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# 2014 Significant Developments

## Padcal Mine

- In May 2014, agreed to a settlement of P200 million for local business tax claims with the municipalities of Tuba and Itogon, which host the Padcal site
- In June 2014, following the payment of P188.6 million to settle environmental obligations claims, the Pollution Adjudication Board (PAB) permanently lifted its suspension order on Padcal mine operations
- In August 2014, the Mines and Geosciences Bureau permanently lifted the cease and desist order on the operations of Padcal Mine
- In December 2014, Parent Company implemented manpower rightsizing program which reduced its headcount by more than 600 from 2,940 to 2,333

## Silangan Project

- In August 2014, presented the Silangan Pre-Feasibility Study to the Board; Definitive Feasibility Study (DFS) ongoing (with AECOM of Australia as consultants)
- In December 2014, issued P7.2B worth of convertible bonds to fund DFS and other corporate requirements



# **OPERATING AND FINANCIAL HIGHLIGHTS**

# Operating Statistics

	FY2014	FY2013	Inc (Dec)
<b>Tonnes Milled ('000)</b>	9,506	7,738	23%
<b>Operating Days</b>	359	299	20%
<b>Copper Concentrate (DMT)</b>	70,062	60,582	16%
<b>Ore Grade</b>			
Gold - gms/DMT	0.438	0.503	(13%)
Copper - %	0.212	0.236	(10%)
<b>Production</b>			
Gold – ozs	<b>105,008</b>	<b>99,802</b>	5%
Copper - lbs ('000)	<b>35,391</b>	<b>32,495</b>	9%
<b>Prices</b>			
Gold (US\$/ounce)	<b>1,270</b>	<b>1,297</b>	(2%)
Copper (US\$/pound)	<b>2.98</b>	<b>3.27</b>	(9%)
<b>Headcount</b>			
Pasig and Padcal	<b>2,333</b>	<b>2,940</b>	(21%)
Subsidiaries	<b>896</b>	<b>1,187</b>	(25%)

- **Increased tonnage due to higher operating days**
- **Lower ore grades consistent with the life-of-mine production program**
- **Higher metal production due to increased tonnage, but partly offset by lower ore grades**
- **Manpower rightsizing to generate savings of P283 million annually**



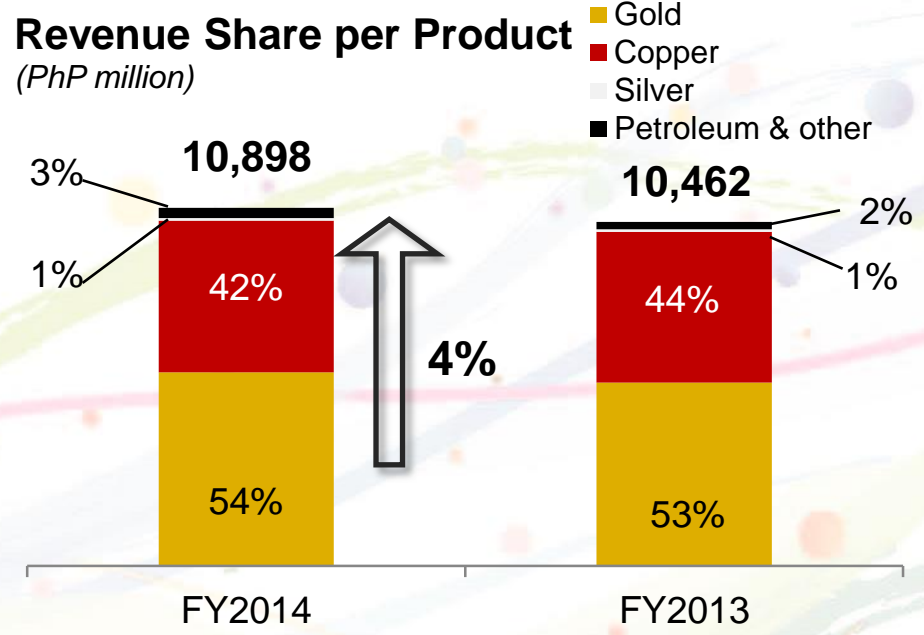
# Financial Highlights

<i>(in PHP million, unless indicated)</i>	<b>FY2014</b>	<b>FY2013</b>	<b>Inc/(dec)</b>	<b>Amount</b>
<b>Gross Revenue</b>	10,898	10,462	4%	436
<b>Marketing Charges</b>	850	660	29%	190
<b>Cost &amp; Expenses</b>	8,415	7,480	12%	935
<b>Income from Operations</b>	1,633	2,322	(30%)	(689)
<b>Other Inc / (charges)</b>	(579)	(1,247)	(54%)	(668)
<b>Provision for Tax</b>	(351)	(763)	(54%)	(411)
<b>Net Income</b>	703	312	125%	390
<b>Core Net Income</b>	<b>1,122</b>	<b>1,081*</b>	4%	42
<b>Reported EPS (Php)</b>	0.204	0.069	196%	0.14
<b>Core EPS (Php)</b>	0.227	0.219*	4%	0.08

- **Increased revenue from higher operating days, offset by lower ore grades and metal prices**
- **Rise in TC/RC rates and higher metal output**
- **Increase in cost & expenses due to higher operating days**
- **Net income improvement due to decline in other charges**
- **Core net income 4% higher after excluding exceptional items**

\*excludes insurance gains from business interruption of P427 million

# Revenue Breakdown



PRODUCT BREAKDOWN (PhP million)			
	FY2014	FY2013	Inc (Dec)
Gold	5,889	5,582	6%
Copper	4,615	4,580	1%
Silver	78	82	(5%)
Petroleum & others	316	218	45%

# Cost and Expenses

<i>(in PHP million)</i>	<b>FY2014</b>	<b>FY2013</b>	<b>Inc (Dec)</b>
<b>Production cost</b>			
Materials & Supplies	1,847	1,607	15%
Power	1,710	1,314	30%
Labor	1,098	877	25%
Contracts	277	236	18%
Others	212	154	38%
<b>Cash Production cost</b>	<b>5,143</b>	<b>4,187</b>	<b>23%</b>
Depreciation & Amortization	1,666	1,339	24%
<b>Total Production Cost</b>	<b>6,808</b>	<b>5,526</b>	<b>23%</b>
Excise tax	196	194	1%
Royalties	311	342	(9%)
<b>Operating Cost (Mining)</b>	<b>7,315</b>	<b>6,062</b>	<b>21%</b>
G&A (Mining)	662	929	(29%)
<b>All-in Operating Cost (Mining)</b>	<b>7,977</b>	<b>6,991</b>	<b>14%</b>
Oil & Gas expenses	438	489	(10%)
<b>Total Cost and Expenses</b>	<b>8,415</b>	<b>7,480</b>	<b>12%</b>

- **Change in mineralogy made it more expensive to process minerals**
- **Increase in cash production cost due to higher operating days**
- **29% drop in G&A due to conscious cost control**

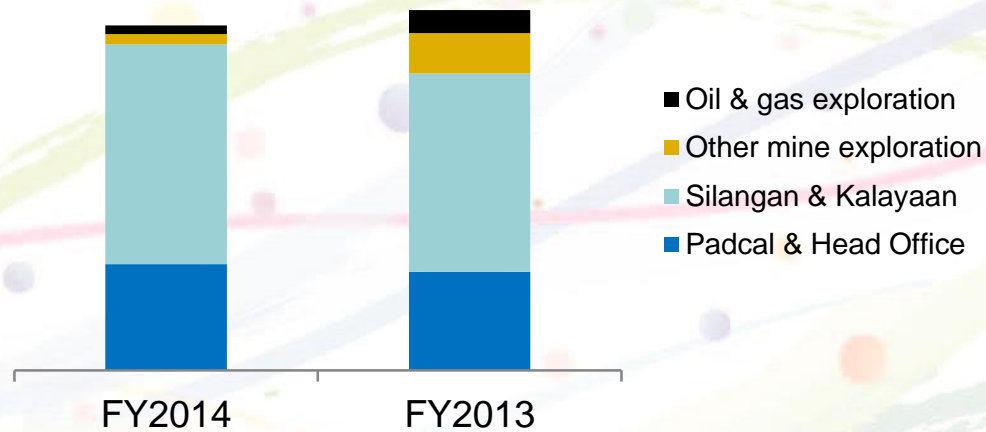


# Breakdown of Other Charges - Net

(in PHP million)	FY2014	FY2013	Inc/(dec)
Gain on sale of assets, net of expenses	765	-	-
Interest income	17	26	(38%)
Foreign exchange losses	(56)	(174)	(68%)
Insurance proceeds	-	1,017	-
Interest expense, net	(354)	(416)	(15%)
Padcal maintenance cost		(440)	
Writedown of assets	(570)	(298)	91%
Reorganization costs	(394)		-
Impairment of financial assets		(1,007)	-
Provision for rehabilitation and other costs		(161)	-
Gain on sale of subsidiaries and AFS financial assets	-	273	-
Others	14	(68)	(121%)
<b>Total</b>	<b>(579)</b>	<b>(1,247)</b>	<b>(54%)</b>

# Capital Expenditures

## CAPITAL EXPENDITURE PERFORMANCE



CAPITAL EXPENDITURE BREAKDOWN (PhP million)		
	FY2014	FY2013
Padcal & Head Office	1,797	1,667
Silangan & Kalayaan	3,709	3,347
Other mine exploration	177	681
Oil & gas exploration	148	393
<b>TOTAL</b>	<b>5,831</b>	<b>6,088</b>

# Financial Position

## ASSETS (in PHP million)

	As of Dec 31, 2014	As of Dec 31, 2013	Inc (Dec)
Cash & cash equivalents	5,232	4,081	28%
Receivables & others	4,299	4,307	0%
<b>Current assets</b>	<b>9,530</b>	<b>8,387</b>	<b>14%</b>
Property, plant & equipment	7,139	6,880	4%
Deferred exploration costs & other NCA	25,817	22,427	15%
<b>Total assets</b>	<b>44,640</b>	<b>39,921</b>	<b>12%</b>

- Increase in deferred exploration costs due to additional investments in Silangan

## LIABILITIES AND STOCKHOLDERS' EQUITY

(in PHP million)

	As of Dec 31, 2014	As of Dec 31, 2013	Inc (Dec)
Short-term debt	4,308	6,176	-30%
Others	3,215	3,599	-11%
<b>Current liabilities</b>	<b>7,523</b>	<b>9,775</b>	<b>-23%</b>
Long-term debt	-	55	0%
Bonds payable	5,947	-	
Deferred income tax liability & others	4,128	4,173	-1%
<b>Total liabilities</b>	<b>17,599</b>	<b>14,003</b>	<b>26%</b>
Capital stock, RE & others	23,599	21,811	8%
Non-controlling interest	3,443	4,107	-16%
Total equity	<b>27,042</b>	<b>25,917</b>	<b>4%</b>
<b>Total Liabilities and SHE</b>	<b>44,640</b>	<b>39,921</b>	<b>12%</b>

- Retirement of loans to First Pacific and issuance of CB by SMECI

# Cash Flows

(In PHP millions)	FY2014	FY2013	Inc/(dec)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	1,054	1,075	-2%
Adjustments for:			
Depletion and depreciation	1,691	1,448	17%
Gain on sale of asset	(765)	-	
Impairment loss on deferred exploration costs and others	570	298	91%
Impairment loss on AFS financial assets		1,007	
Others	838	741	13%
Change in working capital	(880)	(1,619)	-46%
<b>Cash generated from operations</b>	<b>2,508</b>	<b>2,949</b>	-15%
Interest and income taxes paid - net	(720)	(478)	50%
<b>Net cash flows from operating activities</b>	<b>1,788</b>	<b>2,471</b>	-28%
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Deferred exploration costs and other noncurrent assets	(3,477)	(3,778)	-8%
Property, plant and equipment	(2,354)	(2,310)	2%
Net proceeds from sale of:			
Subsidiaries		2,098	-%
PPE	765	-	
AFS financial asset	-	168	-%
Acquisition of additional interest in Pitkin (net)	-	(630)	-%
Share buyback of Pitkin	(396)	-	
<b>Net cash flows used in investing activities</b>	<b>(5,462)</b>	<b>(4,452)</b>	23%
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from and payment of loans - net - and others	(2,337)	4,386	-153%
Issuance of bonds - net of costs	7,162	-	0%
<b>Net cash from (used in) financing activities</b>	<b>4,825</b>	<b>4,386</b>	10%
<b>EFFECT OF EXCHANGE RATE CHANGES</b>			
ON CASH AND CASH EQUIVALENTS	-	6	-%
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,151</b>	<b>2,411</b>	-52%
<b>CASH AND CASH EQUIVALENTS (BEGINNING)</b>	<b>4,081</b>	<b>1,670</b>	144%
<b>CASH AND CASH EQUIVALENTS AT END THE PERIOD</b>	<b>5,232</b>	<b>4,081</b>	28%



# UPDATE ON SILANGAN

# Silangan Timetable

**\* Presented  
Pre-Feasibility Study  
to the Board (August 2014)**  
Complete Definitive  
Feasibility Study

Obtain remaining  
government  
permit approvals

Early works/mine  
development/  
project execution

Q3 2014  
-Q4 2015

2015/  
2016

2016-  
2018

2018/2019  
Production

- Satisfy requirements of project financing
- Reduce project risks from:
  - ✓ **Metallurgy:** through bulk sample pilot plant test work program
  - ✓ **Hydrogeology:** through continued pumping, monitoring and modelling
  - ✓ **Fieldwork and Engineering:** to support an industry standard bankable feasibility study

- Mine development dependent on Government permit approvals



## **Ore characterization drive has reached the ore body**

- Source of bulk sample for pilot testing to improve predictability of ore treatment and metal recoveries
- Complement results of ground drilling
- Visual assessment of ground conditions

## **Metallurgical test work**

- Extensive metallurgical test work of drill hole samples (ALS Australia)
- Pilot testing of bulk samples representing the first 5-10 yrs of production (ALS Australia)
  - ✓ Develop deeper understanding of ore body
  - ✓ Provide inputs for plant design
  - ✓ Identify sequence of process/es

## Finalization of hydrogeology studies

- Engaged SRK Consulting
  - ✓ Finalize results of pump tests to better predict ground water behavior and management
  - ✓ Define regional stream water flows & chemistry
  - ✓ Design dewatering set-up of mine

## Mine plan options and optimization

- Appointed AMC (Australia) as package consultant
  - ✓ Mine development plan and production schedule
  - ✓ Define cover sequence for material handling



# **OIL AND GAS EXPLORATION**

# Financial Highlights

<i>(in PhP million)</i>	<b>FY2014</b>	<b>FY2013</b>	<b>% Inc (Dec)</b>
Gross revenue	308	209	48%
Cost and expenses	436	444	(2%)
Income (loss) from operations	(128)	(236)	(46%)
Other income (charges)	(322)	135	-
Reported net income (loss)	(449)	(101)	(343%)
Core income (loss)	(67)	(147)	(55%)

- **59% growth in petroleum revenues due to Galoc Phase II production**
- **2% decline in operating expenditures through rationalization of business structure and asset portfolio**
- **Operating and net loss due to exit in SC-6A Octon, which necessitated a P338M write-down of deferred exploration costs**

# Exploration Cost and Updates

Oil and Gas Exploration Major Assets		
<i>(in PHP million)</i>	2014	2013
<b>PXP Parent</b>		
SC 75 (Area 4)	67	3
<b>Pitkin</b>		
Peru Block Z-38	3,381	3,380
SC 53 (Mindoro)	321	319
Peru Block XXVIII	68	7
SC 6A (Octon)	2	317
<b>Forum</b>		
SC 72 (Reed Bank)	798	787
SC 40 (North Cebu Block)	162	150
<b>Total</b>	<b>6,081</b>	<b>6,227</b>

- **Exploration activities in 2015 will be focused on SC-72 (subject to DOE clearance) and Peru Block Z-38**
- **Plans for other blocks are being reviewed due to current low oil price environment**

# Financial Position

<b>ASSETS</b> (in PHP million)			
	<b>As of Dec 31, 2014</b>	<b>As of Dec 31, 2013</b>	<b>% Inc (Dec)</b>
Cash & cash equivalents	1,908	2,621	-27%
Others	153	162	-6%
<i>Current assets</i>	<i>2,061</i>	<i>2,783</i>	<i>-26%</i>
Deferred exploration costs & other NCA	6,436	6,638	-3%
<b>Total assets</b>	<b>8,497</b>	<b>9,421</b>	<b>-10%</b>

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> (in PHP million)			
	<b>As of Dec 31, 2014</b>	<b>As of Dec 31, 2013</b>	<b>% Inc (Dec)</b>
Short-term debt		55	-100%
Due to Parent	3,422	3,379	1%
Others	65	117	-44%
<i>Current liabilities</i>	<i>3,487</i>	<i>3,551</i>	<i>-2%</i>
Deferred income tax liability & others	1,112	1,112	-
Accounts payable	226	253	0%
<i>Non-current liabilities</i>	<i>1,338</i>	<i>1,365</i>	<i>-2%</i>
<b>Total liabilities</b>	<b>4,824</b>	<b>4,916</b>	<b>-2%</b>
Capital stock, RE & others	1,700	1,700	0%
Deficit	(1,146)	(919)	25%
Others	(8)	(61)	-88%
Non-controlling interest	3,127	3,786	-17%
<b>Total equity</b>	<b>3,673</b>	<b>4,505</b>	<b>-18%</b>
<b>Total Liabilities and SHE</b>	<b>8,497</b>	<b>9,421</b>	<b>-10%</b>





**PHILEX PUBLIC RECOGNITION RECEIVED**

# Strong Management, Corporate Governance, CSR & IR Platforms

- **Most Promising Company of the Year**  
*(Corporate Governance Asia)*  
November 2014 Hong Kong



- **Corporate Governance Company of the Year**
- **Finalist: CSR Company of the Year**  
*(Asia CEO Awards)*  
November 2014 Manila



- **Gold Award in Financial Performance, Management, Corporate Governance, Investor Relations, Environmental and Social Responsibility**  
*(The Asset Magazine)*  
December 2014 Hong Kong





**End of Presentation**

**Thank you**