



**PHILEX MINING
CORPORATION**

**First Half 2016
Operating and Financial Highlights
28 July 2016**

1H2016 Highlights



- **1H2016 Core Net Income up 49% to P774 million**
- **1H2016 Net Income up 34% to P757 million**
- **Declaration of P0.03/share cash dividends**
- **US\$6.5 million short-term debt retired in 1H2016**
- **Silangan Project ISO 14001:2004 Certification for EMS in June 2016**
- **Distribution and payment of PXP property dividends completed in July 2016**
- **PXP to be deconsolidated from PX beginning July 2016**

Metals Business

Operating Statistics



	1H2016	1H2015	Inc (Dec)
Tonnes Milled ('000)	4,704	4,473	5%
Operating Days	180	178	1%
<i>Production</i>			
Gold – ozs	49,589	53,689	-8%
Copper - lbs ('000)	17,341	16,891	3%
<i>Recovery</i>			
Gold	81%	84%	-4%
Copper	81%	83%	-2%
<i>Ore Grade</i>			
Gold - gms/DMT	0.406	0.442	-8%
Copper - %	0.206	0.206	-
<i>Prices</i>			
Gold (US\$/ounce)	1,263	1,190	6%
Copper (US\$/pound)	2.14	2.61	-18%

➤ **Better efficiency and higher number of operating days**

➤ **Lower gold grade**
➤ **Increase in tonnage**

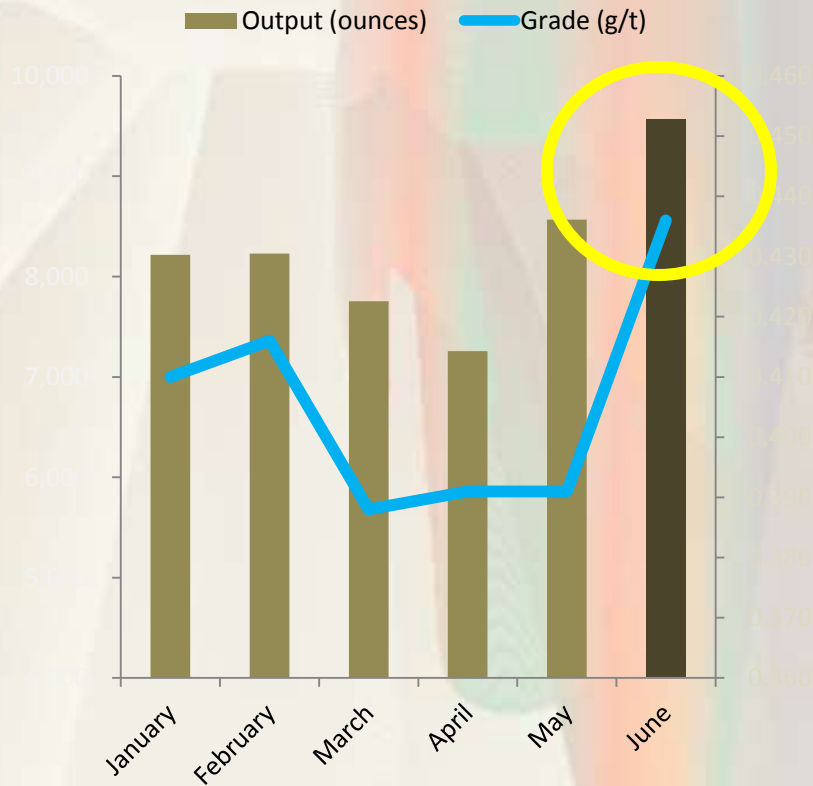
➤ **Increased presence of slimes**

➤ **Depletion of higher ore grades at current draw points**

Monthly Metal Output and Grades



Gold



Copper



Financial Highlights

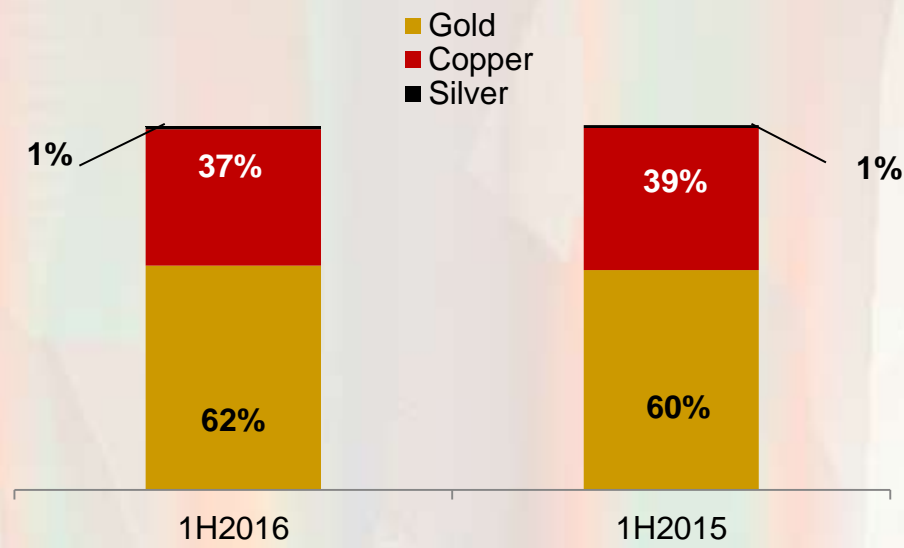


(in PHP million, unless indicated)	1H2016	1H2015	Inc/(dec)
Gross Revenue	4,788	4,802	0%
Marketing Charges	419	403	4%
Cost & Expenses	3,254	3,548	-8%
Income from Operations	1,115	851	31%
Other Inc / (charges)	26	56	-54%
Provision for Tax	-355	-252	41%
Income from PX Operations	786	654	20%
Loss of PXP	-29	-89	-67%
Net Income	757	565	34%
Core Net Income	774	520	49%
EBITDA	1,696	1,490	14%
Operating margin (%)	23%	18%	21%

- **Revenue flat due to:**
 - *Copper – increase in output offset by low prices*
 - *Gold – improved prices offset lower production*
- **Lower cost and expenses due to productivity enhancement and organizational optimization**
- **Net income boosted by reduction in cost and expenses**
- **Improving margins due to cost-containment**



Revenue Breakdown



REVENUE PER PRODUCT (PhP million)			
	1H2016	1H2015	Inc (Dec)
Gold	2,955	2,894	2%
Copper	1,795	1,870	-4%
Silver	37	38	-3%
TOTAL	4,788	4,802	0%

Cost and Expenses



(in PHP million)	1H2016	1H2015	Inc (Dec)
Production cost			
Materials & Supplies	806	819	-2%
Power	774	880	-12%
Labor	452	443	2%
Contracts	133	121	10%
Others	102	72	42%
Cash Production cost	2,266	2,335	-3%
Depreciation & Amortization	585	734	-20%
Total Production Cost	2,851	3,069	-7%
Excise Tax & Royalties	216	240	-10%
Operating Cost (Mining)	3,067	3,310	-7%
G&A (Mining)	184	230	-20%
All-in Operating Cost (Mining)	3,250	3,539	-8%
Silangan	4	9	-56%
TOTAL COST AND EXPENSES	3,254	3,548	-8%

- **7% decline in operating cost due to:**
 - ✓ Lower contracted power rates
 - ✓ More efficient use of raw materials
 - ✓ Higher SDMP costs deducted from royalties

- **Extension of Padcal mine life**

- **20% drop in mining G&A due to various cost management measures and manpower optimization program**

Breakeven Analysis



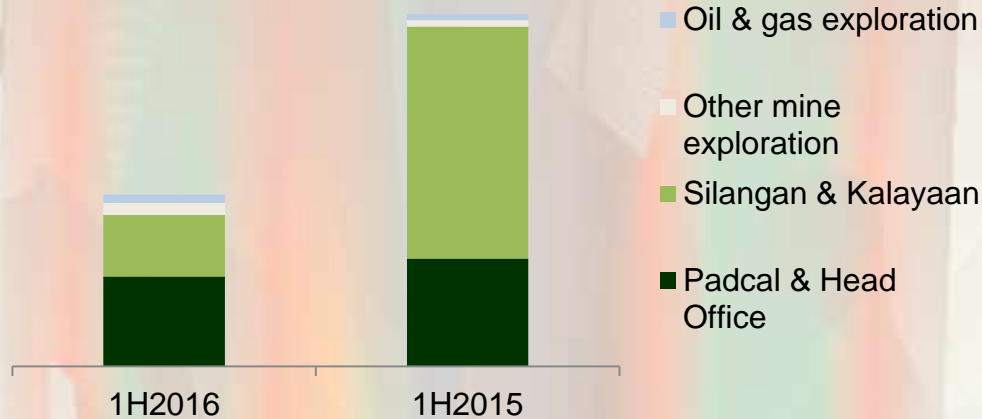
COST STRUCTURE (excluding G&A)			
	1H2016	1H2015	Variance
Cost per Tonne			
Cash Production Cost	482	522	-8%
Depreciation	124	164	-24%
Total	606	686	-12%
Operating cost*	741	830	-11%
Operating Cost per Metal			
Co-production method <i>(including head office expenses)</i>			
Gold (\$/oz)	942	918	3%
Copper (\$/lb)	1.60	2.05	-22%
By-product credits method <i>(excluding head office expenses)</i>			
Gold (\$/oz)			
Before by-product credits	1,500	1,552	-3%
After by-product credits	735	715	3%
Copper (\$/lb)			
Before by-product credits	4.29	4.93	-13%
After by-product credits	0.63	1.10	-43%

*Includes production cost plus excise tax, royalties and marketing expenses, but excludes Head Office overhead

Capital Expenditures



CAPITAL EXPENDITURE PERFORMANCE



CAPITAL EXPENDITURE BREAKDOWN

(PhP million)

	1H2016	1H2015	Inc/(dec)
Padcal & Head Office	651	780	-17%
Silangan & Kalayaan	444	1,682	-74%
Other mine exploration	90	46	96%
Oil & gas exploration	58	32	81%
TOTAL	1,243	2,540	-51%

End-June 2016 Financial Position



ASSETS (in PHP million)

	As of June 30, 2016	As of Dec 31, 2015	Inc (Dec)
Cash & cash equivalents	349	1,009	-65%
Assets held for distribution	7,276		-
Others	4,210	4,263	-2%
Current assets	11,885	5,271	225%
PP&E	6,423	6,828	-6%
Deferred exploration costs & other NCA	25,199	29,439	-14%
Other Non-Current Assets	748	2,011	-63%
Total assets	44,205	43,549	2%

➤ Increase in current assets due to presentation of PXP assets under PRFS 5

LIABILITIES AND STOCKHOLDERS' EQUITY

(in PHP million)

	As of June 30, 2016	As of Dec 31, 2015	Inc (Dec)
Short-term debt	3,012	3,318	-9%
Others	3,806	2,397	59%
Liabilities held for distribution	1,736		
Current liabilities	8,554	5,715	50%
Bonds Payable	6,411	6,259	2%
Deferred income tax liability & others	3,051	10,006	-70%
Total liabilities	18,016	16,265	11%
Capital stock, RE & others	23,693	24,563	-4%
Non-controlling interest	2,495	2,721	-8%
Total equity	26,189	27,284	-4%

➤ Repaid US\$6.5 million in short-term loans in 1H2016

Energy Business



Financial Highlights



<i>(in PhP millions)</i>	1H2016	1H2015	% Inc (Dec)
Gross revenue	59	83	(29%)
Cost and expenses	90	179	50%
Income (loss) from operations	(31)	(96)	68%
Other income (charges)	-	10	(100)
Reported net income (loss)	(31)	(86)	64

- **29% decline in petroleum revenues due to:**
 - *Prolonged low crude oil prices*
 - *Declining output in SC 14 C-1 Galoc production*
- **50% decline in cost and expenses due to:**
 - *Continuous cost containment*

Financial Highlights



ASSETS (in PHP millions)

	As of June 30, 2016	As of Dec 31, 2015	% Inc (Dec)
Cash & cash equivalents	607	P526	15
Receivables and other CA	95	144	-30
<i>Current assets</i>	701	670	5
Deferred exploration costs & other NCA	6,524	6,558	-1
Total assets	7,226	7,228	0

LIABILITIES AND STOCKHOLDERS' EQUITY

(in PHP millions)

	As of June 30, 2016	As of Dec 31, 2015	% Inc (Dec)
Due to Parent	2,932	2,932	-
Accounts payable & others	38	15	152
<i>Current liabilities</i>	2,969	2,947	1
Deferred income tax liability	1,110	1,112	0
Others	210	202	4
<i>Non-current liabilities</i>	1,320	1,314	0
Total liabilities	4,289	4,261	1
Capital stock	1,700	1,700	-
Deficit	(1,255)	(1,233)	-2
Others	117	116	0
Non-controlling interest	2,375	2,384	0
Total equity	2,936	2,967	0
Total Liabilities and SHE	7,226	7,228	0

Operational Updates



SC 72 Recto Bank (Forum 70%)

- Under Force Majeure (FM) since 15 December 2014
- Forum will have 20 months upon lifting of the FM to drill the two commitment wells

SC 75 NW Palawan (PXP 50%)

- Under FM since 27 December 2015
- Sub-Phase 2 will have a term of 18 months upon lifting of FM with the acquisition of 1,000 sq km of 3D seismic data as the minimum work commitment

UN Arbitral Tribunal's Decision on Arbitration Case

- Ruling was released on 12 July 2016
 - Concluded that China's nine-dash line is "invalid" and does not have "historic rights" over the South China Sea
 - Nine-dash line fails to meet UNCLOS maritime features requirements.
- Reed Bank is declared to be within the 200 nautical mile Exclusive Economic Zone (EEZ) of the Philippines and under UNCLOS, the Philippines has sovereign rights to sea areas within its EEZ

Operational Updates



SC 74 Linapacan Block (PXP 70%)

- Transferred from Pitkin to PXP in 2016; sub-Phase 2 started on 13 February 2016
- Completed acquisition of 1,614 km of 2D seismic data last 10 June 2016, together with marine gravity and magnetic data
- Processing of seismic data is ongoing

SC 14C1 Galoc (Forum 2.27%)

- Operator GPC to submit Galoc-7 drilling program in early August, for possible drilling in 1H2017, to appraise the Mid-Galoc Prospect (north of the producing Galoc Field)
- Full field development (Phase 3) will be contingent on the outcome of appraisal well
- Expected to add 8 mmbo of proven reserves and extend the life of Galoc Field

Peru Block Z-38 (Pitkin 25%)

- Karoon continues to secure drilling-related permits from Peruvian authorities. Work program in 2016 includes well preparation for possible drilling in 2017, subject to rig availability

SC 53 Mindoro (Pitkin 70%)

- Transfer of Pitkin's 70% interest to Mindoro-Palawan Oil and Gas, Inc. (MPOGI) is under process with Department of Energy

Silangan Project



Project Status



- **All major permits secured:**
 - Environmental Compliance Certificate (ECC) for surface mining
 - Amended Project Feasibility Study, DMPF (to reflect change in mining method) approved by the Department of Environment and Natural Resources
- **Feasibility Study** undergoing parallel peer review and further optimization from third-party consultants

Awards and Certification



- **Presidential Mineral Industry Environmental Award (2014 & 2015)**

- Reflects the Company's adherence to and implementation of an effective environmental preservation program



- **ISO 14001 Certification: International Organization for Certification for Environmental Management System (EMS)**

- Showcases SMMCI's observance of processes that comply with strict and internationally-recognized EMS in all stages of project development
- Illustrates the Company's overall commitment to environmental stewardship and workplace-safety across all operations and exploration projects





Thank you

End of presentation