



FIRST PACIFIC COMPANY LIMITED
第一太平有限公司

Press Release

Friday, 1 August 2014

Philex Mining - Second Quarter and First Half 2014 Results

- **2Q 2014 reported net income at P333.0 million vs 1Q 2014: 267.4 million, up 25%**
- **Core net income this quarter at P280.6 million vs P278.4 million last quarter, up 1%**
- **Consolidated revenues reached P2.868 billion (1Q2014: P2.913 billion)**
- **Consolidated expenses at P2.194 billion (1Q2014: P2.274 billion)**

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 31.2%*.

Philex is a Philippine-listed company engaged in the exploration and mining of mineral resources and, through a listed subsidiary Philex Petroleum Corporation, 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 interest in Philex*

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PRESS RELEASE

August 01, 2014

HIGHLIGHTS

- 2Q 2014 REPORTED NET INCOME AT P333.0 MILLION VS 1Q 2014: 267.4 MILLION, UP 25%
- CORE NET INCOME THIS QUARTER AT P280.6 MILLION VS P278.4 MILLION LAST QUARTER, UP 1%
- CONSOLIDATED REVENUES REACHED P2.868 BILLION (1Q2014: P2.913 BILLION)
- CONSOLIDATED EXPENSES AT P2.194 BILLION (1Q2014: P2.274 BILLION)

Manila, Philippines – The Board of Directors of Philex Mining Corporation (PSE:PX) (“Philex” or the “Company”) today announced that the Company’s Unaudited Core Net Income in the second quarter of 2014 reached P280.6 million, up from P278.4 million in the first quarter as the Company implemented cost-control measures to mitigate the impact of declining ore grades and low metal production since the start of the year. Reported Net Income for the period improved 25% to P333.0 million from the first quarter due to unrealized foreign exchange gains.

In the first half of 2014, Core Net Income amounted to P558.0 million while Reported Net Income stood at P600.5 million, lower by 32% and 37%, respectively, compared with last year due to lower gold and copper grades. Last year’s figures were also raised by insurance proceeds related to business interruptions.

Production and Revenues

In the second quarter of this year, Consolidated Revenues amounted to P2.868 billion, slightly below the P2.913 billion from the previous quarter as a result of lower metal output.

Gold production during the period totaled 25,844 ounces, 2% lower than 26,442 ounces produced in the previous quarter. Realized prices for gold dropped to an average of US\$1,311 per ounce from US\$1,373 per ounce in the first quarter of 2014. As a result, revenues from gold dropped to P1.478 billion from P1.610 billion.

Similarly, copper produced declined to 8,728,904 pounds from 9,468,009 pounds in the first quarter. However, with realized prices for copper improving to an average of US\$3.33 per pound in the second quarter from US\$2.85 per pound in the first three months, revenues from copper increased to P1.274 billion from P1.174 billion.

Consolidated Revenues in the first six months of this year reached P5.782 billion, 38% better than last year due largely to higher number of operating days in 2014 (178 days vs 115 days). Gold production similarly rose 28% to 52,286 ounces, while copper output grew 33% to 18,196,913 pounds.

Nonetheless, operational adjustments to address the declining ore grades, aimed at bringing in better grade ore sources and maximizing metal recoveries, are being implemented both at the mine underground and mill plant.

Operating Costs and Expenses

Consolidated costs and expenses went down to P2.194 billion in the second quarter from P2.274 billion in the first quarter due to the Company's conscious efforts to rein in controllable costs, and mitigate the impact of declining ore grades and volatile metal prices.

Consolidated costs and expenses in the first six months of this year on the other hand reached P4.468 billion from P2.726 billion due primarily to a higher number of operating days and the change in mineralogy, or the ore body's physical characteristics, making it more expensive to process.

EBITDA and Net and Core Earnings per Share

Consolidated EBITDA for the three-month period ending June 2014 amounted to P875.4 million, slightly higher than the P870.8 million in the first quarter. First half of 2014 EBITDA declined to P1.746 billion from P1.804 billion in 2013 as the increase in costs outpaced the growth in revenues.

On a per share basis, Net Earnings per share improved to 7.6 centavos in the second quarter of this year (1Q2014: 5.1 centavos), while Core Earnings per share was unchanged at 5.7 centavos (1Q2014: 5.7 centavos). As of the first six months Core and Net earnings per share dropped to 13.3 centavos (1H2013: 16.1 centavos) and 12.7 centavos (1H2013: 21.8 centavos), respectively.

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

	30 June 2014 (UNAUDITED)	31 December 2013 (AUDITED)
ASSETS		
Current Assets		
Cash and cash equivalents	2,698,322	4,080,512
Accounts receivable	719,406	295,451
Inventories	2,090,774	2,668,274
Other current assets	1,500,887	1,343,245
Total Current Assets	7,009,389	8,387,482
Noncurrent Assets		
Property, plant and equipment – net	6,957,893	6,880,096
Available-for-sale (AFS) financial assets	1,186,316	975,380
Goodwill	1,208,020	1,208,020
Deferred income tax assets – net	10,195	11,818
Deferred exploration costs and other non-current assets	24,341,019	22,427,186
Total Noncurrent Assets	33,703,443	31,502,500
TOTAL ASSETS	40,712,832	39,889,982
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Loans payable - current	6,897,500	6,176,369
Accounts payable and accrued liabilities	2,074,562	2,321,301
Income tax payable	42,974	11,519
Dividends payable	472,799	460,650
Provisions and subscriptions payables	577,983	805,108
Derivative liability	10,088	-
Total Current Liabilities	10,075,906	9,774,947
Noncurrent Liabilities		
Deferred income tax liabilities – net	3,966,725	3,916,378
Loans payable – net of current portion	-	55,014
Pension obligation	22,477	21,598
Provision for losses and mine rehabilitation costs	204,238	204,791
Total Noncurrent Liabilities	4,193,440	4,197,781
TOTAL LIABILITIES	14,269,346	13,972,728
Equity Attributable to Equity Holders of the Parent Company		
Capital Stock – P1 par value	4,936,996	4,936,996
Additional paid-in capital	1,076,736	1,058,497
Retained earnings		
Unappropriated	4,513,559	4,128,826
Appropriated	10,000,000	10,000,000
Net unrealized gain on AFS financial assets	215,624	4,689
Cumulative translation adjustments	(10,294)	25,116
Net revaluation surplus	1,611,397	1,611,397
Effect of transaction with non-controlling interests	45,099	45,099
	22,389,117	21,810,620
Non-controlling Interests	4,054,369	4,106,634
Total Equity	26,443,486	25,917,254
TOTAL LIABILITIES & EQUITY	40,712,832	39,889,982

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014 AND 2013

(Amounts in Peso Thousands, except Earnings Per Share which are in Peso)

	2014	2013
REVENUE		
Gold	3,087,995	2,254,074
Copper	2,452,730	1,800,562
Silver	43,044	34,955
	5,583,769	4,089,591
Less: Marketing charges	424,984	244,208
	5,158,785	3,845,383
Petroleum	195,045	95,290
Coal	2,709	1,031
	5,356,539	3,941,704
COSTS AND EXPENSES		
Mining and milling costs (including depletion and depreciation)	3,514,810	1,778,603
General and administrative expenses	540,032	640,632
Mine products taxes and royalties	280,627	222,992
Petroleum production costs	87,938	52,794
Handling, hauling and storage	41,830	29,687
Cost of coal sales	2,794	792
	4,468,031	2,725,500
INCOME FROM OPERATIONS	888,508	1,216,204
OTHER INCOME (CHARGES)		
Foreign exchange gains (losses)	94,777	(50,735)
Interest income	9,190	11,892
Insurance proceeds	-	1,017,125
Gain on sale of AFS financial assets	-	26,880
Interest expense	(162,614)	(217,032)
Padcal maintenance costs during suspension of operations	-	(439,590)
Others – net	(3,614)	(78,134)
	(62,261)	270,406
INCOME BEFORE INCOME TAX	826,247	1,486,610
PROVISION FOR INCOME TAX	(225,787)	(532,240)
NET INCOME	600,460	954,370
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Equity holders of the Parent Company	626,949	1,074,650
Non-controlling interests	(26,489)	(120,280)
	600,460	954,370
CORE NET INCOME	559,034	817,656
BASIC EARNINGS PER SHARE	0.1270	0.2178
DILUTED EARNINGS PER SHARE	0.1270	0.2178
CORE NET INCOME PER SHARE	0.1132	0.1657

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE SECOND QUARTER ENDED 30 JUNE 2014 AND 2013

(Amounts in Peso Thousands, except Earnings Per Share which are in Peso)

	2014	2013
REVENUE		
Gold	1,477,593	1,761,051
Copper	1,274,281	1,459,608
Silver	20,339	27,119
	2,772,213	3,247,778
Less: Marketing charges	211,234	196,687
	2,560,979	3,051,091
Petroleum	96,031	48,818
	2,657,010	3,099,909
COSTS AND EXPENSES		
Mining and milling costs (including depletion and depreciation)	1,719,271	1,452,217
General and administrative expenses	254,476	365,280
Mine products taxes and royalties	142,652	178,547
Petroleum production costs	55,675	24,321
Handling, hauling and storage	22,010	22,373
Cost of coal sales	-	(29)
	2,194,084	2,042,709
INCOME FROM OPERATIONS	462,926	1,057,200
OTHER INCOME (CHARGES)		
Foreign exchange gains (losses)	128,425	(34,044)
Interest income	3,582	5,040
Interest expense	(90,916)	(111,756)
Others – net	(54,235)	(35,215)
	(13,144)	(175,975)
INCOME BEFORE INCOME TAX	449,782	881,225
PROVISION FOR INCOME TAX	(116,745)	(330,170)
NET INCOME	333,037	551,055
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Equity holders of the Parent Company	374,421	653,966
Non-controlling interests	(41,384)	(102,911)
	333,037	551,055
CORE NET INCOME	280,620	685,283
BASIC EARNINGS PER SHARE	0.0758	0.1326
DILUTED EARNINGS PER SHARE	0.0758	0.1326
CORE NET INCOME PER SHARE	0.0568	0.1389