



**PHILEX MINING
CORPORATION**

**Nine Months 2016
Operating and Financial Highlights
26 October 2016**

9M2016 Highlights



- **DENR Audit Results: Philex NOT included in the list recommended for suspension**
- **9M2016 Core Net Income up 64% to P1.33 billion**
- **Net Income up 76% to P1.33 billion**
- **Cost and Expenses down 5% despite 7% growth in Revenues**
- **Operating and EBITDA margins improved to 26% and 37%, respectively**
- **US\$7.5 million short-term debt retired in 9M2016**

Metals Business

Operating Statistics



	9M2016	9M2015	Inc (Dec)
Tonnes Milled ('000)	7,214	6,892	5%
Operating Days	271	269	1%
<i>Production</i>			
Gold – ozs	79,845	81,599	-2%
Copper - lbs ('000)	27,137	25,712	6%
<i>Recovery</i>			
Gold	82%	84%	-2%
Copper	82%	82%	-1%
<i>Ore Grade</i>			
Gold - gms/DMT	0.419	0.440	-5%
Copper - %	0.209	0.205	2%
<i>Prices</i>			
Gold (US\$/ounce)	1,273	1,171	9%
Copper (US\$/pound)	2.19	2.45	-11%

➤ **Higher equipment efficiency and improved manpower optimization**

➤ **Lower gold grade and recovery**
 ➤ **Increased tonnage and grades**

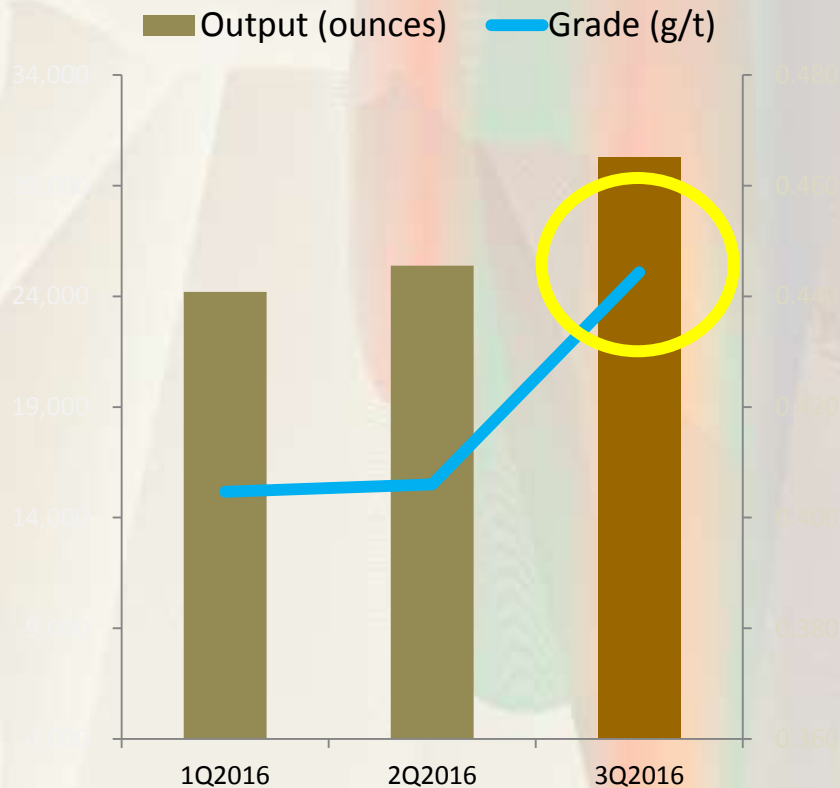
➤ **Presence of slimes**

➤ **Depletion of higher gold grade**

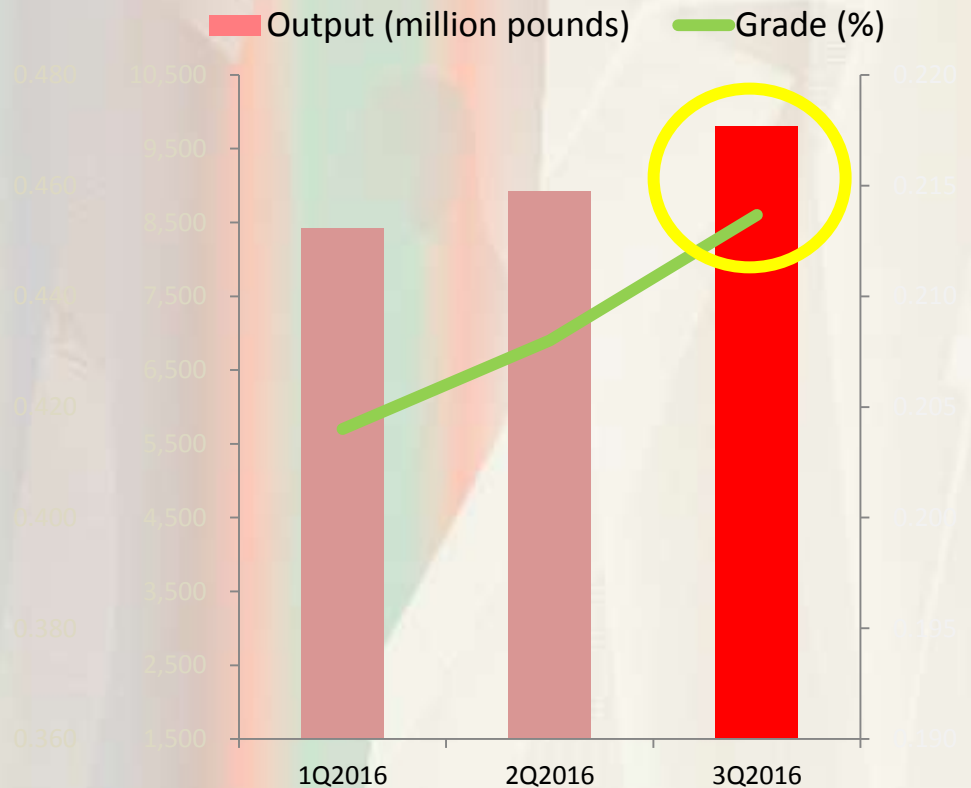
Quarterly Metal Output and Grades



Gold



Copper



Financial Highlights

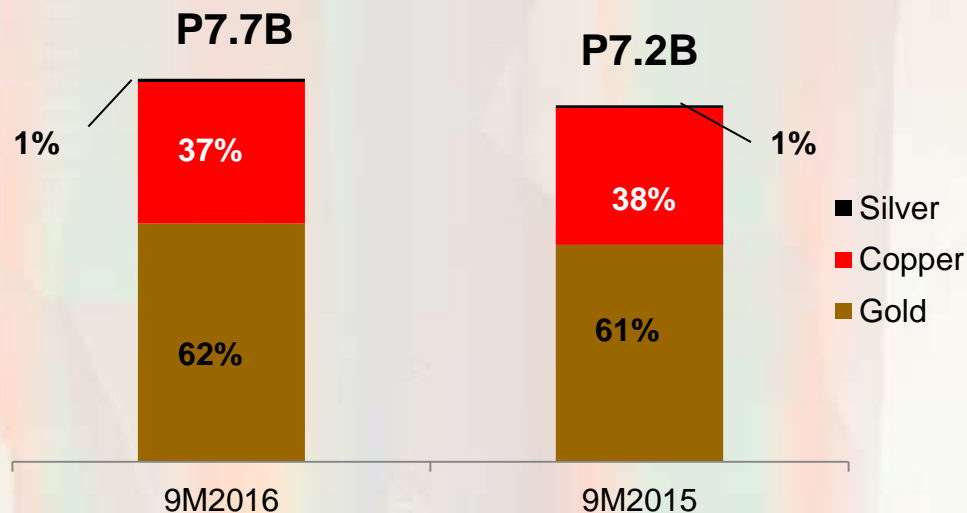


(in PHP million, unless indicated)	9M2016	9M2015	Inc/(dec)
Gross Revenue	7,705	7,173	7%
Marketing Charges (TC/RC)	678	627	8%
Cost & Expenses	5,048	5,339	-5%
Income from Operations	1,979	1,208	64%
Other Inc / (charges)	(96)	16	-
Provision for impairment	(921)	-	-
Provision for Tax	(571)	(350)	63%
Income after tax/impairment	391	874	-55%
Gain (loss) from PXP deconsolidation	942	(118)	-
Net Income	1,333	756	76%
Core Net Income	1,332	811	64%
EBITDA	2,849	2,235	27%
Operating margin (%)	26%	17%	53%
EBITDA margin (%)	37%	31%	19%

- **Higher revenue due to:**
 - Increase in copper output, which compensated for lower prices
 - Improved average gold prices that offset lower production
- **TC/RC rates higher due to 8% increase in copper concentrates produced**
- **Sustained cost rationalization and spend management**
- **Improved profitability from lower cost and expenses**
- **Margin Improvement from effective cost management**



Revenue Breakdown



REVENUE PER PRODUCT (PhP million)			
	9M2016	9M2015	Inc (Dec)
Gold	4,797	4,366	10%
Copper	2,841	2,752	3%
Silver	66	55	20%
TOTAL	7,705	7,173	7%

Cost and Expenses



(in PHP million)	9M2016	9M2015	Inc (Dec)
Tonnage ('000 tonnes)	7,214	6,892	5%
Production cost			
Materials & Supplies	1,258	1,199	5%
Power	1,146	1,302	-12%
Labor	678	666	2%
Contracts	219	196	12%
Others	175	162	8%
Cash Production cost	3,476	3,525	-1%
Depreciation & Amortization	941	1,127	-17%
Total Production Cost	4,417	4,653	-5%
Excise Tax & Royalties	348	345	1%
Operating Cost	4,765	4,997	-5%
GAE	275	330	-17%
All-in Operating Cost	5,040	5,327	-5%
Silangan	8	11	-27%
TOTAL COST AND EXPENSES	5,048	5,339	-5%

- **5% decline in operating cost due to:**
 - ✓ Reduced power rates from new contract
 - ✓ Higher SDMP costs deducted from royalties

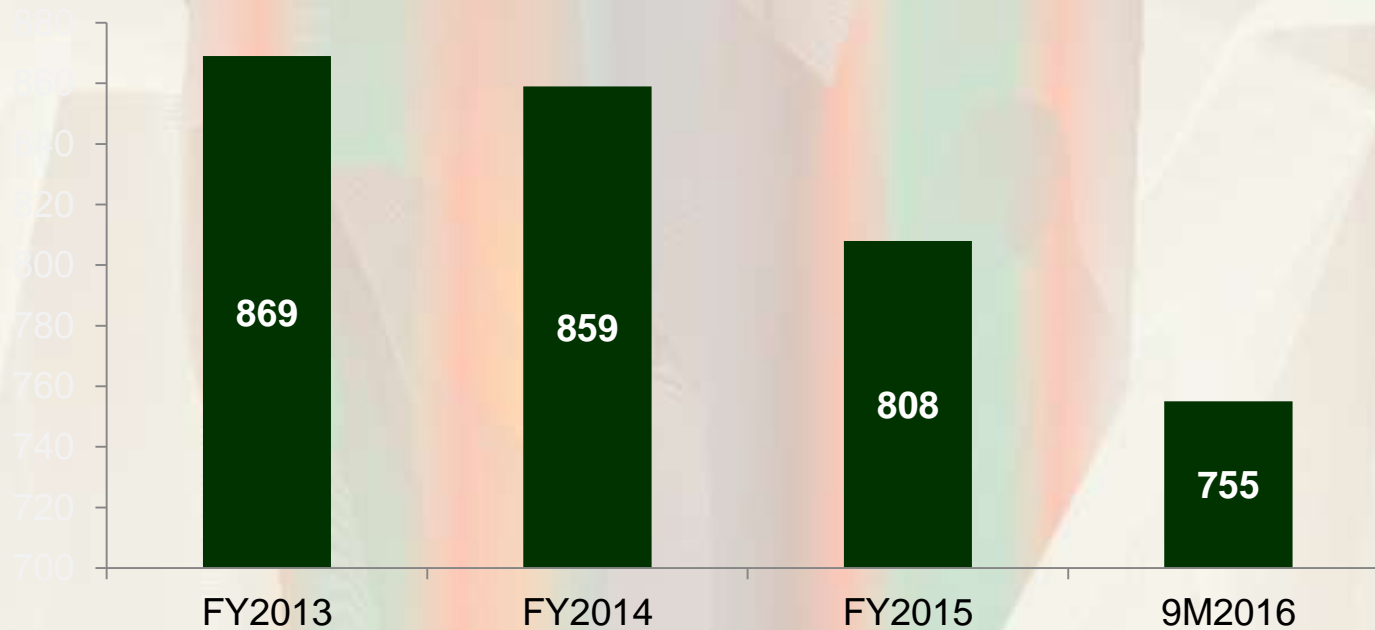
- **Lower depreciation due to extended Padcal mine life**

- **17% drop in mining G&A due to cost rationalization and manpower optimization**

Cost per Tonne



Operating Cost per Tonne



**Cost per tonne expected to be within the 9M2016 level over the medium-term*

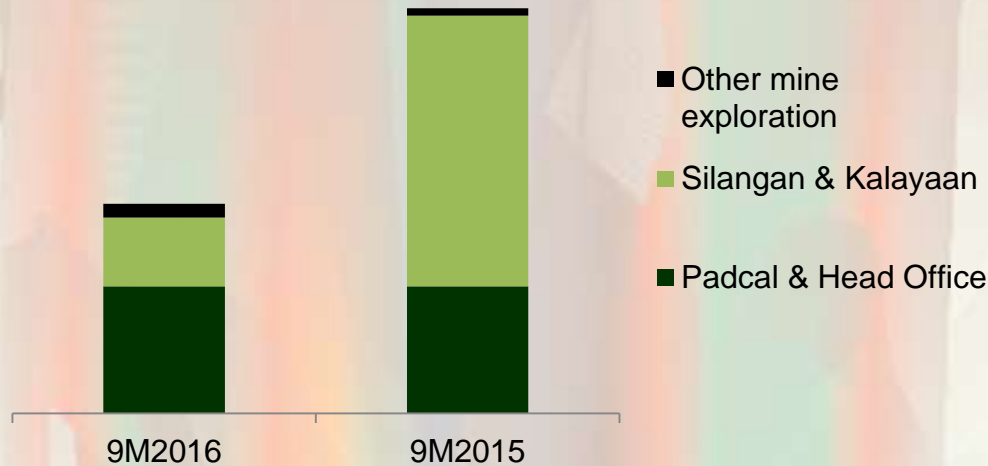
Breakeven Analysis



COST STRUCTURE (excluding GAE)			
	9M2016	9M2015	Variance
Cost per Tonne			
Cash Production Cost	482	512	-6%
Depreciation	130	164	-20%
Total	612	675	-9%
Operating cost*	755	816	-8%
Operating Cost per Metal			
Co-production method <i>(including head office expenses)</i>			
Gold (\$/oz)	914	919	-1%
Copper (\$/lb)	1.57	1.92	-18%
By-product credits method <i>(excluding head office expenses)</i>			
Gold (\$/oz)			
Before by-product credits	1,447	1,525	-5%
After by-product credits	686	738	-7%
Copper (\$/lb)			
Before by-product credits	4.26	4.84	-12%
After by-product credits	0.46	1.08	-57%

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

Capital Expenditures



CAPITAL EXPENDITURE BREAKDOWN <i>(PhP million)</i>			
	9M2016	9M2015	Inc/(dec)
Padcal & Head Office	1,138	1,138	-
Silangan & Kalayaan	617	2,426	-75%
Other mine exploration	122	66	85%
TOTAL	1,877	3,630	-48%

End-Sept 2016 Financial Position



ASSETS (in PHP million)

	As of Sept 30, 2016	As of Dec 31, 2015	Inc (Dec)
Cash & cash equivalents	583	1,009	-42%
Advances to an associate	2,151	-	-
Others	4,108	4,263	-4%
<i>Current assets</i>	6,842	5,271	30%
PP&E	6,879	6,828	1%
Deferred exploration costs/ other NCA	25,570	31,450	-19%
Total assets	39,291	43,549	-10%

- Decline in assets due to deconsolidation of PXP assets

LIABILITIES AND STOCKHOLDERS' EQUITY (in PHP million)

	As of Sept 30, 2016	As of Dec 31, 2015	Inc (Dec)
Short-term debt	3,056	3,318	-8%
Others	2,436	2,397	2%
<i>Current liabilities</i>	5,492	5,715	-4%
Bonds Payable	6,496	6,259	4%
Deferred income tax liability & others	3,123	4,291	-27%
Total liabilities	15,111	16,265	-7%
Capital stock, RE & others	24,179	24,563	-2%
Non-controlling interest	0	2,721	-
Total equity	24,179	27,284	-11%

- Repayment of US\$7.5 million in short-term loans in 9M2016
- Exclusion of non-controlling interest in PXP post-deconsolidation

SELECTED FINANCIAL RATIOS

Current Ratio	1.25:1	0.92:1
Debt-to-equity Ratio	38:62	37:63



Energy and Hydrocarbon Business



Financial Highlights



<i>(in PhP millions)</i>	9M2016	9M2015	% Inc (Dec)
Gross revenue	₱78.4	₱105.5	(25.7)
Cost and expenses	122.2	261.1	(53.2)
Income (loss) from operations	(43.9)	(155.6)	71.8
Other income (charges)	5.0	37.4	86.7
Reported net income (loss)	(₱38.5)	(₱118.1)	67.4

- **26% decline in petroleum revenues due to:**
 - *Prevailing low crude oil prices*
 - *Declining output in SC 14 C-1 Galoc production*
- **53% decline in cost and expenses due to:**
 - *Continuous cost containment*

Financial Highlights



ASSETS (in PHP millions)

	As of Sept 30, 2016	As of Dec 31, 2015	% Inc (Dec)
Cash & cash equivalents	₱550	₱526	5%
Receivables and other CA	76	144	(47%)
<i>Current assets</i>	626	670	(6.7%)
Deferred exploration costs & other NCA	6,679	6,558	1.8%
Total assets	₱7,305	₱7,228	1.1%

LIABILITIES AND STOCKHOLDERS' EQUITY

(in PHP millions)

	As of Sept 30, 2016	As of Dec 31, 2015	% Inc (Dec)
Due to Parent	₱2,932	₱2,932	0.0%
Accounts payable & others	24	15	59.9%
<i>Current liabilities</i>	2,956	2,947	0.3%
Deferred income tax liability	1,110	1,112	(0.2%)
Others	203	202	0.4%
<i>Non-current liabilities</i>	1,313	1,314	(0.1%)
Total liabilities	4,268	4,261	0.2%
Capital stock	1,700	1,700	0.0%
Deficit	(1,260)	(1,233)	2.1%
Others	185	116	59.1%
Non-controlling interest	2,411	2,384	1.1%
Total equity	3,036	2,967	2.3%
Total Liabilities and SHE	₱7,305	₱7,228	1.1%

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.
- Based on latest news, bilateral talks with China on West Philippine Sea to continue. In the meantime, FM on SCs 72 & 75 to stay according to Department of Energy.

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 with expected date of completion in mid-December 2016

SC 14C1 Galoc (Forum 2.27%)

- Target drilling of Galoc- 7 Well is in first half of 2017, 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%)

- Proposed work program in 2017 includes preparation for 2-well drilling in 2018, subject to rig availability and securing of drilling-related permits from the Peruvian government.

SC 53 Mindoro (Pitkin 70%)

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



Thank you

End of presentation

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