

ANALYST BRIEFING

JUNE 2014 FINANCIAL AND OPERATING HIGHLIGHTS

15 August 2014



**PHILEX MINING
CORPORATION**

(3) 1H2014 Operating Highlights

(10) CSR Initiatives

(13) 1H2014 Financial Performance

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1H2014 OPERATING HIGHLIGHTS

Significant Developments

Padcal Mine

- In January and May 2014, completed CBA negotiations for the remaining two years of the existing 5-year CBA
- 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

Silangan Project

- In August 2014, the Silangan Pre-Feasibility Study was presented to the Board

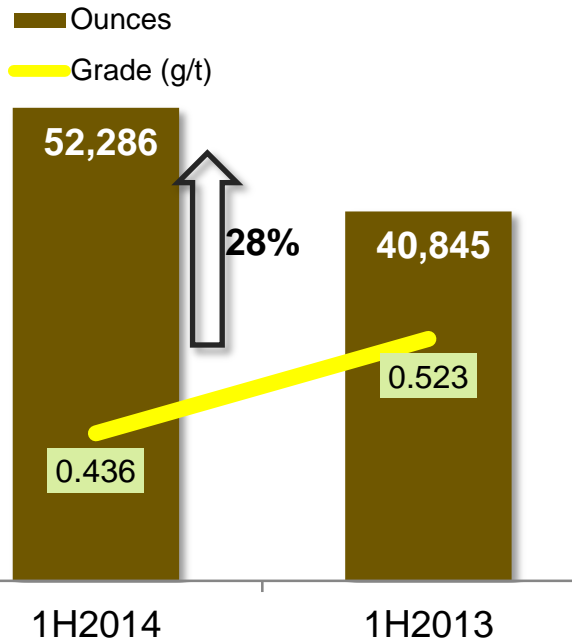
Operating Statistics

	1H2014	1H2013		% Inc (Dec)
Tonnes Milled ('000)	4,775	3,038		57
Operating Days	178	115	↑	55
Copper Concentrate - DMT	35,024	23,867		47
Ore Grade				
Gold - gms/DMT	0.436	0.523	↓	(17)
Copper - %	0.218	0.249	↓	(13)
Production				
Gold - ozs	52,286	40,845	↑	28
Copper - lbs ('000)	18,197	13,678	↑	33
Realized Prices				
Gold (\$/oz)	1,341	1,313	↑	2
Copper (\$/lb)	3.09	3.13	↓	(1)
Average exchange rate	44.32	42.03	↑	5

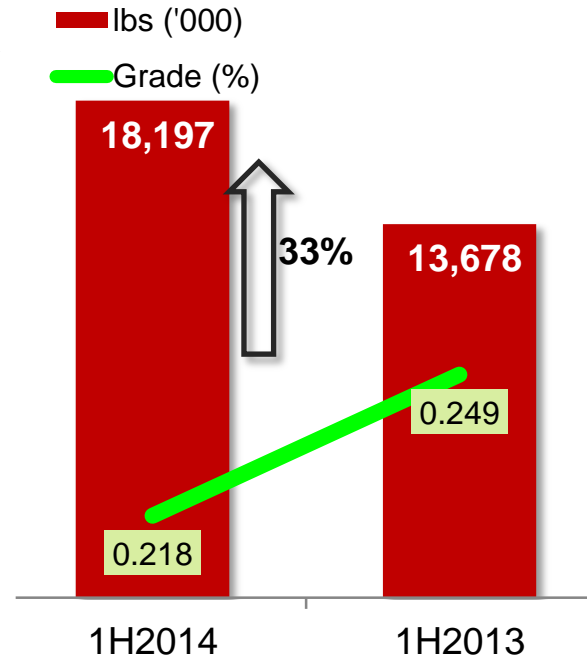
- Higher operating days delivered increased tonnage
- Decline in ore grades expected and consistent with declared life-of-mine production program
- Lower ore grades partly offset higher tonnage on metal production

Metal Production

Gold output and grade



Copper output and grade



- Increase in production due to higher tonnage
- Decline in ore grades expected and consistent with declared life-of-mine production program

Safety Performance

	Padcal Mine Site	Silangan Project
LTA-F	0	0
LTA-NF	0	1
NLTA-FAC	80	26
Total Man-hours	5,250,080	1,667,692

SAFETY INITIATIVES

- Basic Occupational Health and Safety Seminar
- Plant and community-wide Emergency Preparedness Program
- Daily Safety Toolbox meeting
- Weekly Safety Walk
- Underground Emergency Management Seminar
- First Aid Seminar for new employees

LTA-F: Lost Time Accident – Fatal

LTA-NF: Lost Time Accident – Non-fatal

NLTA-FAC: Non-Lost Time Accident-First Aid Case

Landlake Update

TAILINGS STORAGE FACILITY 3



PENSTOCK B



Penstock B's sump and decant system was plugged on May 10, 2014

Installation of an additional 35 meter plug at the Penstock B Tunnel was completed on July 13, 2014

TSF3 Project Update

SPILLWAY 3rd CHUTE



Total work accomplishment (Downstream): 90%
Installation of Form Works and concreting on - going
Completion Date: July 31, 2014

PLUNGE POOL (PHASE 1)



Total work accomplishment: 100%
Completion Date: July 20, 2014

SPILLWAY DECANT ANCHORING



Total work accomplishment: 70%
Target Completion Date: September 2014

PIEZOMETER HOLES/ DEWATERING WELLS



Total work accomplishment: 78%
Target Completion Date: August 30, 2014

Social Development

INFRASTRUCTURE PROJECTS

- Construction and rehabilitation of several facilities (*school buildings, multi-purpose halls, farm-to-market roads, bridges, spillways and water tanks*)
- Electrification of various facilities
- Provision of critical social services (*sanitation*)



HEALTH CARE PROGRAMS

- Provision of health care services to local population
- Installation of secondary pipes to improve water sanitation



Social Development

LIVELIHOOD AND EMPLOYMENT PROGRAMS

- Conduct of livestock production programs (*oyster mushroom, chicken, vegetable and cattle raising*)
- Roll-out of capability-building trainings for cooperatives and community leaders
- Activation of cooperatives and associations
- Opening of employment opportunities in TSF3 for locals



TRAINING AND EDUCATION

- Provision of proficiency training for teachers and administrators of the DePed (*Tuba District*)
- Continuous implementation of the Alternative Learning System to host communities
- Continued support for Brigada Eskwela



Environmental Stewardship

ALBIAN CREEK PROTECTION

- Completion of silt trap, Gabion wall, and boulder trap

FOREST PROTECTION and REFORESTATION

- Implementation of grass cutting and ongoing construction of firebreak
- Ongoing completion of bamboo plantation maintenance and protection at TSF#1
- Support for seedlings propagation in anticipation of reforestation program at Agno water shed area

SANITATION

- Continuity of monthly water testing to ensure clean and safe water quality

Silt Trap



Gabion Wall



Boulder Trap



1H2014 FINANCIAL PERFORMANCE

Financial Highlights

<i>(million pesos unless indicated)</i>	1H2014	1H2013		% Inc (Dec)
Gross Revenue	5,782	4,186	↑	38
Income from Operations	889	1,216	↓	(27)
EBITDA	1,746	1,804	↓	(19)
Other Income (charges)	(62)	270	↓	(123)
Reported Net Income	600	954	↓	(37)
Core Net Income	559	818	↓	(32)
Reported EPS (PhP)	0.127	0.218	↓	(42)
Core EPS (PhP)	0.113	0.166	↓	(32)
Capex	2,873	2,153	↑	33
Headcount	2,716	2,597	↑	5

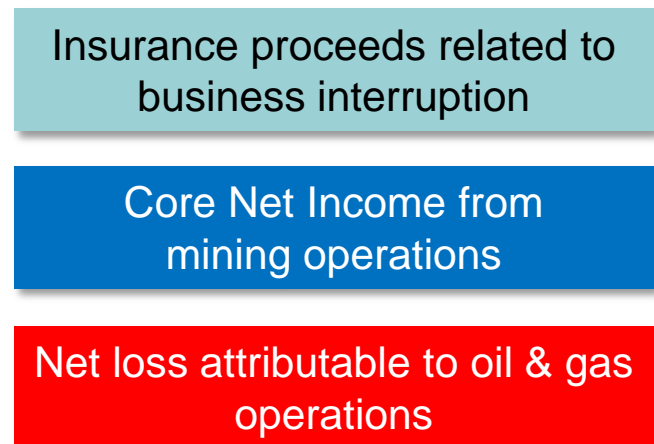
- **Higher operating days resulted in increased revenue**
- **Increased costs due to change in ore characteristics and increased presence of slimes**
- **1H2014 core and net income lower as 1H2013 was boosted by insurance proceeds**
- **Capex increase due largely to Silangan project**

Income Statement

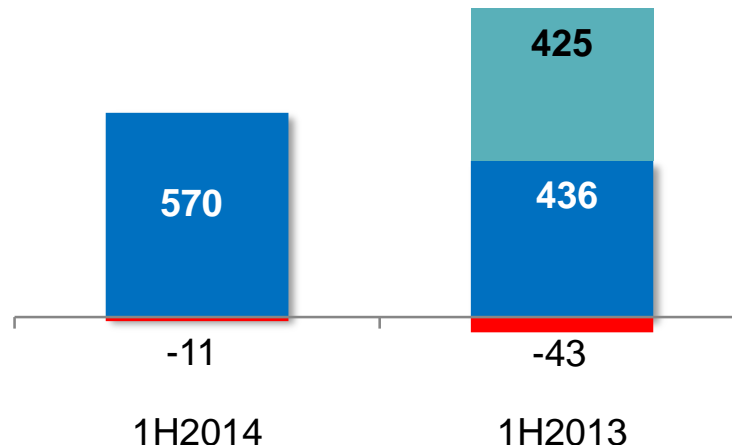
<i>(in million pesos)</i>	1H2014	1H2013	% Inc (Dec)
Operating Revenues	5,782	4,186	38
Less: Marketing Charges	425	244	74
<i>Net Revenues</i>	<i>5,357</i>	<i>3,942</i>	<i>36</i>
Operating Costs and Expenses	4,468	2,726	64
Income from Operations	889	1,216	(27)
Other Income (Charges)	(62)	270	(123)
Interest Expense, net	(153)	(205)	(25)
Foreign exchange gains (losses)	95	(51)	287
Insurance proceeds	-	1,017	-
Padcal maintenance costs	-	(440)	-
Others	(4)	(51)	92
Income before Tax	826	1,487	(44)
Provision for Tax	(226)	(532)	(58)
Net Income	600	954	(37)
Attributable to:			
Equity holders of the Parent Company	627	1,075	(42)
Non-controlling interests	(27)	(121)	78
	600	954	(42)
Core Net Income	559	818	(32)
EBITDA	1,746	1,804	(3)

- **38% growth in revenues due to 55% increase in operating days offset by low ore grades**
- **64% rise in cost and expenses arising from 57% increase in tonnage, change in mineralogy and deferment of regular maintenance in 1H2013**
- **32% drop in core net income due to insurance proceeds arising from business interruption claims in 1H2013**

Core Net Income from Mining



Core Net Income
(million pesos)

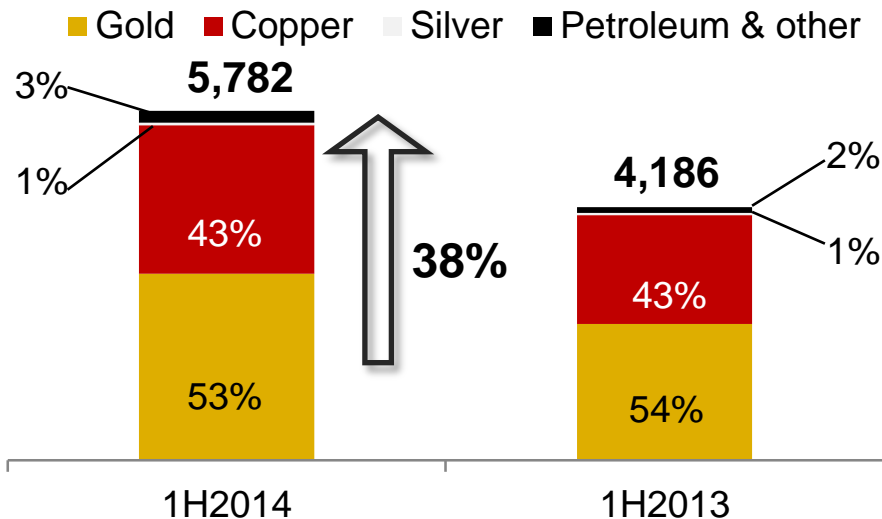


	1H2014	1H2013	Variance %	Amount (PhP million)
Consolidated core net income	559	818	(32)	(259)
Add: Net loss attributable to oil & gas	11	43	(75)	33
Insurance proceeds (after tax)	-	(425)	-	425
Adjusted Core Income Attributable to Mining Operations	570	436	31	134

Revenue Breakdown

Revenue by Product

(million pesos)



PER PRODUCT

	1H2014	1H2013	% Inc (Dec)
Gold	3,088	2,254	37
Copper	2,453	1,801	36
Silver	43	35	23
Petroleum & others	198	96	105
Total	5,782	4,186	38

PRICE AND EXCHANGE RATE

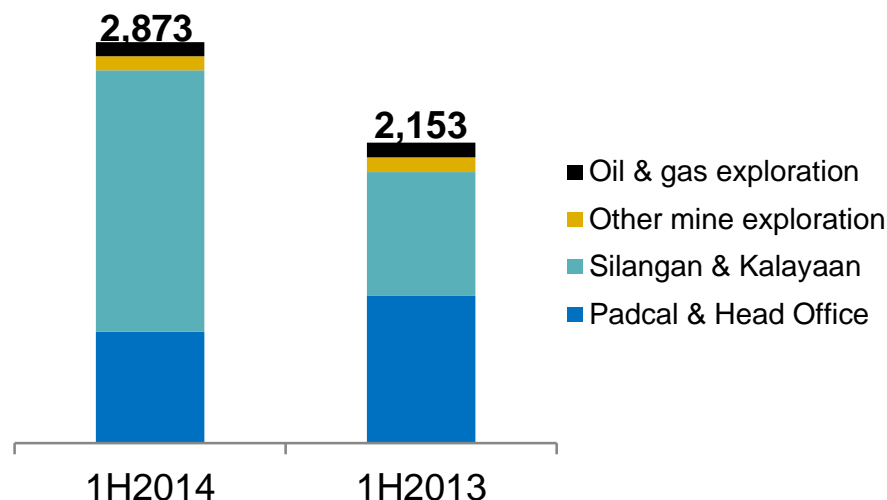
	1H2014	1H2013	% Inc (Dec)
Gold (\$/oz)	1,341	1,313	2
Copper (\$/lb)	3.09	3.13	(1)
Average exchange rate	44.32	42.03	5

Cost and Expenses

(in million pesos)	1H2014	1H2013		% Inc (Dec)	1H2012
Production cost					
Materials & Supplies	829	466		78	857
Power	866	446		94	772
Labor	591	309		92	569
Contracts	291	140		109	229
Others	128	79		61	67
Cash Production cost	2,706	1,440	↑	88	2,493
Depreciation & Amortization	851	368		131	466
Total Production Cost	3,557	1,808	↑	97	2,959
Excise tax	103	77		34	134
Royalties	177	146		21	247
Operating Cost (Mining)	3,837	2,031		89	3,340
G&A (Mining)	383	463	↓	(17)	561
All-in Operating Cost (Mining)	4,220	2,494		69	3,901
PPC expenses	248	232		7	150
Total Cost and Expenses	4,468	2,726	↑	64	4,051

- **88% rise in cash production costs due to:**
 - ✓ 57% increase in tonnage
 - ✓ change in mineralogy
 - ✓ deferment of regular maintenance in 1H2013
- **131% growth in non-cash charges due to costs associated with TSF3**
- **17% drop in G&A due to cost-control initiatives**

Capital Expenditures



CAPITAL EXPENDITURE BREAKDOWN (PhP million)		
	1H2014	1H2013
Padcal & Head Office	798	1,054
Silangan & Kalayaan	1,873	887
Other mine exploration	100	105
Oil & gas exploration	121	107
TOTAL	2,873	2,153

2Q2014 Financial Highlights

<i>(million pesos unless indicated)</i>	2Q2014	1Q2014		% Inc (Dec)
Gross Revenue	2,868	2,913	↓	(2)
Income from Operations	463	426	↑	9
EBITDA	875	871	↑	1
Other income (charges)	(13)	(49)	↑	73
Reported Net Income	333	267	↑	25
Core Net Income	281	278	↑	1
Reported EPS (PhP)	0.076	0.051	↑	51
Core EPS (PhP)	0.057	0.057		-
Capex	1,340	1,533	↓	(13)

- Lower metal output resulted in decreased revenues
- Decline in expenses due to cost-cutting measures
- Improvement in core and reported net income a result of reduced costs and unrealized foreign exchange gain

Income Statement

<i>(in million pesos)</i>	2Q2014	1Q2014	% Inc (Dec)
Operating Revenues	2,868	2,913	(2)
Less: Marketing Charges	211	214	(1)
<i>Net Revenues</i>	2,657	2,700	(2)
Operating Costs and Expenses	2,194	2,274	(4)
Income from Operations	463	426	9
Other Income (Charges)	(13)	(49)	73
Interest Expense, net	(87)	(66)	(32)
Foreign exchange gains (losses)	128	(34)	476
Others	(54)	51	(206)
Income before Tax	450	376	20
Provision for Tax	(117)	(109)	(7)
Net Income	333	267	25
Attributable to:			
Equity holders of the Parent Company	374	253	48
Non-controlling interests	(41)	15	(373)
	333	267	25
Core Net Income	281	278	1
EBITDA	875	871	0

➤ **2% drop in revenues due to lower metal output**

➤ **4% decline in cost due to cost-control measures**

➤ **9% improvement in income from operations**

Cost and Expenses

(in million pesos)	2Q2014	1Q2014		% Inc (Dec)
Production cost				
Materials & Supplies	412	417		(1)
Power	440	426		3
Labor	279	312		(11)
Contracts	145	146		(1)
Others	37	91		(59)
Cash Production cost	1,313	1,393	↓	(6)
Depreciation & Amortization	428	423		1
Total Production Cost	1,741	1,815	↓	(4)
Excise tax	51	52		(2)
Royalties	91	86		6
Operating Cost (Mining)	1,884	1,953	↓	(4)
G&A (Mining)	160	224		(29)
All-in Operating Cost (Mining)	2,044	2,177	↓	(6)
Oil & Gas expenses	151	97		56
Total Cost and Expenses	2,194	2,274	↓	(4)

➤ **6% drop in operating cost due to cost-management measures to mitigate impact of declining ore grades**

➤ *4% drop in cash production cost due to tighter management of labor costs and cut-down on other expenses*

➤ *29% drop in G&A due to conscious cost-control efforts*

Financial Position

ASSETS (in million pesos)

	As of June 30, 2014	As of Dec 31, 2013	% Inc (Dec)
Cash & cash equivalents	2,698	4,081	(34)
Receivables & others	4,311	4,306	0
Current assets	7,009	8,387	(16)
Property, plant & equipment	6,958	6,880	1
Deferred exploration costs & other NCA	24,351	22,427	9
Total assets	40,713	39,890	2

- Increase in deferred exploration costs due to additional investments in Silangan, Kalayaan and areas near Padcal (*Clifton and Bumolo projects*)

LIABILITIES AND STOCKHOLDERS' EQUITY (in million pesos)

	As of June 30, 2014	As of Dec 31, 2013	% Inc (Dec)
Short-term debt	6,898	6,176	12
Others	3,180	3,599	(8)
Current liabilities	10,076	9,775	4
Long-term debt	-	55	-
Deferred income tax liability & others	4,193	4,143	(1)
Total liabilities	14,269	13,973	2
Capital stock, RE & others	22,379	21,811	3
Non-controlling interest	4,055	4,107	(1)
Total equity	26,443	25,917	2
Total Liabilities and SHE	40,713	39,890	2

- US\$20M additional loans to fund Silangan, Kalayaan and other projects increase short-term debt

Cash Flow Statements

<i>(in million pesos)</i>	1H2014	1H2013	% Inc (Dec)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	826	1,487	(44)
Adjustments for:			
Depletion and depreciation	861	469	84
Others	71	456	(84)
Operating income before working capital changes	1,758	2,411	(27)
Decrease (increase) in:			
Accounts receivable	(415)	(104)	300
Inventories	578	(719)	(180)
Other current assets	(158)	(83)	91
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(234)	51	(563)
Provisions and subscription payable	(227)	(992)	(77)
Cash generated from operations	1,302	565	131
Interest received	-	15	-
Income taxes paid	(137)	-	
Interest paid	(160)	(224)	(29)
Net cash from operating activities	1,005	355	183

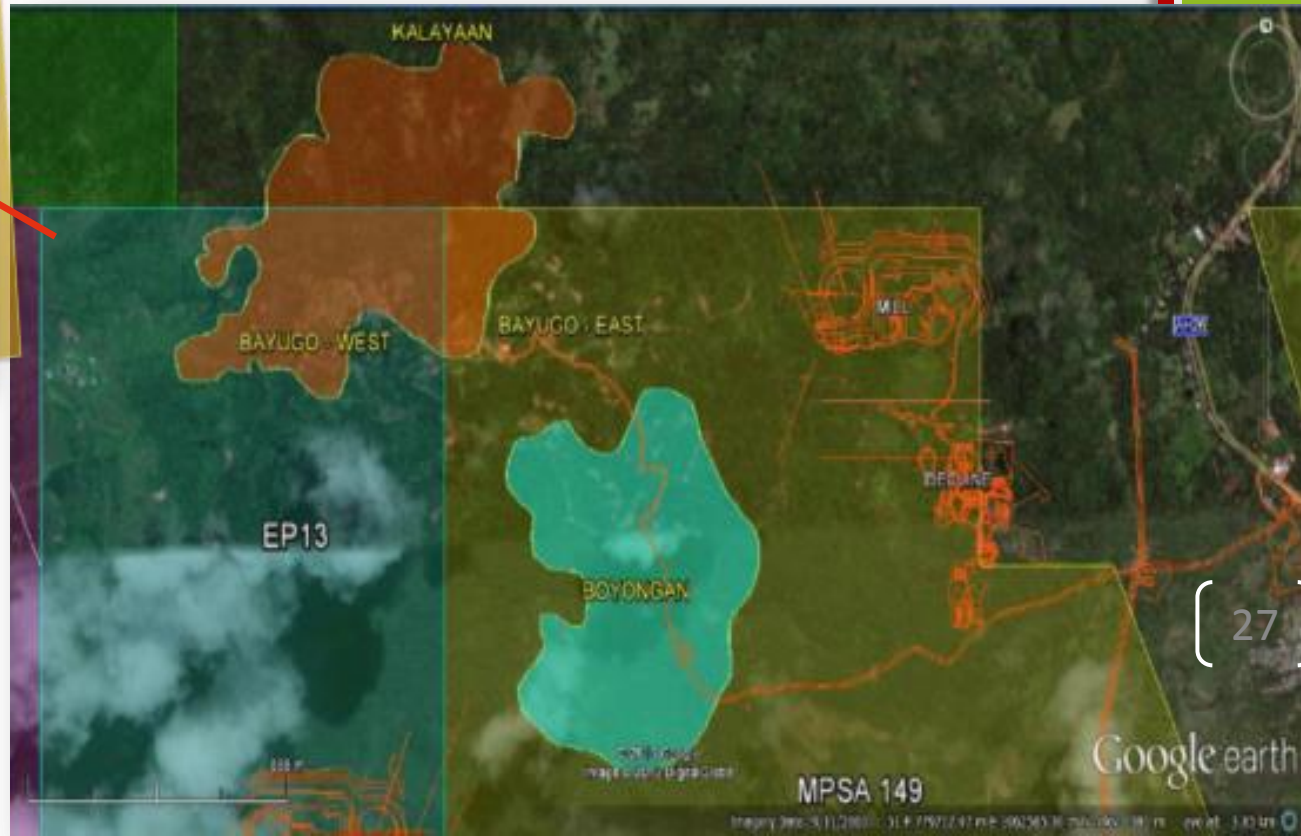
Cash Flow Statements

<i>(in million pesos)</i>	1H2014	1H2013	% Inc (Dec)
CASHFLOWS FROM INVESTING ACTIVITIES			
Deferred exploration costs and other NCA	(2,075)	(1,099)	89
Property, plant and equipment	(798)	(1,054)	(24)
Proceeds from sale of AFS financial assets	-	168	-
Acquisition of additional shares in the following subsidiaries:			
Pitkin Petroleum Plc	-	(1,430)	-
Cash of acquired subsidiary	-	803	-
Net cash used in investing activities	(2,873)	(2,611)	10
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of loans	822	5,495	(85)
Exercise of stock options and others	-	2	-
Dividends paid	(247)	(2)	14806
Payment of loans	(55)	(720)	(92)
Net cash from (used in) financing activities	521	4,775	(89)
EFFECT OF EXCHANGE RATE CHANGES			
ON CASH AND CASH EQUIVALENTS	(35)	59	(160)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,382)	2,578	(154)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,081	1,670	144
CASH AND CASH EQUIVALENTS AT END THE PERIOD	2,698	4,247	(36)



Silangan Mindanao Mining Company Inc.

Silangan Location (*Mindanao*)



Resource Estimate

SUMMARY OF MINERAL RESOURCES AND ORE RESERVES

as of December 31, 2013

PHILEX MINING CORPORATION
PADCAL MINE

MINERAL RESOURCES

	CuEq* Cutoff %	Classification	Tonnes (000)	Cu %	Au Grams/Tonne	Contained Cu (000 lbs.)	Contained Au (ounces)
Sto. Tomas II Deposit							
908 ML	0.317	Measured+Indicated	90,930	0.24	0.48	484,670	1,390,000
798 ML	0.317	Measured+Indicated	36,720	0.20	0.39	162,730	460,000
782 ML	0.317	Measured+Indicated	45,310	0.25	0.57	253,460	830,000
Total Resources ⁽¹⁾		Measured+Indicated	172,960	0.24	0.48	900,860	2,680,000

* CuEq = %Cu + 0.64 x g/t Au; Metal Prices: US\$ 3.00/lb Cu, US\$ 1,500/oz Au; Metal Recoveries: 82% Cu, 72% Au.

This resource statement was prepared by Mr. Noel C. Oliveros, Exploration Division Manager of Philex Mining Corporation, who has sufficient experience relevant to the style of mineralization of Sto. Tomas II Porphyry Copper Deposit. Mr. Oliveros is a Competent Person for Exploration and Mineral Resource Estimation under the definition of the Philippine Mineral Reporting Code (PMRC). He is a professional Geologist with PRC License No. 1285 and accreditation number Geology CP-07-08-07. He has given his consent to the public reporting of this statement concerning Mineral Resource Estimation.

⁽¹⁾ Includes proved reserves.

SILANGAN MINDANAO MINING CO., INC. MINERAL RESOURCES

	CuEq* Cutoff %	Classification	Tonnes (000)	Cu %	Au Grams/Tonne	Contained Cu (000 lbs.)	Contained Au (ounces)
Boyongan	0.50	Measured+Indicated	273,000	0.52	0.72	3,120,000	6,300,000
Bayugo	0.50	Measured+Indicated	125,000	0.66	0.66	1,820,000	2,700,000
Total		Measured+Indicated	398,000	0.56	0.70	4,940,000	9,000,000
Boyongan	0.50	Inferred	26,000	0.41	0.49	240,000	400,000
Bayugo	0.50	Inferred	7,000	0.77	0.60	120,000	100,000
Total		Inferred	33,000	0.49	0.51	360,000	500,000

* Based on Metal Prices: US\$ 2.75/lb Cu, US\$ 900/oz Au, and varying recoveries according to ore types (oxide, enriched and sulfide) established following the metallurgical tests.

Mr. Noel C. Oliveros, Exploration Division Manager and Head of the Exploration and Resource Estimation Group of Philex Mining Corporation, has given his consent to the release of this resource estimate dated August 2011. The resource estimate is compliant with the rules and guidelines as set forth by the Philippine Mineral Reporting Code (PMRC). Mr. Oliveros has more than 16 years experience in resource evaluation relevant to the style of mineralization in the Surigao Mineral District. He is a Competent Person for Exploration and Mineral Resource Estimation under the definition of the PMRC.

Feasibility Study Work – Update

PFS indicates Silangan as a viable project

- Over 30 years mine life
- Indicative CAPEX below US\$1.0 B
- Low cost operations (*per unit cash operating costs*)
 - ✓ Copper : below US\$2/lb (*<\$1.5/lb in the first 5 years*)
 - ✓ Gold : below US\$800/Oz (*<\$500/Oz in the first 5 years*)
- Payback : < 5years
- Production could start 2018/2019 depending on permit approvals

Next Steps

Definitive Feasibility Study to satisfy the requirements of project financing

- Reduce project risks
 - ✓ Metallurgy: through bulk sample pilot plant test work programme
 - ✓ Hydrogeology: through continued pumping, monitoring and modelling
 - ✓ Fieldwork and Engineering to support an industry standard bankable feasibility study
- Finalize CAPEX and OPEX Estimates
- Obtain remaining government permit approvals

Outlook

- **Work continues on extending Padcal mine life, increase reserves and raising production volumes**
- **Definitive Feasibility Study (DFS) for Silangan Project to be completed by mid-2015**
- **First Pacific's continuing commitment to fund Silangan**

Outlook

- **Work continues on extending Padcal mine life, increase reserves and raising production volumes**
- **Definitive Feasibility Study (DFS) for Silangan Project to be completed by mid-2015**
- **First Pacific's continuing commitment to fund Silangan**

A photograph of a small, fast-moving stream in a dense tropical forest. The water is white and frothy as it cascades over dark, wet, and moss-covered rocks. The surrounding vegetation is thick and green, with various types of leaves and vines visible. The scene is captured with a long exposure, giving the water a soft, blurred appearance.

End of Presentation

THANK YOU