



FIRST PACIFIC COMPANY LIMITED
第一太平有限公司

(Incorporated with limited liability under the laws of Bermuda)

Press Release

Wednesday, 25 February 2015

**Philex 2014 profitability improved despite low grades
and weak metal prices**

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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PRESS RELEASE

2014 PROFITABILITY IMPROVED DESPITE LOW GRADES AND WEAK METAL PRICES

HIGHLIGHTS

- 2014 CORE NET INCOME AT P1.122 BILLION vs P1.081 BILLION IN 2013
- 2014 REPORTED NET INCOME AT P703 MILLION vs P312 MILLION IN 2013
- PRODUCTION OF METAL INCREASED 5% FOR GOLD AND 9% FOR COPPER
- OPERATING REVENUES UP 4% TO P10.898 BILLION
- EARNINGS PER SHARE GREW 189% TO 20.4 CENTAVOS
- FINAL CASH DIVIDEND OF P0.02 PER SHARE. TOTAL DIVIDENDS OF P0.05 FOR 2014
- END-2014 PARENT DEBT AT P4.308 BILLION; P500 MILLION RETIRED IN EARLY 2015
- SILANGAN PROJECT ON TRACK TO COMPLETE DEFINITIVE FEASIBILITY STUDY IN 2015

Manila, Philippines – The Board of Directors of Philex Mining Corporation (PSE:PX) (the “Company” or “PX”) today announced that its audited financial statements for the year ended December 31, 2014 showed a Core Net Income of P1.122 billion, 4 percent higher than 2013’s P1.081 billion, after excluding exceptional gains and losses realized for both years. Reported Net Income for the year reached P703 million, more than double that of P312 million reported in 2013. The improved profitability was driven by an increase in revenues, due to higher number of operating days, coupled with cost streamlining despite lower ore grades and weakness in metal prices.

Production and Revenues

Padcal operated for a full year in 2014 compared with only about ten (10) months in 2013, delivering a 23-percent increase in tonnage. However, lower metal grades resulted in moderate improvements in metal output. Specifically, gold output in 2014 increased 5 percent to 105,008 ounces, which yielded 6% higher revenues at P5.889 billion despite the 2-percent drop in realized gold price to US\$1,270 per ounce from US\$1,297. Similarly, copper production improved 9 percent to 35,391,154 pounds and contributed P4.615 billion in revenues, despite 9 percent lower realized prices for copper at US\$2.98 per pound from US\$3.27 per pound in 2013.

Revenues from silver, coal, petroleum and others, which comprised the remainder of revenues, rose 31 percent to P394 million from P300 million in 2013 due mainly to increased production from Galoc oil field’s Phase II project.

Total revenue for the year totaled P10.898 billion, 4 percent higher than 2013.

Production Costs and Expenses

Meanwhile, growth in consolidated operating costs and expenses was contained at 12 percent to P8.415 billion in 2014 despite the 20 percent increase in operating days for the year. This resulted from the Company’s cost management and operational enhancement initiatives, which brought general and administrative expenses down to P943 million – 28 percent lower than 2013 – and partially offset the rise in production costs associated with higher operating days.

Other charges amounted to P579 million in 2014, 54 percent lower than P1.247 billion reported in 2013 due particularly to the absence of impairment loss on available for sale (AFS) financial assets related to the Company’s investments in listed mining shares and maintenance costs accumulated

during Padcal's suspended operations. Other charges in 2014 consisted mainly of reorganization costs and provisions for write-down of exploration assets, which was partially offset by the gain on the sale of the Pasig property.

EBITDA, Earnings per Share and Dividends

Consolidated EBITDA in 2014 amounted to P3.320 billion (EBITDA Margin on Net Revenue at 33%) versus 2013's EBITDA of P3.920 billion (EBITDA Margin on Net Revenue at 40%). Earnings Per Share almost tripled to 20.4 centavos from 6.9 centavos in 2013.

With this year's performance, the Board approved the declaration of Cash Dividends amounting to 2.0 centavos per share (P0.02/share) payable on March 25, 2015 to shareholders of record as of March 11, 2015. This brought total Cash Dividends declared in 2014 to five centavos per share (P0.05/share), equivalent to 22% payout of the Company's Core Net Income.

Debt Management

As at end December 2014, the Parent Company's outstanding debt from local banks stood at P4.308 billion, of which about P500 million has been retired in January and February this year.

Outlook

The Silangan Project in Surigao del Norte continued to progress as planned with the completion of the project's Definitive Feasibility Study expected to be finalized within the year.

"Against a backdrop of lower metal prices, it was important for the Company to reduce the cost base and considerable progress has been made in this area. While the business environment remains challenging, with lower metal prices and restrictive legislative measures being contemplated especially the proposed new tax laws on the industry, we remain committed to creating value for our shareholders, business partners and employees," Philex Mining President and Chief Executive Officer Eulalio B Austin, Jr said.

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	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	₱5,231,892	₱4,080,512
Accounts receivable	1,055,864	295,451
Inventories	1,858,220	2,668,274
Derivative assets	7,766	–
Other current assets	1,376,741	1,343,245
Total Current Assets	9,530,483	8,387,482
Noncurrent Assets		
Property, plant and equipment	7,138,912	6,880,096
Available-for-sale (AFS) financial assets	906,681	975,380
Goodwill	1,238,583	1,238,583
Deferred income tax assets – net	8,224	11,818
Deferred exploration costs and other noncurrent assets	25,817,465	22,427,186
Total Noncurrent Assets	35,109,865	31,533,063
TOTAL ASSETS	₱44,640,348	₱39,920,545
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable	₱4,307,720	₱6,176,369
Accounts payable and accrued liabilities	1,795,755	2,321,301
Income tax payable	47,423	11,519
Dividends payable	488,818	460,650
Provisions and subscriptions payable	883,102	805,108
Total Current Liabilities	7,522,818	9,774,947
Noncurrent Liabilities		
Deferred income tax liabilities – net	3,859,141	3,946,941
Loans and bonds payable	5,947,366	55,014
Pension obligation	43,585	21,598
Provision for losses and mine rehabilitation costs	225,618	204,791
Total Noncurrent Liabilities	10,075,710	4,228,344
Total Liabilities	17,598,528	14,003,291
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1 par value	4,940,399	4,936,996
Additional paid-in capital	1,117,627	1,058,497
Retained earnings		
Unappropriated	4,712,032	4,128,826
Appropriated	10,000,000	10,000,000
Net unrealized gain (loss) on AFS financial assets	(64,010)	4,689
Equity conversion option	1,225,518	–
Cumulative translation adjustments	37,370	25,116
Net revaluation surplus	1,611,397	1,611,397
Effect of transactions with non-controlling interests	19,084	45,099
	23,599,417	21,810,620
Non-controlling interests	3,442,403	4,106,634
Total Equity	27,041,820	25,917,254
TOTAL LIABILITIES AND EQUITY	₱44,640,348	₱39,920,545

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2014	2013	2012
REVENUE			
Gold	₱5,889,107	₱5,581,587	₱4,946,041
Copper	4,615,092	4,579,757	3,865,704
Silver	78,161	82,063	79,571
	10,582,360	10,243,407	8,891,316
Less marketing charges	849,837	659,536	439,771
	9,732,523	9,583,871	8,451,545
Petroleum	308,255	191,243	191,003
Others	7,462	27,142	55,041
	10,048,240	9,802,256	8,697,589
COSTS AND EXPENSES			
Mining and milling costs (including depletion and depreciation)	6,719,928	5,457,881	3,473,183
General and administrative expenses	943,001	1,311,059	1,148,291
Excise taxes and royalties	507,188	536,522	454,858
Petroleum production costs	152,982	87,895	98,245
Handling, hauling and storage	88,417	69,003	59,339
Cost of coal sales	3,282	17,770	35,238
	8,414,798	7,480,130	5,269,154
OTHER INCOME (CHARGES)			
Gain on sale of property plant and equipment	764,685	–	–
Interest income	16,952	26,060	58,201
Foreign exchange losses – net	(56,374)	(173,972)	(164,716)
Interest expense	(354,461)	(416,360)	(44,355)
Reorganization costs	(394,154)	–	–
Impairment loss on deferred exploration costs and others	(569,926)	(297,585)	(1,023,376)
Others – net	14,118	(385,217)	(2,017,439)
	(579,160)	(1,247,074)	(3,191,685)
INCOME BEFORE INCOME TAX	1,054,282	1,075,052	236,750
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	421,584	255,703	551,979
Deferred	(70,147)	506,954	(4,390)
	351,437	762,657	547,589
NET INCOME (LOSS)	₱702,845	₱312,395	(₱310,839)
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	₱1,005,552	₱341,932	₱208,733
Non-controlling interests	(302,707)	(29,537)	(519,572)
	₱702,845	₱312,395	(₱310,839)
Basic Earnings Per Share	₱0.204	₱0.069	₱0.042
Diluted Earnings Per Share	₱0.204	₱0.069	₱0.042
Core Net Income	₱1,121,793	₱1,081,146*	₱1,689,281
Core Net Income Per Share	₱0.227	₱0.219*	₱0.342

*Excludes insurance gain from business interruption of P427 million