



FIRST PACIFIC COMPANY LIMITED

# Press Release

Wednesday, 23 February 2011

**PHILEX FULL YEAR 2010 AUDITED CORE NET INCOME UP 124% TO P4.151 BILLION**

**2010 REPORTED NET INCOME UP 44% TO P3.945 BILLION**

**REVENUES UP 48% TO P13.394 BILLION  
DUE TO HIGHER OUTPUT AND BETTER METAL PRICES**

**EBITDA UP 58% TO P6.567 BILLION  
DUE TO REVENUE GROWTH OUTPACING INCREASE IN OPEX**

**CORE EARNINGS PER SHARE AT 84.45 CENTAVOS, UP 122% OVER LAST YEAR**

**FINAL DIVIDEND PER SHARE OF 16 CENTAVOS;  
FULL YEAR DIVIDEND PAYOUT AT 25% OF CORE EARNINGS**

The attached press release was released today in Manila by Philex Mining Corporation (“Philex”), in which First Pacific Group holds an economic interest of approximately 31.3%\*.

Philex is a Manila-listed company engaged in exploration, development and utilization of mineral resources in the Philippines. 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% interest in Philex.*

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**For further information, please contact:**

John Ryan  
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



## **PRESS RELEASE**

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**AND BETTER METAL PRICES**  
**EBITDA UP 58% TO P6.567 BILLION DUE TO REVENUE GROWTH OUTPACING**  
**INCREASE IN OPEX**  
**CORE EARNINGS PER SHARE AT 84.45 CENTAVOS, UP 122% OVER LAST YEAR**  
**FINAL DIVIDEND PER SHARE OF 16 CENTAVOS; FULL YEAR DIVIDEND**  
**PAYOUT AT 25% OF CORE EARNINGS**

- Core Net Income increased by 124% to 4.151 billion in 2010 from P1.849 billion in 2009.
- Reported Net Income at P3.945 billion rising by 44% from P2.735 billion a year earlier
- Higher metal prices and increased output raised operating revenue by 48% to P13.394 billion from 9.055 billion last year.
- Realized gold price per ounce averaged \$1,217 from \$946 in 2009, up 29%. Realized copper price per pound averaged \$3.63 from \$2.24 in 2009, up 62%
- Tonnage milled was 9.36 million dry metric tonnes, the highest in over a decade and higher by 14% over last year
- Increase in tonnage offset lower grades compared with 2009, resulting in higher copper and gold production this year
- EBITDA before exceptional items at P6.567 billion in 2010 from P4.159 billion in 2009, reflecting a 58% improvement
- Core earnings per share at 84.45 centavos in 2010 versus 37.99 centavos in 2009. Reported earnings per share at 80.64 centavos in 2010 versus 58.15 centavos last year
- Final dividend at 16 centavos per share. Full year dividend at 21 centavos per share, representing a payout on Core Net Income of 25%

MANILA, Philippines, 23<sup>rd</sup> February 2011 – Philex Mining Corporation (Philex) (PSE: PX) today announced its audited financial and operating results for 2010 with Core Net Income increasing by 124% to P4.151 billion from the P1.849 billion Core Net Income realized in 2009. Record price levels for gold and copper during the year raised the Company's revenue from the Padcal gold and copper mine. The favourable price levels combined with higher metal production resulting from record level of tonnage milled since 1990 enabled revenue to rise by 48% to P13.394 billion from last year's P9.055 billion. This was achieved despite ore grades being slightly lower this year.

Reported Net Income similarly posted a record improvement, reaching P3.945 billion, higher by 44% from the P2.735 billion Reported Net Income generated in 2009. Income in the second half of 2010 amounted to P2.980 billion, an increase of 309% over the income reported in the first half of the same year. In per share terms, Core Income Per Share stood at P84.45 centavos this year from 37.99 centavos a year ago, an increase of 122%. Reported Income Per Share was correspondingly higher at 80.64 centavos from 58.15 centavos recorded in 2009, an increment of 39%.

Cash dividend of 16 centavos per share was declared. Record date for shareholders entitled to the dividend has been set for 10 March 2011. Payment date shall be 5 April 2011.

Both Core Net Income and Reported Net Income for 2010 represented the second highest in the Company's history. Cash and cash equivalents as at year-end 2010 stood at P3.782 billion, up 31% over last year.

Operating revenue, on the other hand, reached the highest level thus far in the Company's history at P13.394 billion, higher by 48% than the P9.055 billion revenue reported a year ago. Gold revenue rose by 41% to P7.209 billion from P5.108 billion. Copper revenue improved 53% to P5.721 billion from P3.742 billion. Revenue from gold contributed 54% of total, with copper accounting for 43% and the balance of 3% attributable to silver, coal, and petroleum. The contribution from petroleum (through Forum Energy) and coal has continued to improve but remains relatively small part of the Group's revenue. The Company continues to explore ways of developing this portion of the business and has continued with the exploration activities associated with SC 72.

Spot prices for gold and copper both reached record highs of \$1,431 per ounce and \$4.60 per pound, respectively. As of 22<sup>nd</sup> February 2011, gold price closed at \$1,397 per ounce and copper at \$4.31 per pound.

Income from operations increased 156% to P6.065 billion from P2.365 billion in 2009. Earnings before interest, tax, depreciation, and amortization (EBITDA) and before exceptional and non-recurring items increased 58% to P6.566 billion this year from P4.159 billion last year.

"The record results in profitability, EBITDA, and revenue for the year are indeed gratifying," said Manuel V Pangilinan, Chairman and Chief Executive Officer of Philex. "Despite a slow start in the first half, the Company boosted its performance across-the-board in the second half, producing a number of high numbers," added Mr Pangilinan.

Ore milled in 2010 averaged 0.552 grams per tonne production, lower than the 0.567 grams per tonne average ore grade in 2009. Copper grade was at 0.210% lower than the 0.228% average grade in 2009. With 14% higher tonnage of 9.364 million tonnes mined in 2010 from 8.197 million tonnes in 2009, concentrate production was 5% higher at 65,340 dry metric tons this year compared with 62,458 dry metric tons last year. Recovering from lower tonnage in the early part of the year, total tonnage milled for the whole year of 2010 actually reflects the highest level achieved in over ten years of Padcal's operation.

Accordingly, gold production rose to 133,516 ounces in 2010 from 119,171 ounces in 2009, up by 12%. Copper production similarly improved to 35.6 million pounds from 33.8 million

pounds in the year, up 5%. The higher metal production benefited from the stronger realized prices of \$1,217 per ounce gold and \$3.63 per pound copper, up from \$946 per ounce and \$2.24 per pound a year ago (net of amortization of hedging costs of \$68 per ounce and \$0.14 per pound in 2010 and \$44 per ounce and \$0.29 per pound in 2009 of gold and copper, respectively.

Capital expenditures for this year on existing operations in Padcal and in our coal mine in Zamboanga del Norte reached P1.398 billion compared with P1.480 billion last year. Exploration survey, and drilling expenditures in 2010 for new mining projects amounted to P1.246 billion compared with P855 million in 2009, a significant increment of 46%. This reflects the Company's increasing emphasis in the search for, and development of, new mining opportunities.

With this year's higher production volume, total operating costs and expenses rose by 10% from P6.013 billion in 2009 to P6.615 billion in 2010. On a per tonne mined basis, however, operating cost and expenses were lower at P686 per tonne this year compared with P700 per tonne last year. Expressed in per ounce gold produced and after deducting copper revenue as a by-product credit, operating cost per ounce of gold was lower by 77% at \$92 in 2010 from \$404 in 2009.

### **Outlook**

“Our robust performance in 2010 provides an excellent platform for Philex to search for new and interesting properties and commence the development of our Silangan gold and copper mine. Silangan is currently our principal and most mature exploration project, and it estimated to hold significantly more resources than what Padcal had when it started operations more than fifty (50) years ago. At the same time, we have already begun to do exploratory work in the areas surrounding Padcal. As well, steps are being taken to optimize Padcal's existing operations such that mine life can possibly be extended beyond 2017. Capital expenditures for existing operations and exploration expenditures for new projects are likely to rise in 2011 and beyond. But with gold and copper prices remaining high at the start of 2011 – higher than those we realized in 2010 – we are cautiously optimistic about prospects for the new year,” Mr. Pangilinan concluded.

Philex's financial statements for 2010 and 2009 are audited.

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For further information, please contact

Renato N Migriño

Chief Financial Officer

Telephone : (632) 746-8755

Fax : (632) 631-9498

Email : rnm@philexminining.com.ph

**PHILEX MINING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND  
2009**

**(Amounts in Peso Thousands, except Earnings Per Share)**

	2010	2009
OPERATING REVENUE	P 13,393,969	P 9,054,984
Less: Marketing charges	714,018	677,002
	12,679,951	8,377,982
OPERATING COSTS AND EXPENSES	6,614,990	6,012,936
INCOME FROM OPERATIONS	6,064,961	2,365,046
OTHER INCOME (CHARGES)		
Loss on dilution on interest in an associate	(119,804)	-
Foreign exchange gains (losses) - net	(96,485)	(68,875)
Equity in net earnings (losses) of associates - net	(37,594)	(72,624)
Interest income	27,133	188,124
Interest expense	(20,898)	(108,047)
Gain (loss) on disposal of property, plant and equipment, and others	(2,009)	(1,698)
Excess of acquirer's interest in the fair value of identifiable net assets acquired over the cost of business combination	-	765,897
Gain on disposal of AFS financial assets	-	126
Others - net	(131,242)	434,032
	(380,899)	1,136,935
INCOME BEFORE INCOME TAX	5,684,062	3,501,981
PROVISION FOR INCOME TAX		
Current	1,804,632	457,514
Deferred	(65,199)	309,098
	1,739,433	766,612
NET INCOME	P 3,944,629	P 2,735,369
Net income attributable to:		
Equity holders of the Parent Company	P 3,963,201	P 2,830,309
Non-controlling interests	(18,572)	(94,940)
	P 3,944,629	P 2,735,369
BASIC EARNINGS PER SHARE	P 0.806	P 0.581
DILUTED EARNINGS PER SHARE	P 0.805	P 0.580

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT 31 DECEMBER 2010 AND 2009**  
(Amounts in Peso Thousands, except Par Value Per Share)

	2010	2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P 3,782,248	P 2,881,115
Accounts receivable - net	2,180,432	517,115
Inventories - net	1,093,636	1,146,219
Derivative asset	-	19,975
Other current assets - net	694,625	457,845
<b>Total Current Assets</b>	<b>7,750,941</b>	<b>5,022,269</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment - net	5,095,029	4,668,892
Available-for-sale (AFS) financial assets	886,737	756,948
Investments in shares of stock	833,355	1,136,755
Goodwill	258,593	258,593
Deferred income tax assets	-	43
Deferred exploration costs and other noncurrent assets	10,828,065	9,534,913
<b>Total Noncurrent Assets</b>	<b>17,901,779</b>	<b>16,356,144</b>
<b>TOTAL ASSETS</b>	<b>P 25,652,720</b>	<b>P 21,378,413</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term bank loans	P 150,000	P 0
Accounts payable and accrued expenses	968,506	866,890
Income tax payable	856,954	2,243
Dividends payable	207,875	168,856
Provisions and other payables	128,335	115,736
<b>Total Current Liabilities</b>	<b>2,311,670</b>	<b>1,153,725</b>
<b>Noncurrent Liabilities</b>		
Provision for mine rehabilitation costs	31,709	33,700
Provision for losses	538,141	500,808
Deferred income tax liabilities	2,013,230	1,976,321
Accrued retirement benefits costs	-	30,324
<b>Total Noncurrent Liabilities</b>	<b>2,583,080</b>	<b>2,541,153</b>
<b>Total Liabilities</b>	<b>4,894,750</b>	<b>3,694,878</b>
<b>Equity</b>		
Capital Stock – P1 par value	4,922,131	4,900,605
Additional paid-in capital	812,378	774,494
Retained earnings	12,716,722	9,441,593
Net unrealized gain on increase in value of AFS financial assets	419,404	445,277
Cumulative translation adjustments	(66,174)	(231,617)
Revaluation surplus	1,611,397	1,611,397
Effect of transaction with non-controlling interests	106,027	41,536
Total equity attributable to equity holders of the Parent Company	20,521,885	16,983,285
Non-controlling Interests	236,085	700,250
<b>Total equity</b>	<b>20,757,970</b>	<b>17,683,535</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>P 25,652,720</b>	<b>P 21,378,413</b>