



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

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

# Press Release

**Wednesday, 27 July 2016**

**Philex's 1H2016 core net income at P774.0 million, up 49%**

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 interest in Philex.*

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**For further information, please contact:**

John Ryan  
Head of Investor Relations  
Executive Vice President  
Group Corporate Communications

Tel: +852 2842 4355  
Mobile: +852 6336 1411

Sara Cheung  
Vice President  
Group Corporate Communications

Tel: +852 2842 4336



July 27, 2016

**PRESS RELEASE**

**1H2016 CORE NET INCOME AT P774.0 MILLION, UP 49%**

**HIGHLIGHTS**

- 1H2016 CORE NET INCOME AT P774 MILLION (1H2015: 520 MILLION)
- REPORTED NET INCOME AT P757 MILLION (1H2015: P565 MILLION)
- 2Q2016 METAL PRODUCTION HIGHER THAN 1Q2016, WITH RECORD MONTH POSTED IN JUNE 2016
- CONSOLIDATED COSTS AND EXPENSES LOWER BY 8% TO P3.25 BILLION (1H2015: P3.55 BILLION)
- AVERAGE GOLD PRICE HIGHER BY 6%; AVERAGE COPPER PRICE LOWER BY 18%
- OPERATING MARGIN IMPROVED TO 23% (1H2015: 18%)
- US\$6.5 MILLION OF SHORT-TERM LOANS PAID IN 1H2016, BRINGING PARENT COMPANY DEBT DOWN TO US\$64.0 MILLION AS OF END-JUNE 2016
- DECLARATION OF CASH DIVIDEND OF P0.03 PER SHARE WITH RECORD DATE OF AUGUST 10, 2016 AND PAYMENT DATE ON AUGUST 24, 2016

Manila, Philippines – The Board of Directors of Philex Mining Corporation (PSE:PX) (the “Company” or “PX”) today announced that its first half 2016 financial and operating performance delivered a Reported Net Income of P757 million, 34 percent higher than 2015’s P565 million, as improved production and higher gold prices were complemented by a reduction in costs. Core Net Income grew to P774 million (1H2015: 520 million), an improvement of 49%.

In relation to this, the Company also declared a regular cash dividend of P0.03/per share to shareholders of record as of August 10, 2016 and payable on August 24, 2016.

These results reflect the operations of the metals mining business solely, as the results of Philex Petroleum Corporation’s (PXP’s) energy business is presented as a separate line item in the financial statements for 2016 and the comparative statements for 2015, following the property dividends which reduces PX’s share in PXP to 19.8% from the previous 64.7%, as required under Philippine Financial Reporting Standards.

**Production and Revenues**

Padcal mine operated for 180 days in the first six (6) months of 2016 and milled 4.70 million tonnes of ore, 5 percent more than the previous year (1H2015: 4.47 million tonnes).

This tonnage translated to 49,589 ounces of gold (1H2015: 53,689 ounces) as a result of lower grades at 0.406 grams/tonne (g/t) (1H2015: 0.442 g/t) and metal recovery of 81% (1H2015: 84%) due to an increasing presence of slimes at the current draw points. Following the increase in tonnage, copper output rose 3 percent to 17.3 million pounds (1H2015: 16.9 million pounds) with grades steady at 0.206%.

In terms of turnover, gold revenues rose to P2.955 billion (1H2015: P2.894 billion) as a result of higher gold prices in the world market during the period. Average realized prices reached US\$1,263 per ounce, 6 percent better than the previous year.

Copper revenues, on the other hand, amounted to P1.795 billion (1H2015: P1.870 billion) as average realized prices continued to be under pressure and fell 18 percent to US\$2.14 per pound (1H2015: US\$2.61 per pound). Revenues from silver reached P37 million (1H2015: P38 million).

Total consolidated revenues for the metals mining business during the period amounted to P4.788 billion (1H2015: P4.802 billion).

### **Costs and Expenses**

Meanwhile, the Company's productivity enhancement and efficiency improvement initiatives continued to bear fruit as consolidated operating costs and expenses in the first half of 2016 decreased 8 percent to P3.253 billion from P3.548 billion in the previous year.

In particular, cash production costs were 3 percent lower at P2.266 billion (1H2015: P2.335 billion) while operating costs declined 7 percent to P3.067 billion (1H2015: 3.310 billion). General and administrative expenses were also 22 percent lower at P187.0 million (1H2015: 239.0 million) as a result of the Company's continued organizational optimization program.

The reduction in costs likewise positively impacted margins as operating margin improved to 23 percent from 18 percent the previous year.

In terms of capital management, a total of US\$6.5 million of the Parent Company's outstanding short-term debt was retired during the period, reducing the Parent Company's short-term loans to US\$64.0 million as of end-June 2016 from US\$70.5 million as of end-December 2015.

### **Outlook**

The Company's operational adjustments in the second quarter of the year already resulted in increased metal production for the period. Gold output reached 25,388 ounces while copper production reached 8.9 million pounds, 5 percent and 6 percent higher, respectively, from the first quarter performance.

The improved production was driven by improved equipment efficiency, manpower optimization and better ore grades, particularly in June, as new draw points started to deliver higher grades. Gold grade averaged 0.436 g/t in June compared with an average of 0.406 g/t for the first half of the year. Copper grades were also higher at 0.215% against 0.206% average for the period.

As a result, gold and copper outputs in the month were the highest recorded year-to-date. These trends were also apparent in the early parts of July and, barring any unforeseen circumstances, could result in another record month in terms of metal production.

The Company has also shown the benefits of its cost-containment program against the backdrop of an improved pricing scenario.

"From an operational and financial standpoint, the pricing environment, at least for gold, has so far been favorable to us during the first half of the year. We hope this trend is sustained for the remainder of the year, which we aim to take full advantage of by further ramping up our production, which already started during the month of June," Philex President and CEO Eulalio B. Austin, Jr. said.

In a wider context, as the nation welcomes in a new Government, the Company will remain steadfast in its commitment to promote responsible mining in the country.

“The new Administration’s support for responsible mining is a welcome development for the industry. We believe that the Department of Environment and Natural Resources’ (DENR’s) strong stance against unlawful and irresponsible mining activities will clean up the local mining sector. In support of DENR’s objectives, we will be as vigilant as ever, we will continue to uphold our tradition of responsible mining, in accordance with law, and pursue inclusive growth within our areas of operation. Meanwhile, the peer review of the Silangan Project is currently being conducted by third-party consultants,” Austin added.

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For further information, please contact:

Danny Y. Yu  
Chief Financial Officer  
Telephone: 631-1381 loc 289  
Email: [dyyu@philexmining.com.ph](mailto:dyyu@philexmining.com.ph)

Rolli S. Bondoy  
Investor Relations  
Telephone: 631-1381 loc 533  
Email: [rsbondoy@philexmining.com.ph](mailto:rsbondoy@philexmining.com.ph)

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015**  
(Amounts in Peso Thousands, except Earnings Per Share)

	<u>2016</u>	<u>2015</u>
<b>REVENUE</b>		
Gold	2,954,725	2,894,336
Copper	1,795,447	1,870,356
Silver	37,328	37,564
	<u>4,787,500</u>	<u>4,802,256</u>
Less: Smelting charges	418,636	403,439
	<u>4,368,864</u>	<u>4,398,817</u>
<b>COSTS AND EXPENSES</b>		
Mining and milling costs ( including depletion and depreciation)	2,822,112	3,032,343
General and administrative expenses	186,685	238,704
Excise taxes & royalties	215,472	240,671
Handling, hauling and storage	28,925	36,555
	<u>3,253,194</u>	<u>3,548,273</u>
<b>OTHER INCOME(CHARGES)</b>		
Foreign exchange losses - net	6,382	(29,482)
Interest income	1,234	836
Gain on disposal of AFS financial assets	-	107,088
Interest expense	-	(9,850)
Others - net	18,179	(12,600)
	<u>25,795</u>	<u>55,992</u>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,141,465</b>	<b>906,536</b>
PROVISION FOR INCOME TAX	(355,418)	(252,480)
<b>INCOME BEFORE LOSS OF A SUBSIDIARY GROUP HELD FOR DISTRIBUTION</b>	<b>786,047</b>	<b>654,056</b>
<b>LOSS OF A SUBSIDIARY GROUP HELD FOR DISTRIBUTION</b>	<b>(29,102)</b>	<b>(89,249)</b>
<b>NET INCOME</b>	<b>756,945</b>	<b>564,807</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Equity Holders of the Parent Company	778,603	606,974
Non-controlling interests	(21,658)	(42,167)
	<u>756,945</u>	<u>564,807</u>
<b>CORE NET INCOME</b>	<b>774,016</b>	<b>519,728</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>0.1576</b>	<b>0.1229</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>0.1576</b>	<b>0.1229</b>
<b>CORE NET INCOME PER SHARE</b>	<b>0.1567</b>	<b>0.1052</b>

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Peso Thousands, except Par Value Per Share)

	June 30 2016 (UNAUDITED)	December 31 2015 (AUDITED)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	348,982	1,008,686
Accounts receivable	517,613	897,479
Inventories	2,209,972	1,886,544
Other current assets	1,482,138	1,478,748
	<u>4,558,705</u>	<u>5,271,457</u>
Assets of a subsidiary group held for distribution	7,275,945	-
<b>Total Current Assets</b>	<u>11,834,650</u>	<u>5,271,457</u>
<b>Noncurrent Assets</b>		
Property, Plant and Equipment - net	6,422,789	6,828,052
Available-for-sale (AFS) financial assets	106,687	106,687
Investment in an associate	641,408	659,408
Goodwill	-	1,238,583
Deferred income tax assets - net	239	5,992
Deferred exploration costs and other noncurrent assets	25,199,365	29,438,845
<b>Total Noncurrent Assets</b>	<u>32,370,488</u>	<u>38,277,567</u>
<b>TOTAL ASSETS</b>	<u>44,205,138</u>	<u>43,549,024</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable	3,011,840	3,317,730
Accounts payable and accrued liabilities	1,338,409	1,448,445
Income Tax Payable	177,633	13,014
Dividends payable	1,842,333	479,652
Provisions and subscriptions payables	436,412	456,043
Derivative liability	11,194	-
	<u>6,817,821</u>	<u>5,714,884</u>
Liabilities of a subsidiary group held for distribution	1,736,225	-
<b>Total Current Liabilities</b>	<u>8,554,046</u>	<u>5,714,884</u>
<b>Noncurrent Liabilities</b>		
Bonds payable	6,411,040	6,259,063
Deferred income tax liabilities - net	2,901,769	3,939,160
Pension obligation	21,968	21,968
Provision for losses and mine rehabilitation costs	127,479	330,047
<b>Total Noncurrent Liabilities</b>	<u>9,462,256</u>	<u>10,550,238</u>
<b>Total Liabilities</b>	<u>18,016,302</u>	<u>16,265,122</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	1,143,837	1,142,722
Retained Earnings		
Unappropriated	4,805,142	5,496,271
Appropriated	10,000,000	10,000,000
Net unrealized loss on AFS financial assets	(1,022)	(1,022)
Equity conversion option	1,225,518	1,225,518
Cumulative translation adjustments	(54,980)	124,334
Net revaluation surplus	1,611,397	1,611,397
Effect of transactions with non-controlling interests	23,164	23,164
	<u>23,693,455</u>	<u>24,562,783</u>
Non-controlling Interests	2,495,381	2,721,119
<b>Total equity</b>	<u>26,188,836</u>	<u>27,283,902</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u>44,205,138</u>	<u>43,549,024</u>