	<u>4,856,795</u>
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities - net	3,070,931	3,004,830
Loans and bonds payable	7,030,766	6,950,306
Provision for losses and mine rehabilitation costs	135,963	135,086
<b>Total Noncurrent Liabilities</b>	<u>10,237,660</u>	<u>10,090,222</u>
<b>Total Liabilities</b>	<u><b>15,042,337</b></u>	<u><b>14,947,017</b></u>
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital Stock - P1 par value	4,940,399	4,940,399
Additional paid-in capital	1,143,981	1,143,981
Retained Earnings		
Unappropriated	5,376,648	5,271,302
Appropriated	10,500,000	10,500,000
Equity conversion option	1,225,518	1,225,518
Other reserves	8,667	558
Net revaluation surplus	1,572,385	1,572,385
Effect of transactions with non-controlling interests	77,892	77,892
	<u>24,845,490</u>	<u>24,732,035</u>
Non-controlling Interests	(258)	(258)
<b>Total equity</b>	<u><b>24,845,232</b></u>	<u><b>24,731,777</b></u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><b>39,887,569</b></u>	<u><b>39,678,794</b></u>

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017**  
(Amounts in Peso Thousands, except Earnings Per Share)

	<b>THREE MONTHS ENDED MARCH 31</b>	
	<b>2018</b>	<b>2017</b>
<b>REVENUE</b>		
Gold	1,236,578	1,426,069
Copper	1,117,170	1,094,068
Silver	18,830	21,890
	<u>2,372,578</u>	<u>2,542,027</u>
Less: Smelting charges	207,280	206,695
	<u>2,165,298</u>	<u>2,335,332</u>
<b>COSTS AND EXPENSES</b>		
Production costs	1,063,565	1,111,710
Depletion, depreciation and amortization	408,780	351,596
General and administrative expenses	81,484	93,663
Excise taxes and royalties	143,079	110,597
	<u>1,696,908</u>	<u>1,667,566</u>
<b>INCOME FROM OPERATIONS</b>	<b><u>468,390</u></b>	<b><u>667,766</u></b>
<b>OTHER INCOME(CHARGES)</b>		
Foreign exchange losses - net	(61,726)	(37,255)
Share in net losses of associates	(6,463)	(6,304)
Interest income	317	236
Others - net	32,806	(11,854)
	<u>(35,066)</u>	<u>(55,177)</u>
<b>INCOME BEFORE INCOME TAX</b>	<b><u>433,324</u></b>	<b><u>612,589</u></b>
<b>PROVISION FOR INCOME TAX</b>		
Current	61,577	164,820
Deferred	68,980	15,503
	<u>130,557</u>	<u>180,323</u>
<b>NET INCOME</b>	<b><u>302,767</u></b>	<b><u>432,266</u></b>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Equity holders of the Parent Company	302,767	432,266
Non-controlling interests	-	-
	<u>302,767</u>	<u>432,266</u>
<b>CORE NET INCOME</b>	<b><u>345,976</u></b>	<b><u>458,345</u></b>
<b>BASIC EARNINGS PER SHARE</b>	<b><u>0.0613</u></b>	<b><u>0.0875</u></b>
<b>DILUTED EARNINGS PER SHARE</b>	<b><u>0.0613</u></b>	<b><u>0.0875</u></b>
<b>CORE NET INCOME PER SHARE</b>	<b><u>0.0700</u></b>	<b><u>0.0928</u></b>