



FIRST PACIFIC COMPANY LIMITED
第一太平有限公司

(Incorporated with limited liability under the laws of Bermuda)

Press Release

Tuesday, 7 November 2017

**Philex's 9M2017 core net income at P1.158 billion;
reported net income at P1.132 billion**

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

** Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific, holds an additional 15.0% economic interest in Philex.*

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November 7, 2017

PRESS RELEASE

**9M2017 CORE NET INCOME AT P1.158 BILLION;
REPORTED NET INCOME AT P1.132 BILLION**

HIGHLIGHTS

- 9M2017 CORE NET INCOME AT P1.158 BILLION (9M2016: P1.332 BILLION)
- REPORTED NET INCOME AT P1.132 BILLION (9M2016: P1.355 BILLION)
- DECLARATION OF P0.04/SHARE CASH DIVIDENDS
- MAJORITY OF PRODUCTION-RELATED ISSUES WHICH AFFECTED 9-MONTH OPERATIONS WERE RESOLVED; OCTOBER 2017 TONNAGE AND COPPER OUTPUT THE HIGHEST IN 10 MONTHS AND OCTOBER GOLD OUTPUT 7% HIGHER THAN THE NINE-MONTH AVERAGE
- CONSOLIDATED REVENUES AT P7.180 BILLION (9M2016: P7.705 BILLION)
- PARENT COMPANY BANK DEBTS DOWN BY US\$ 11 MILLION TO US\$51 MILLION
- SOCIAL DEVELOPMENT MANAGEMENT PROGRAM (SDMP) EXPENSES AT P106 MILLION AND ENVIRONMENTAL PROTECTION AND ENHANCEMENT PROGRAM (EPEP) EXPENSES AT P301 MILLION
- PHILEX STARTED ADOPTING CANADA'S TOWARDS SUSTAINABLE MINING (TSM) INITIATIVE
- SILANGAN FINALIZING PRE-FEASIBILITY STUDY OF PHASE 2 (UNDERGROUND MINING) TO COMPLEMENT DEFINITIVE FEASIBILITY STUDY OF PHASE 1 (SURFACE MINING)

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 2017 yielded a Core Net Income of P1.158 billion (9M2016: P1.332 billion) and a Reported Net Income of P1.132 billion (9M2016: P1.333 billion), largely as a result of lower revenues. Based on these results, the Company will be paying out cash dividends of four centavos per share (P0.04/share), to shareholders of record as of November 24, 2017, on December 6, 2017.

Production

Total ore milled in the first nine months of 2017 reached 6,258,610 tonnes (9M2016: 7,213,879 tonnes), which was affected principally by low mine delivery due to equipment availability issues, limited flexibility related to ore handling, and persistent bouldery ore.

Gold production reached 62,689 ounces during the period (9M2016: 79,845 ounces) at an average grade of 0.385 grams per tonne (9M2016: 0.419 grams per tonne). Copper production totaled 21,922,134 pounds (9M2016: 27,136,901 pounds), with an average grade of 0.193% (9M2016: 0.209%).

The Padcal Mine experienced production-related issues in the nine months of the year, which have slowly been addressed and showed in a higher tonnage during the middle part of September that extended into October. As a result of the programs put in place to improve production, the tonnage in October 2017 reached 824,818 tonnes, the highest in the last ten

months, with copper output also the highest in ten months at 2.735 million pounds. Gold production in October meanwhile showed great improvement at 15% better than the third quarter monthly average and 7% higher than the last nine months average.

Revenues

Total operating revenues for the nine-month period amounted to P7.180 billion (9M2016: P7.705 billion) mainly as a result largely of lower metal output.

The average gold price in the period was US\$1.272 per ounce (9M2016: US\$1,273 per ounce) but the impact of lower gold output resulted in lower revenue of P4.036 billion (9M2016: P4.797 billion) which comprised 56% of total revenues.

On the other hand, the average copper price was US\$2.80 per pound (9M2016: US\$2.19 per pound) and, combined with favorable foreign exchange rates, delivered 9% higher revenue at P3.088 billion (9M2016: P2.841 billion). Revenue from copper accounted for 43% of total revenues. Revenue from silver amounted to P55.9 million (9M2016: P66.4 million) and accounted for the balance of revenues.

Costs and Expenses

The Company's consolidated operating costs and expenses during the period amounted to P4.945 billion (9M2016: P5.048 billion in 2016).

Cash production costs decreased P3.268 billion (9M2016: P3.476 billion) due to lower tonnage, but were offset by additional costs for repairs and maintenance works done ahead of schedule to increase the current productivity and availability of mine equipment.

Despite lower tonnage, depreciation and amortization increased to P1.108 billion (9M2016: P941.3 million) due to low block amortization costs in 2016 coupled with higher cost of new draw points this year. Excise taxes and royalties likewise decreased by 10% to P312.1 million (9M2016: P348.4 million) following the decrease in net revenues. General and administrative expenses also declined to P257.0 million (9M2016: P282.3 million) due to the continuous management of overhead expenses at the Philex head office as well as at Silangan.

The Company's parent debt continued to reduce to P2.592 billion (US\$51.0 million) as at end-September 2017 from P3.083 billion (US\$62.0 million) as at end-December 2016 following the continued repayment of short-term loans with local banks.

Corporate social responsibility

In the first nine months of the year, the Company spent P106 million for its Social Development and Management Program (SDMP), covering projects in health services, educational assistance, livelihood opportunities, and support for critical social and economic infrastructure.

Similarly, P301 million was spent under the Environmental Protection and Enhancement Program (EPEP) for reforestation activities, installation of pollution-control devices, and proper waste management. The amount was more than three times the mandated 3% of mining and milling costs for the period estimated at P98 million.

Meanwhile, the Company has started to adopt the Mining Association of Canada (MAC's) Towards Sustainable Mining or TSM Initiative to formalize its adherence to internationally recognized mining, environmental and safety standards. This is on top of the ISO 26000, the international guideline for addressing social responsibilities relevant to operations and processes, all stakeholders, and environmental impact, currently being incorporated in the Company's policies and programs.

In fact, PX President and CEO Eulalio B. Austin Jr. has recently been appointed Chairman of the Chamber of Mines of the Philippines (COMP's) TSM Committee and the COMP is all set to ink an agreement with MAC this December to initiate the formal accreditation process.

"We are extremely glad that the efforts spearheaded by PX to have members of the COMP adopt the TSM initiative to align the industry's standards with international mining, environmental and safety requirements have materialized," said Engr. Austin.

"In addition, we also welcome the Mining Industry Coordinating Council's recommendation to lift the ban on open-pit mining method, which is very positive for the industry, in general, and our Silangan project, in particular. Hopefully, the government can issue the formal lifting of the ban soon to allow us to proceed with the development of our Silangan Project and become stronger partners for growth in Mindanao. Our Team, together with our group of consultants from Australia, is currently finalizing the Project's pre-feasibility study for the second-phase (using the underground mining method) to complement the definitive feasibility study of Phase I under the surface mining method," added Mr. Austin.

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

	September 30	December 31
	2017	2016
	(UNAUDITED)	(AUDITED)
ASSETS		
Current Assets		
Cash and cash equivalents	323,839	457,937
Accounts receivable	489,948	486,497
Inventories	2,174,301	2,318,850
Advances to a related party	2,168,834	2,193,829
Derivative assets	8,388	-
Other current assets	1,431,240	1,437,752
Total Current Assets	6,596,550	6,894,865
Noncurrent Assets		
Property, plant and equipment	6,723,425	6,735,578
Deferred exploration costs and other noncurrent assets	24,085,389	23,158,325
Available-for-sale (AFS) financial assets	79,526	104,615
Investment in associates	1,441,369	1,455,876
Pension asset - net	291,857	312,570
Total Noncurrent Assets	32,621,566	31,766,964
TOTAL ASSETS	39,218,116	38,661,829
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable	2,591,565	3,082,640
Accounts payable and accrued liabilities	1,667,917	1,832,661
Income tax payable	133,949	164,265
Dividends payable	511,409	498,129
Total Current Liabilities	4,904,840	5,577,695
Noncurrent Liabilities		
Deferred income tax liabilities - net	2,983,747	2,957,896
Loans and bonds payable	6,846,272	6,592,854
Provision for losses and mine rehabilitation costs	136,756	134,124
Total Noncurrent Liabilities	9,966,775	9,684,874
Total Liabilities	14,871,615	15,262,569
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	4,876,611	4,442,436
Appropriated	10,500,000	10,000,000
Net unrealized gain (loss) on AFS financial assets	1,589	(3,094)
Equity conversion option	1,225,518	1,225,518
Cumulative gain on hedging instruments	8,388	-
Net revaluation surplus	1,572,385	1,572,385
Effect of transactions with non-controlling interests	77,892	77,892
	24,346,763	23,399,517
Non-controlling Interests	(262)	(257)
Total equity	24,346,501	23,399,260
TOTAL LIABILITIES & EQUITY	39,218,116	38,661,829

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(Amounts in Peso Thousands, except Earnings Per Share)

	<u>2017</u>	<u>2016</u>
REVENUE		
Gold	4,036,066	4,797,124
Copper	3,087,820	2,841,185
Silver	55,877	66,390
	<u>7,179,763</u>	<u>7,704,699</u>
Less: Smelting charges	605,550	677,874
	<u>6,574,213</u>	<u>7,026,825</u>
COSTS AND EXPENSES		
Production costs	3,267,614	3,475,598
Depreciation, depletion and amortization	1,108,050	941,346
General and administrative expenses	256,976	282,266
Excise taxes and royalties	312,113	348,435
	<u>4,944,753</u>	<u>5,047,645</u>
INCOME FROM OPERATIONS	<u>1,629,460</u>	<u>1,979,180</u>
OTHER INCOME(CHARGES)		
Gain on sale of available-for-sale financial assets	15,063	-
Gain on sale of properties	9,428	-
Interest income	1,391	1,425
Share in net losses of associates	(14,506)	(23,350)
Foreign exchange losses - net	(68,513)	(60,830)
Others - net	38,456	(13,669)
	<u>(18,681)</u>	<u>(96,424)</u>
INCOME BEFORE PROVISIONS FOR IMPAIRMENT	<u>1,610,779</u>	<u>1,882,756</u>
Provisions for impairment on investment in an associate and deferred exploration costs	-	(920,577)
INCOME BEFORE INCOME TAX	1,610,779	962,179
PROVISION FOR INCOME TAX		
Current	434,960	422,218
Deferred	44,032	148,476
	<u>478,992</u>	<u>570,694</u>
	<u>1,131,787</u>	<u>391,485</u>
GAIN FROM DECONSOLIDATED SUBSIDIARY GROUP, NET	-	<u>941,975</u>
NET INCOME	<u>1,131,787</u>	<u>1,333,460</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	1,131,792	1,355,119
Non-controlling interests	(5)	(21,659)
	<u>1,131,787</u>	<u>1,333,460</u>
CORE NET INCOME	<u>1,158,089</u>	<u>1,331,765</u>
BASIC EARNINGS PER SHARE	<u>0.2291</u>	<u>0.2743</u>
DILUTED EARNINGS PER SHARE	<u>0.2291</u>	<u>0.2743</u>
CORE NET INCOME PER SHARE	<u>0.2344</u>	<u>0.2696</u>