



## **PRESS RELEASE**

### **2014 PROFITABILITY IMPROVED DESPITE LOW GRADES AND WEAK METAL PRICES**

#### **HIGHLIGHTS**

- 2014 CORE NET INCOME AT P1.122 BILLION vs P1.081 BILLION IN 2013
- 2014 REPORTED NET INCOME AT P703 MILLION vs P312 MILLION IN 2013
- PRODUCTION OF METAL INCREASED 5% FOR GOLD AND 9% FOR COPPER
- OPERATING REVENUES UP 4% TO P10.898 BILLION
- EARNINGS PER SHARE GREW 189% TO 20.4 CENTAVOS
- FINAL CASH DIVIDEND OF P0.02 PER SHARE. TOTAL DIVIDENDS OF P0.05 FOR 2014
- END-2014 PARENT DEBT AT P4.308 BILLION; P500 MILLION RETIRED IN EARLY 2015
- SILANGAN PROJECT ON TRACK TO COMPLETE DEFINITIVE FEASIBILITY STUDY IN 2015

Manila, Philippines – The Board of Directors of Philex Mining Corporation (PSE:PX) (the “Company” or “PX”) today announced that its audited financial statements for the year ended December 31, 2014 showed a Core Net Income of P1.122 billion, 4 percent higher than 2013’s P1.081 billion, after excluding exceptional gains and losses realized for both years. Reported Net Income for the year reached P703 million, more than double that of P312 million reported in 2013. The improved profitability was driven by an increase in revenues, due to higher number of operating days, coupled with cost streamlining despite lower ore grades and weakness in metal prices.

#### **Production and Revenues**

Padcal operated for a full year in 2014 compared with only about ten (10) months in 2013, delivering a 23-percent increase in tonnage. However, lower metal grades resulted in moderate improvements in metal output. Specifically, gold output in 2014 increased 5 percent to 105,008 ounces, which yielded 6% higher revenues at P5.889 billion despite the 2-percent drop in realized gold price to US\$1,270 per ounce from US\$1,297. Similarly, copper production improved 9 percent to 35,391,154 pounds and contributed P4.615 billion in revenues, despite 9 percent lower realized prices for copper at US\$2.98 per pound from US\$3.27 per pound in 2013.

Revenues from silver, coal, petroleum and others, which comprised the remainder of revenues, rose 31 percent to P394 million from P300 million in 2013 due mainly to increased production from Galoc oil field’s Phase II project.

Total revenue for the year totaled P10.898 billion, 4 percent higher than 2013.

#### **Production Costs and Expenses**

Meanwhile, growth in consolidated operating costs and expenses was contained at 12 percent to P8.415 billion in 2014 despite the 20 percent increase in operating days for the year. This resulted from the Company’s cost management and operational enhancement initiatives, which brought general and administrative expenses down to P943 million – 28 percent lower than 2013 – and partially offset the rise in production costs associated with higher operating days.

Other charges amounted to P579 million in 2014, 54 percent lower than P1.247 billion reported in 2013 due particularly to the absence of impairment loss on available for sale (AFS) financial assets related to the Company’s investments in listed mining shares and maintenance costs accumulated

during Padcal's suspended operations. Other charges in 2014 consisted mainly of reorganization costs and provisions for write-down of exploration assets, which was partially offset by the gain on the sale of the Pasig property.

### **EBITDA, Earnings per Share and Dividends**

Consolidated EBITDA in 2014 amounted to P3.320 billion (EBITDA Margin on Net Revenue at 33%) versus 2013's EBITDA of P3.920 billion (EBITDA Margin on Net Revenue at 40%). Earnings Per Share almost tripled to 20.4 centavos from 6.9 centavos in 2013.

With this year's performance, the Board approved the declaration of Cash Dividends amounting to 2.0 centavos per share (P0.02/share) payable on March 25, 2015 to shareholders of record as of March 11, 2015. This brought total Cash Dividends declared in 2014 to five centavos per share (P0.05/share), equivalent to 22% payout of the Company's Core Net Income.

### **Debt Management**

As at end December 2014, the Parent Company's outstanding debt from local banks stood at P4.308 billion, of which about P500 million has been retired in January and February this year.

### **Outlook**

The Silangan Project in Surigao del Norte continued to progress as planned with the completion of the project's Definitive Feasibility Study expected to be finalized within the year.

"Against a backdrop of lower metal prices, it was important for the Company to reduce the cost base and considerable progress has been made in this area. While the business environment remains challenging, with lower metal prices and restrictive legislative measures being contemplated especially the proposed new tax laws on the industry, we remain committed to creating value for our shareholders, business partners and employees," Philex Mining President and Chief Executive Officer Eulalio B Austin, Jr said.

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	<b>December 31</b>	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<b>₱5,231,892</b>	₱4,080,512
Accounts receivable	<b>1,055,864</b>	295,451
Inventories	<b>1,858,220</b>	2,668,274
Derivative assets	<b>7,766</b>	–
Other current assets	<b>1,376,741</b>	1,343,245
<b>Total Current Assets</b>	<b>9,530,483</b>	8,387,482
<b>Noncurrent Assets</b>		
Property, plant and equipment	<b>7,138,912</b>	6,880,096
Available-for-sale (AFS) financial assets	<b>906,681</b>	975,380
Goodwill	<b>1,238,583</b>	1,238,583
Deferred income tax assets – net	<b>8,224</b>	11,818
Deferred exploration costs and other noncurrent assets	<b>25,817,465</b>	22,427,186
<b>Total Noncurrent Assets</b>	<b>35,109,865</b>	31,533,063
<b>TOTAL ASSETS</b>	<b>₱44,640,348</b>	₱39,920,545
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable	<b>₱4,307,720</b>	₱6,176,369
Accounts payable and accrued liabilities	<b>1,795,755</b>	2,321,301
Income tax payable	<b>47,423</b>	11,519
Dividends payable	<b>488,818</b>	460,650
Provisions and subscriptions payable	<b>883,102</b>	805,108
<b>Total Current Liabilities</b>	<b>7,522,818</b>	9,774,947
<b>Noncurrent Liabilities</b>		
Deferred income tax liabilities – net	<b>3,859,141</b>	3,946,941
Loans and bonds payable	<b>5,947,366</b>	55,014
Pension obligation	<b>43,585</b>	21,598
Provision for losses and mine rehabilitation costs	<b>225,618</b>	204,791
<b>Total Noncurrent Liabilities</b>	<b>10,075,710</b>	4,228,344
<b>Total Liabilities</b>	<b>17,598,528</b>	14,003,291
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock - ₱1 par value	<b>4,940,399</b>	4,936,996
Additional paid-in capital	<b>1,117,627</b>	1,058,497
Retained earnings		
Unappropriated	<b>4,712,032</b>	4,128,826
Appropriated	<b>10,000,000</b>	10,000,000
Net unrealized gain (loss) on AFS financial assets	<b>(64,010)</b>	4,689
Equity conversion option	<b>1,225,518</b>	–
Cumulative translation adjustments	<b>37,370</b>	25,116
Net revaluation surplus	<b>1,611,397</b>	1,611,397
Effect of transactions with non-controlling interests	<b>19,084</b>	45,099
	<b>23,599,417</b>	21,810,620
<b>Non-controlling interests</b>	<b>3,442,403</b>	4,106,634
<b>Total Equity</b>	<b>27,041,820</b>	25,917,254
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱44,640,348</b>	₱39,920,545

# PHILEX MINING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2014	2013	2012
<b>REVENUE</b>			
Gold	<b>₱5,889,107</b>	₱5,581,587	₱4,946,041
Copper	<b>4,615,092</b>	4,579,757	3,865,704
Silver	<b>78,161</b>	82,063	79,571
	<b>10,582,360</b>	10,243,407	8,891,316
Less marketing charges	<b>849,837</b>	659,536	439,771
	<b>9,732,523</b>	9,583,871	8,451,545
Petroleum	<b>308,255</b>	191,243	191,003
Others	<b>7,462</b>	27,142	55,041
	<b>10,048,240</b>	9,802,256	8,697,589
<b>COSTS AND EXPENSES</b>			
Mining and milling costs (including depletion and depreciation)	<b>6,719,928</b>	5,457,881	3,473,183
General and administrative expenses	<b>943,001</b>	1,311,059	1,148,291
Excise taxes and royalties	<b>507,188</b>	536,522	454,858
Petroleum production costs	<b>152,982</b>	87,895	98,245
Handling, hauling and storage	<b>88,417</b>	69,003	59,339
Cost of coal sales	<b>3,282</b>	17,770	35,238
	<b>8,414,798</b>	7,480,130	5,269,154
<b>OTHER INCOME (CHARGES)</b>			
Gain on sale of property plant and equipment	<b>764,685</b>	–	–
Interest income	<b>16,952</b>	26,060	58,201
Foreign exchange losses – net	<b>(56,374)</b>	(173,972)	(164,716)
Interest expense	<b>(354,461)</b>	(416,360)	(44,355)
Reorganization costs	<b>(394,154)</b>	–	–
Impairment loss on deferred exploration costs and others	<b>(569,926)</b>	(297,585)	(1,023,376)
Others – net	<b>14,118</b>	(385,217)	(2,017,439)
	<b>(579,160)</b>	(1,247,074)	(3,191,685)
<b>INCOME BEFORE INCOME TAX</b>	<b>1,054,282</b>	1,075,052	236,750
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>			
Current	<b>421,584</b>	255,703	551,979
Deferred	<b>(70,147)</b>	506,954	(4,390)
	<b>351,437</b>	762,657	547,589
<b>NET INCOME (LOSS)</b>	<b>₱702,845</b>	₱312,395	(₱310,839)
<b>Net Income (Loss) Attributable to:</b>			
Equity holders of the Parent Company	<b>₱1,005,552</b>	₱341,932	₱208,733
Non-controlling interests	<b>(302,707)</b>	(29,537)	(519,572)
	<b>₱702,845</b>	₱312,395	(₱310,839)
<b>Basic Earnings Per Share</b>	<b>₱0.204</b>	₱0.069	₱0.042
<b>Diluted Earnings Per Share</b>	<b>₱0.204</b>	₱0.069	₱0.042
<b>Core Net Income</b>	<b>₱1,121,793</b>	<b>₱1,081,146*</b>	<b>₱1,689,281</b>
<b>Core Net Income Per Share</b>	<b>₱0.227</b>	<b>₱0.219*</b>	<b>₱0.342</b>

\*Excludes insurance gain from business interruption of P427 million