



PHILEX MINING
CORPORATION

Analyst Briefing

Nine Months 2014 Results

29 October 2014



(3) Operating and Financial Highlights

(16) Update on Silangan

(20) Oil and Gas Exploration



OPERATING AND FINANCIAL HIGHLIGHTS

9M2014 Operating Statistics

	9M2014	9M2013	% Inc (Dec)
Tonnes Milled ('000)	7,161	5,455	31
Operating Days	269	207	30
Copper Concentrate (DMT)	52,515	43,133	22
Ore Grade			
Gold - gms/DMT	0.438	0.521	(16)
Copper - %	0.215	0.243	(11)
Production			
Gold - ozs	78,744	72,905	8
Copper - lbs ('000)	26,839	23,783	13

- 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

9M2014 Financial Highlights

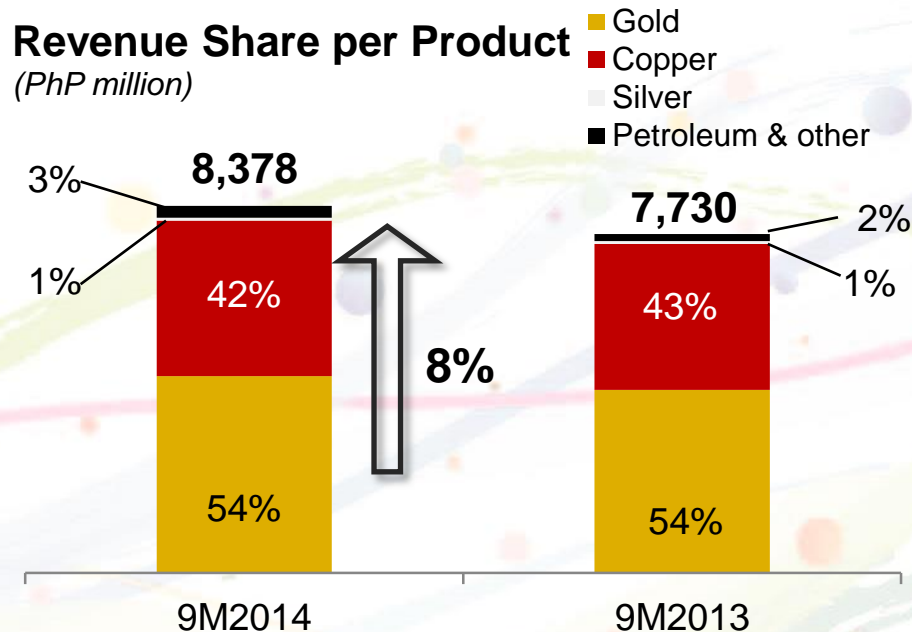
<i>(PhP million, unless indicated)</i>	9M2014	9M2013	% Inc (Dec)
Gross Revenue	8,378	7,730	8
Income from Operations	1,312	2,322	(43)
EBITDA	2,516	3,306	(24)
Other Income (charges)	55	(48)	215
Reported Net Income	951	1,446	(34)
Core Net Income	901	1,479	(39)
Reported EPS (PhP)	0.244	0.305	(20)
Core EPS (PhP)	0.183	0.300	(39)
Capex	4,507	4,044	11
Average realized prices			
<i>Gold (\$/oz)</i>	1,299	1,340	(3)
<i>Copper (\$/lb)</i>	3.03	3.26	(7)

- **8% growth in revenues due to:**
 - ✓ *increase in operating days but offset by the expected drop in ore grades and decline in metal prices*

- **30% increase in cost and expenses in line with higher number of operating days and increased tonnage**

- **39% decrease in core net income due to:**
 - ✓ *insurance proceeds from business interruption claims boosting 9M2013*
 - ✓ *weak metal prices and lower ore grades*

9M2014 Revenue Breakdown



PRODUCT BREAKDOWN (PhP million)			
	9M2014	9M2013	% Inc (Dec)
Gold	4,493	4,179	8
Copper	3,549	3,330	7
Silver	61	63	(4)
Petroleum & others	276	159	73

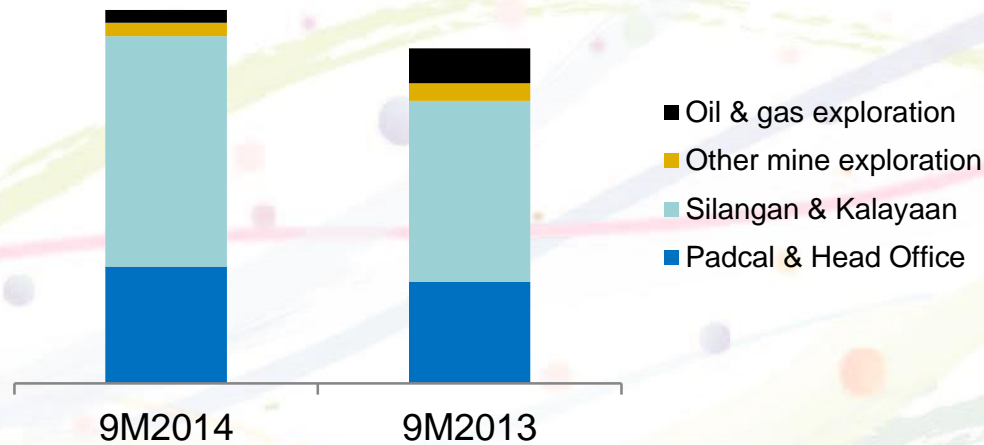
9M2014 Cost and Expenses

<i>(PhP million)</i>	9M2014	9M2013	% Inc (Dec)
Production cost			
Materials & Supplies	1,261	880	43
Power	1,301	819	59
Labor	856	567	51
Contracts	387	233	66
Others	184	116	59
Cash Production cost	3,989	2,614	53
Depreciation & Amortization	1,179	819	44
Total Production Cost	5,168	3,434	51
Excise tax	149	142	5
Royalties	248	268	(7)
Operating Cost (Mining)	5,566	3,843	45
G&A (Mining)	527	678	(22)
All-in Operating Cost (Mining)	6,093	4,522	35
Oil & Gas expenses	336	419	(20)
Total Cost and Expenses	6,430	4,941	30

- **30% increase in total costs and expenses in line with the increased tonnage (+31%)**
- **44% growth in depreciation associated with the rehabilitation and remediation of TSF3**
- **22% drop in G&A from cost cutting partly offset the 51% rise in production cost due to:**
 - ✓ *change in mineralogy*
 - ✓ *deferment of regular maintenance in 9M2013*

9M2014 Capital Expenditures

CAPITAL EXPENDITURE PERFORMANCE



CAPITAL EXPENDITURE BREAKDOWN (PhP million)		
	9M2014	9M2013
Padcal & Head Office	1,409	1,224
Silangan & Kalayaan	2,779	2,186
Other mine exploration	162	212
Oil & gas exploration	157	422
TOTAL	4,507	4,044

3Q2014 Financial Highlights

<i>(PhP million unless indicated)</i>	3Q2014	2Q2014	% Inc (Dec)	1Q2014
Gross Revenue	2,596	2,868	(9)	2,913
Income from Operations	423	463	(9)	426
EBITDA	770	875	(12)	871
Other income (charges)	117	(13)	-	(49)
Reported Net Income	350	333	5	267
Core Net Income	342	281	22	278
Reported EPS (PhP)	0.117	0.076	54	0.051
Core EPS (PhP)	0.069	0.057	21	0.057
Capex	1,634	1,340	22	1,533
Average realized prices				
<i>Gold (US\$/oz)</i>	1,219	1,311	7	1,371
<i>Copper (US\$/lb)</i>	2.95	3.22	8	2.85

- **9% drop in revenues due to decline in metal prices**
- **11% improvement in costs due to cost-control measures**
- **22% increase in core net income from lower cost and expenses**
- **5% improvement in reported net income due to reduced costs and gain from sale of property**

3Q2014 Cost and Expenses

<i>(in million pesos)</i>	3Q2014	2Q2014	% Inc (Dec)	1Q2014
Production cost				
Materials & Supplies	432	412	5	417
Power	435	440	(1)	426
Labor	264	279	(5)	312
Contracts	96	145	(34)	146
Others	56	37	51	91
Cash Production cost	1,283	1,313	(2)	1,393
Depreciation & Amortization	328	428	(23)	423
Total Production Cost	1,611	1,741	(7)	1,815
Excise tax	46	51	(10)	52
Royalties	72	91	(21)	86
Operating Cost (Mining)	1,729	1,884	(8)	1,953
G&A (Mining)	144	160	(10)	224
All-in Operating Cost (Mining)	1,873	2,044	(8)	2,177
Oil & Gas expenses	89	151	(41)	97
Total Cost and Expenses	1,962	2,194	(11)	2,274

➤ **11% drop in operating cost due to cost-management measures**

- ✓ **Power:** isolation of slime processing and feed maximization of the ball mills
- ✓ **Labor:** rationalization of work schedules
- ✓ **Contracts:** outsourcing of non-strategic functions
- ✓ **Depreciation:** extension of TSF amortization due to increase in impounding capacity
- ✓ **G&A:** conscious cost-control efforts

Financial Position

ASSETS (in million pesos)

	As of September 30, 2014	As of Dec 31, 2013	% Inc (Dec)
Cash & cash equivalents	2,340	4,081	(43)
Receivables & others	4,338	4,306	1
Current assets	6,678	8,387	(20)
Property, plant & equipment	7,251	6,880	5
Deferred exploration costs & other NCA	24,953	22,427	11
Total assets	41,302	39,890	4

LIABILITIES AND STOCKHOLDERS' EQUITY

(in million pesos)

	As of September 30, 2014	As of Dec 31, 2013	% Inc (Dec)
Short-term debt	7,530	6,176	22
Others	3,053	3,599	(15)
Current liabilities	10,583	9,775	8
Long-term debt	-	55	-
Deferred income tax liability & others	4,094	4,143	(1)
Total liabilities	14,677	13,973	5
Capital stock, RE & others	22,831	21,811	5
Non-controlling interest	3,794	4,107	(8)
Total equity	26,625	25,917	3
Total Liabilities and SHE	41,302	39,890	4

➤ Increase in deferred exploration costs due to additional investments in Silangan and areas near Padcal

➤ US\$30M additional loans to fund Silangan and other projects increase short-term debt



UPDATE ON SILANGAN

Silangan Timetable

Complete Definitive
Feasibility Study

Obtain
remaining
government
permit
approvals

Finalize
CAPEX and
OPEX
estimates

- 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

Continue Ore Characterization Drive

- Driving tunnel towards ore body
 - ✓ Complement results of ground drilling
 - ✓ Raise confidence level
 - ✓ Improve predictability of ore treatment to increase recoveries

Analyze metallurgy better

- Involved Lycopodium Minerals as consultants
 - ✓ Develop deeper understanding of ore body
 - ✓ Provide inputs for plant design
 - ✓ Identify sequence of process/es

Finalize 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

Develop initial mining plan

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



OIL AND GAS EXPLORATION

9M2014 Financial Highlights

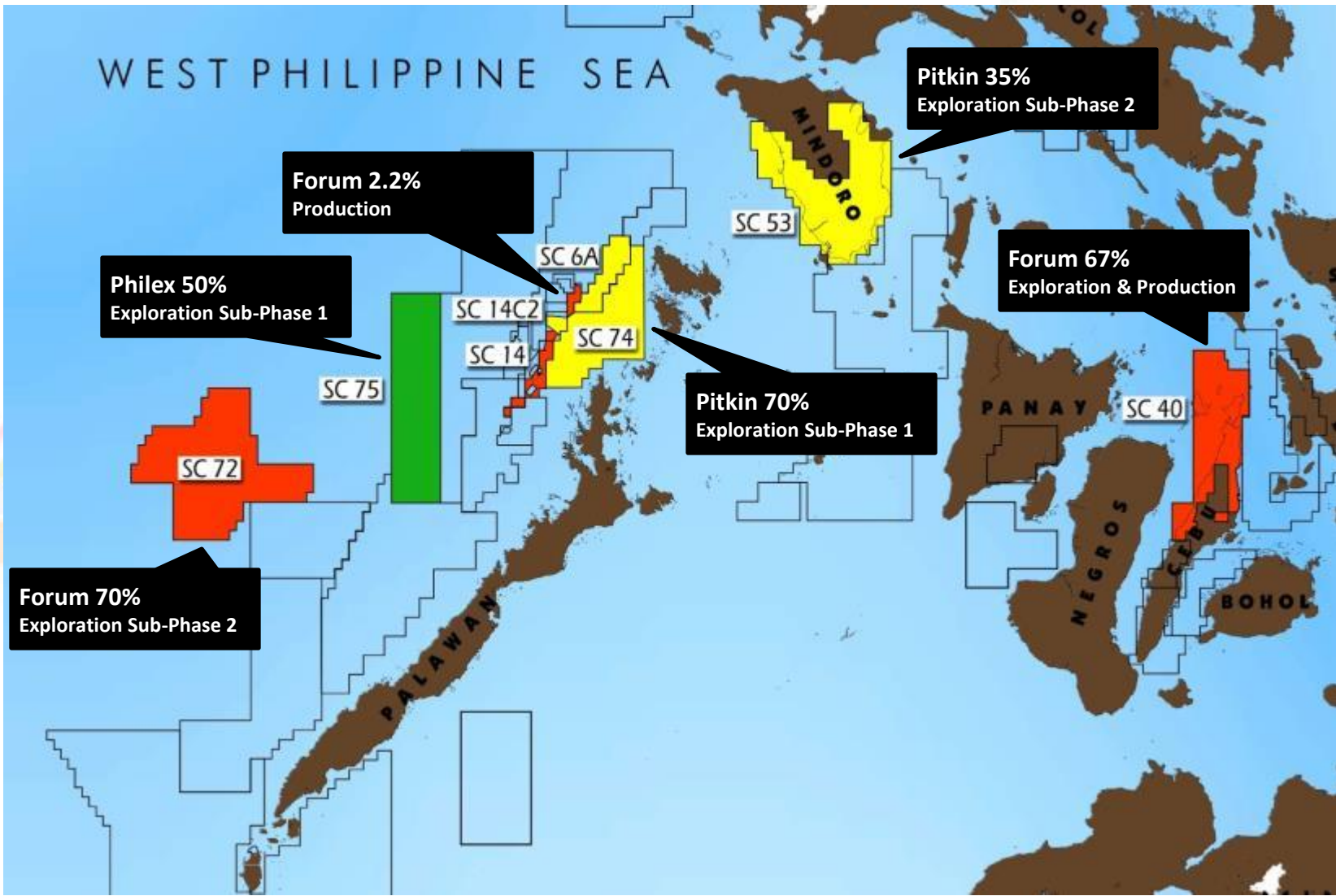
<i>(PhP million, unless indicated)</i>	9M2014	9M2013	% Inc (Dec)
Gross Revenue	276	156	76
Cost and Expenses	337	359	(6)
Income from Operations	(61)	(203)	(70)
Other Income (charges)	(314)	(29)	(982)
Reported Net Income	(377)	(190)	(98)

- **76% growth in revenues due to Galoc Phase II production**
- **6% decline in cost and expenses due to cost-containment**
- **Operating and net loss due to financial impact of exit in SC-6A Octon**

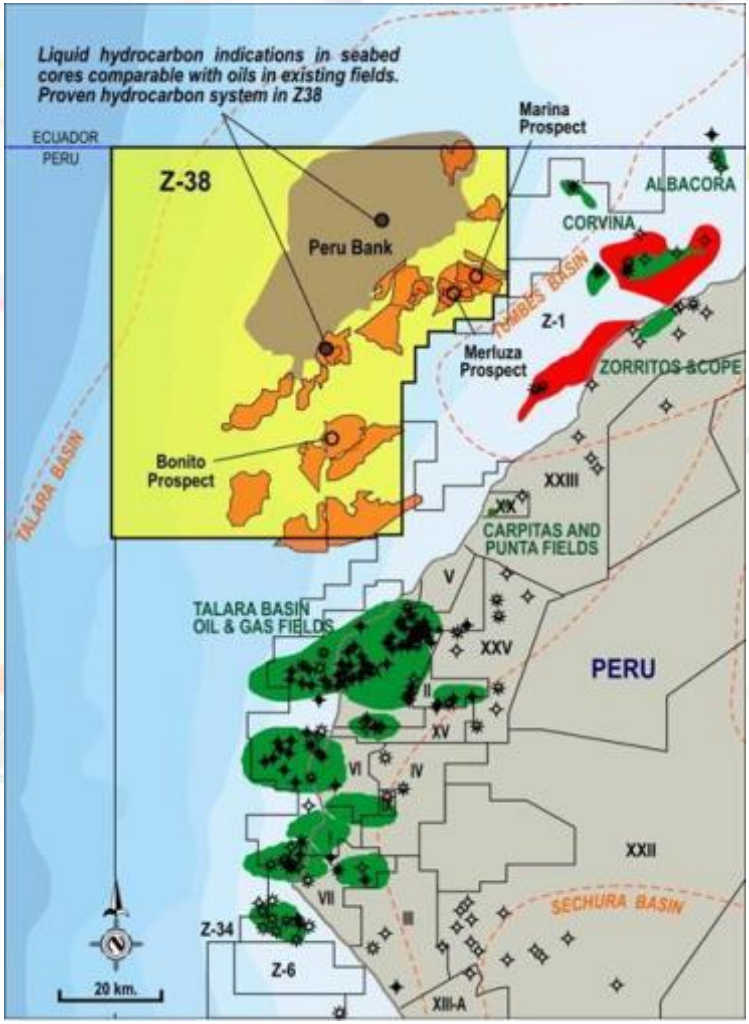
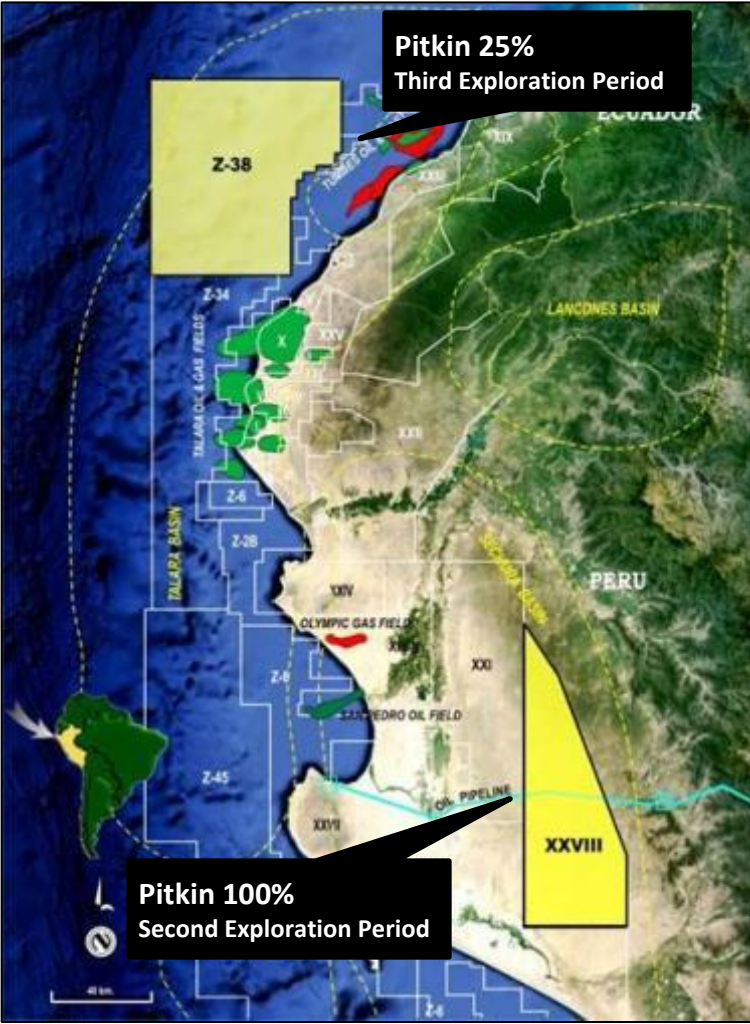
Exploration Cost

Oil and Gas Exploration Major Assets	
<i>(in million pesos)</i>	Amount
PXP Parent	
SC 75 (Area 4)	69
Pitkin	
Peru Block Z-38	3,156
SC 53 (Mindoro)	538
Peru Block XXVIII	79
Forum	
SC 72 (Reed Bank)	800
SC 40 (North Cebu Block)	156
Total	4,798

Major Assets in the Philippines

























Major Assets in Peru



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Indicative Exploration and Development Timelines

	2014	2015	2016	2017	2018
Peru Z-38 Pitkin 25%					
Peru Block XXVIII Pitkin 100%					
SC53 Mindoro Pitkin 35%		Development Decision?			
SC74 NW Palawan Pitkin 70%					
SC72 Reed Bank Forum 70%					
SC14C2 W. Lina. Forum 2.2%			Development Decision?		
SC40 Cebu Forum 40%					
SC75 NW Palawan Philex 50%					

 commitment well
  contingent well
  seismic or gravity survey commitment
  contingent seismic or gravity survey



End of Presentation

Thank you