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**PHILEX 9M2018 CORE NET INCOME AT P687M AMID LOW GRADE PRODUCTION IN 3Q2018,  
THE ADVERSE EFFECTS OF TYPHOON OMPONG, AND HIGHER EXCISE TAXES**

**HIGHLIGHTS**

- CORE NET INCOME AT P687 MILLION (9M2017: P1.158 BILLION)
- NET INCOME AT P570 MILLION (9M2017: P1.132 BILLION)
- CASH PRODUCTION COSTS CONTROLLED AT P3.243 BILLION (9M2017: P3.268 BILLION) DESPITE AN INCREASE IN TONNAGE
- TOTAL CASH COSTS MAINTAINED AT P3.867 BILLION (9M2017: P3.837 BILLION) AMID A 100% RISE IN EXCISE TAX RATE
- US\$10.0 MILLION DEBT REPAYED IN FIRST NINE MONTHS; PARENT'S SHORT-TERM DOLLAR DEBT DOWN TO US\$39.0 MILLION AS OF END-SEPTEMBER 2018

Manila, Philippines – The Board of Directors of Philex Mining Corporation (PSE:PX) (the “Company” or “PX”) today announced a Core Net Income of P687 million (9M2017: P1.158 billion) and Net Income of P570 million (9M2017: P1.132 billion) for the first nine months of the year. These results reflect lower metal production, higher non-cash charges and an increase in excise tax rate.

**Production and revenue**

Padcal mine milled 6.529 M tonnes for the first nine months of 2018, 4 percent higher than last year's 6.259 tonnes. This despite the impact of typhoon Ompong, which suspended production due to a power outage.

However, lower ore grades attributed to the mature ore body, resulted in lower metal output. In particular, gold and copper output reached only 48,929 ounces and 20.5 million pounds compared with the previous year's 62,689 ounces and 21.9 million pounds.

As a result, consolidated revenues for the period were lower at P6.59 billion (9M2017: P7.18 billion), due to reduced metal output, partially offset by improved metal prices, and favorable foreign exchange rates.

Revenue from copper reached P3.211 billion (9M2017: P3.088 billion) as higher average realized copper prices at US\$3.00 per pound (9M2017: P2.80 per pound) offset lower copper production.

On the other hand, gold revenue totaled P3.327 billion (9M2017: P4.036 billion). Average realized gold prices were higher at US\$1,304 per ounce (9M2017: US\$1,272 per ounce), this was not sufficient to offset the lower gold production. Revenues from silver amounted to P48.7 million (9M2017: P55.9 million).

**Cost and expenses**

Despite the 4% increase in tonnage, cash production costs: Excise tax; Royalties; and G&A Expenses were almost flat at P3.867 billion (9M2017: P3.837 billion). Cash production cost were lower by P25 million due mainly to reductions in power costs and purchased contracts.

Meanwhile, general and administrative (G&A) expenses in aggregate decreased by P25 million due to resource rationalization programs.

The Company also sustained its deleveraging strategy and retired US\$10 million out of its outstanding short-term dollar-denominated bank debt in the first nine months of 2018, which reduced Parent Company total short-term debt to US\$39.0 million (₱2.080 billion) as of end-September this year from US\$49 million at end-December 2017.

With the significant negative impact of the doubling of the excise tax rate on mining under TRAIN Package I, together with higher depreciation, depletion and amortization; and a forex loss of P167 million due to a weak currency, Net Income for the period came in at P570 million for the first 9 months of 2018, (9M 2017:P1.132 billion).

## **Outlook**

“We are cognizant that our existing ore body is challenged to deliver the desired grades due to its mature state. To improve ore grades, a new mining level is being commissioned using sub-level caving mining method,” Eulalio B. Austin, Jr. Philex Mining President and CEO said.

Over the long-term, however, the Company believes it is imperative to develop a fresh ore body within the Padcal vicinity to upgrade its revenue sources. “While waiting for the results of our exploration efforts, we will continue to implement operational efficiencies and cost enhancements to support our profitability,” Austin added.

The Company is also currently engaged in several concept studies including underground mining as one of the Silangan Project’s approved surface mining design and development plan. These pre-feasibility reports are expected to be finalized before the end of the year.

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Peso Thousands, except Par Value Per Share)

	September 30 2018 (Unaudited)	December 31 2017 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	184,259	583,538
Accounts receivable - net	940,288	990,604
Inventories - net	1,436,391	1,517,097
Advances to a related party	2,158,408	2,168,632
Other current assets -net	743,401	1,007,000
<b>Total Current Assets</b>	<b>5,462,747</b>	<b>6,266,871</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment - net	6,746,399	6,721,022
Investment in associates - net	1,396,215	1,415,604
Deferred exploration costs	25,096,643	24,360,954
Pension asset - net	360,053	373,849
Other noncurrent assets	547,794	540,494
<b>Total Noncurrent Assets</b>	<b>34,147,104</b>	<b>33,411,923</b>
<b>TOTAL ASSETS</b>	<b>39,609,851</b>	<b>39,678,794</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable	2,106,780	2,446,570
Accounts payable and accrued liabilities	1,625,546	1,651,710
Income tax payable	57,105	229,679
Dividends payable	591,622	528,836
<b>Total Current Liabilities</b>	<b>4,381,053</b>	<b>4,856,795</b>
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities - net	2,938,257	3,004,830
Loans and bonds payable	7,221,687	6,950,306
Provision for losses and mine rehabilitation costs	137,717	135,086
<b>Total Noncurrent Liabilities</b>	<b>10,297,661</b>	<b>10,090,222</b>
<b>Total Liabilities</b>	<b>14,678,714</b>	<b>14,947,017</b>
<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	1,143,981	1,143,981
Retained Earnings		
Unappropriated	5,470,662	5,271,302
Appropriated	10,500,000	10,500,000
Equity conversion option	1,225,518	1,225,518
Other reserves	558	558
Net revaluation surplus	1,572,385	1,572,385
Effect of transactions with non-controlling interests	77,892	77,892
	24,931,395	24,732,035
Non-controlling Interests	(258)	(258)
<b>Total equity</b>	<b>24,931,137</b>	<b>24,731,777</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>39,609,851</b>	<b>39,678,794</b>

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**  
(Amounts in Peso Thousands, except Earnings Per Share)

	<b>NINE MONTHS ENDED SEPTEMBER 30</b>	
	<b>2018</b>	<b>2017</b>
<b>REVENUE</b>		
Gold	3,326,856	4,036,066
Copper	3,210,623	3,087,820
Silver	48,652	55,877
	<u>6,586,131</u>	<u>7,179,763</u>
Less: Smelting charges	531,265	605,550
	<u>6,054,866</u>	<u>6,574,213</u>
<b>COSTS AND EXPENSES</b>		
Production costs	3,242,627	3,267,614
Depletion, depreciation and amortization	1,220,101	1,108,050
General and administrative expenses	231,906	256,976
Excise taxes and royalties	392,549	312,113
	<u>5,087,183</u>	<u>4,944,753</u>
<b>INCOME FROM OPERATIONS</b>	<b><u>967,683</u></b>	<b><u>1,629,460</u></b>
<b>OTHER INCOME(CHARGES)</b>		
Foreign exchange losses - net	(167,626)	(68,513)
Share in net losses of associates	(19,390)	(14,506)
Interest income	1,248	1,391
Gain on sale of AFS financial assets	-	15,063
Others - net	13,485	47,884
	<u>(172,283)</u>	<u>(18,681)</u>
<b>INCOME BEFORE INCOME TAX</b>	<b><u>795,400</u></b>	<b><u>1,610,779</u></b>
<b>PROVISION FOR INCOME TAX</b>		
Current	142,932	434,960
Deferred	82,579	44,032
	<u>225,511</u>	<u>478,992</u>
<b>NET INCOME</b>	<b><u>569,889</u></b>	<b><u>1,131,787</u></b>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Equity holders of the Parent Company	569,889	1,131,792
Non-controlling interests	(0)	(5)
	<u>569,889</u>	<u>1,131,787</u>
<b>CORE NET INCOME</b>	<b><u>687,229</u></b>	<b><u>1,158,089</u></b>
<b>BASIC EARNINGS PER SHARE</b>	<b><u>0.1154</u></b>	<b><u>0.2291</u></b>
<b>DILUTED EARNINGS PER SHARE</b>	<b><u>0.1154</u></b>	<b><u>0.2291</u></b>
<b>CORE NET INCOME PER SHARE</b>	<b><u>0.1391</u></b>	<b><u>0.2344</u></b>