



— YEARS —  
*of*  
RESPONSIBLE MINING



# **Joint Analyst Briefing**

## **1Q2017 Financial and Operating Results**

April 27, 2017

## Highlights

- 1Q2017 Core Net Income up 18% to P458 million
- Net Income 3% higher at P432 million
- US\$4.0 million short-term bank debt repaid
- Contributed P473 million in taxes, fees, SDMP and EPEP vs P432 million Net Income
- Silangan DFS on track for completion within the year; ISO 14001 Certification maintained

# Operating Highlights

	1Q2017	1Q2016	Inc (Dec)
<b>Tonnes Milled ('000)</b>	<b>1,998</b>	<b>2,325</b>	<b>-14%</b>
<b>Operating Days</b>	<b>88</b>	<b>90</b>	<b>-2%</b>
<b>Production</b>			
Gold – ozs	<b>22,451</b>	<b>24,200</b>	<b>-7%</b>
Copper - lbs ('000)	<b>7,752</b>	<b>8,425</b>	<b>-8%</b>
<b>Metal Recovery (%)</b>			
Gold	<b>83.1</b>	<b>80.0</b>	<b>4%</b>
Copper	<b>84.1</b>	<b>80.1</b>	<b>4%</b>
<b>Ore Grade</b>			
Gold - gms/DMT	<b>0.421</b>	<b>0.405</b>	<b>4%</b>
Copper - %	<b>0.209</b>	<b>0.204</b>	<b>3%</b>
<b>Prices</b>			
Gold (US\$/ounce)	<b>1,264</b>	<b>1,239</b>	<b>2%</b>
Copper (US\$/pound)	<b>2.77</b>	<b>2.25</b>	<b>23%</b>

- **Tonnes milled:** lower due to less operating days and equipment availability issues
- **Metal production:** affected by lower tonnage

# Financial Highlights

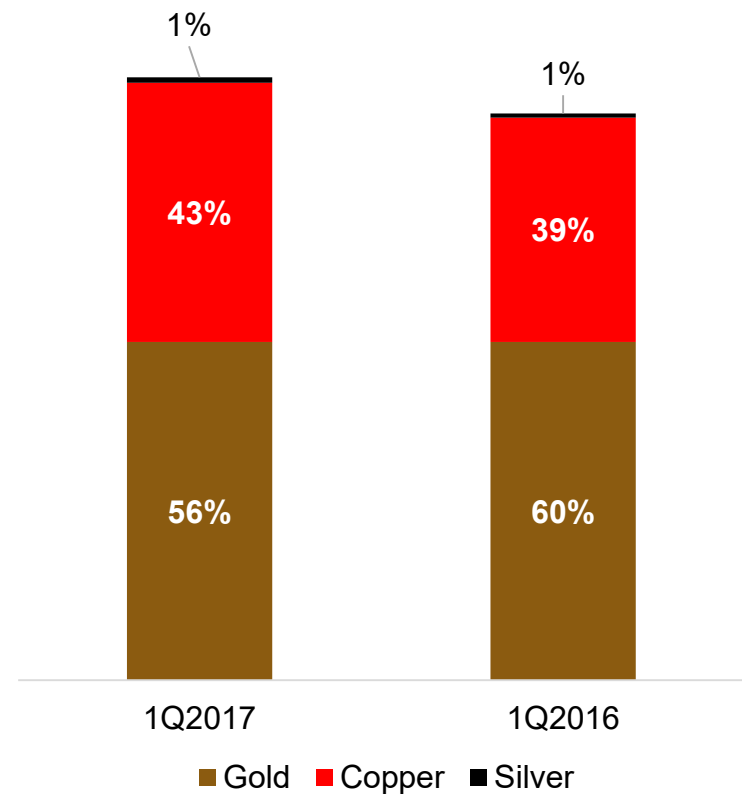
(in PHP million, unless indicated)	1Q2017	1Q2016	Inc/(dec)
Gross Revenue	2,542	2,390	6%
Smelting Charges	207	211	-2%
Cost & Expenses	1,668	1,641	2%
Income from Operations	668	538	24%
Other Inc / (charges)	(55)	89	-162%
Provision for Tax	(180)	(192)	-6%
Net Income	432	420	3%
Income Attributable to Equity Holders of the Parent	432	426	1%
Core Net Income	458	389	18%
EBITDA	1,007	876	15%
Operating margin	26%	23%	17%
EBITDA margin	40%	37%	8%

- **Revenue:** boosted by improved metal prices
- **Smelting charges:** lower due to drop in copper output
- **Cost and expenses:** higher depreciation and block amortization charges and increase in excise taxes and royalty payments

# Revenue Breakdown

Revenue per Product			
(PhP million)	1Q2017	1Q2016	Inc (Dec)
Gold	1,426	1,427	-
Copper	1,094	946	16%
Silver	22	17	30%
<b>TOTAL</b>	<b>2,542</b>	<b>2,390</b>	<b>6%</b>

## Revenue Performance



# Costs and Expenses

(in PHP million)	1Q2017	1Q2016	Inc (Dec)
<b>Production cost</b>			
Materials & Supplies	457	383	20%
Power	324	401	-19%
Labor	224	227	-2%
Contracts	47	64	-27%
Others	59	53	11%
<b>Cash Production cost</b>	<b>1,112</b>	<b>1,128</b>	<b>-1%</b>
Depreciation & Amortization	352	310	14%
<b>Total Production Cost</b>	<b>1,463</b>	<b>1,438</b>	<b>2%</b>
Excise Tax & Royalties	111	106	4%
<b>Operating Cost (Mining)</b>	<b>1,574</b>	<b>1,544</b>	<b>2%</b>
G&A (Mining)	93	95	-2%
<b>All-in Operating Cost (Mining)</b>	<b>1,667</b>	<b>1,639</b>	<b>2%</b>
Silangan expenses	1	2	-50%
<b>TOTAL COST AND EXPENSES</b>	<b>1,668</b>	<b>1,641</b>	<b>2%</b>

- **Power:** down due to lower consumption and reduced renegotiated rate
- **Contracts:** reduced due to lower ore rehandling costs
- **Depreciation and amortization:** increased due to higher block amortization of new draw points
- **Excise tax and royalties:** higher due to increase in net revenue
- **G&A:** reduced due to sustained spend management and cost rationalization

# Breakeven Analysis

COST STRUCTURE <i>(excluding G&amp;A)</i>			
	1Q2017	1Q2016	Variance
Cost per Tonne			
Cash Production Cost	556	485	15%
Depreciation	176	133	32%
<b>Total</b>	<b>732</b>	<b>619</b>	<b>18%</b>
Operating cost*	891	755	18%
Operating Cost per Metal			
<b>Co-production method</b>			
Gold (\$/oz)	898	947	-5%
Copper (\$/lb)	1.96	1.72	14%
<b>By-product credits method</b>			
Gold (\$/oz)			
Before by-product credits	1,576	1,546	2%
After by-product credits	603	749	-19%
Copper (\$/lb)			
Before by-product credits	4.57	4.44	3%
After by-product credits	0.85	0.84	1%

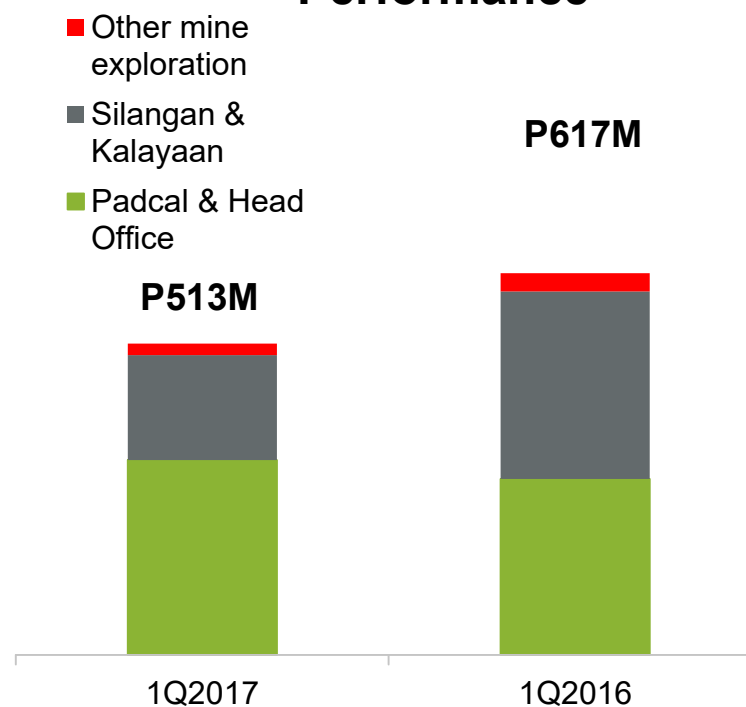
\*Includes production cost plus excise tax, royalties and marketing expenses, but excludes Head Office overhead

# Capital Expenditures

Capital Expenditure Breakdown			
(PhP million)	1Q2017	1Q2016	Inc (Dec)
Padcal & Head Office	321	289	11%
Silangan & Kalayaan	173	298	-42%
Other mine exploration	19	30	-37%
<b>TOTAL</b>	<b>513</b>	<b>617</b>	<b>-17%</b>

- **Completion of capital-intensive activities in Silangan** (*drilling, metallurgy, pilot-plant testing, PFS, etc.*)

## Capital Expenditure Performance





# Financial Position

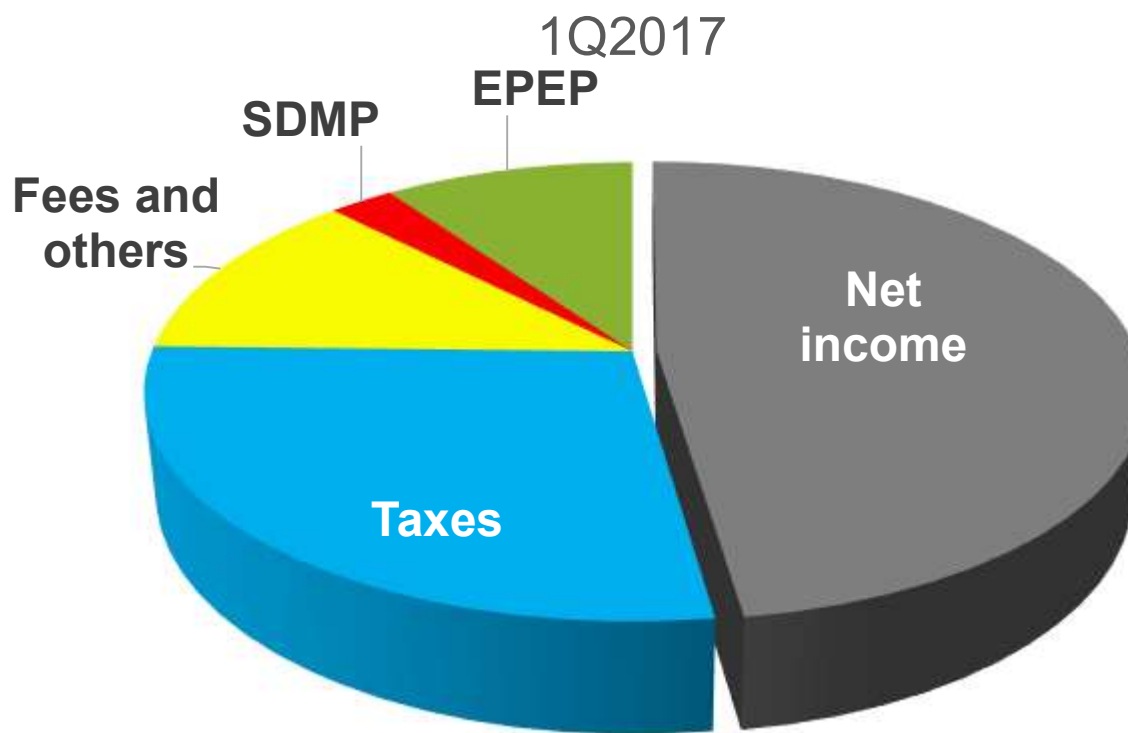
ASSETS (in PHP million)			
	As of Mar 31, 2017	As of Dec 31, 2016	Inc (Dec)
Cash & cash equivalents	840	458	83%
Receivables & others	5,982	6,437	-7%
<b>Current assets</b>	<b>6,822</b>	<b>6,895</b>	<b>-1%</b>
Property, plant & equipment	6,656	6,736	-1%
Deferred exploration costs	23,466	23,158	1%
Others	1,861	1,873	-1%
<b>Total assets</b>	<b>38,804</b>	<b>38,662</b>	<b>-</b>

LIABILITIES AND STOCKHOLDERS' EQUITY (in PHP million)			
	As of Ma 31, 2017	As of Dec 31, 2016	Inc (Dec)
Short-term debt	2,909	3,083	-6%
Others	2,497	2,495	0%
<b>Current liabilities</b>	<b>5,406</b>	<b>5,578</b>	<b>-3%</b>
Bonds Payable	6,668	6,593	1%
Deferred income tax liability/others	3,096	3,092	-
<b>Total liabilities</b>	<b>15,171</b>	<b>15,263</b>	<b>-1%</b>
<b>Total equity</b>	<b>23,633</b>	<b>23,399</b>	<b>1%</b>
<b>Total Liabilities and SHE</b>	<b>38,804</b>	<b>38,662</b>	<b>-</b>

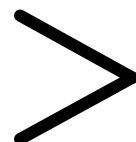
SELECTED FINANCIAL RATIOS		
<b>Current Ratio</b>	1.26:1	1.24:1
<b>Debt-to-equity Ratio</b>	39:61	39:61
<b>Net debt/(cash)-to-equity Ratio</b>	61:39	63:37

➤ Reduction in short-term debt through payment of US\$4.0 million

## Contribution to government, community, and environment vs net income



**P473M**



**P432M**

## Silangan Project Update

- Definitive Feasibility Study (DFS) on track for completion within the year
- Passed ISO 14001 Annual Audit; Environmental Management System Certification maintained



# **PXP Energy Corporation**

Financial Highlights and  
Operational Updates

# Financial Highlights – Profit and Loss

<i>(in PhP millions)</i>	Q12017	Q12016	% Inc (Dec)
Gross revenue	₱ 26	₱ 23	12%
Cost and expenses	37	33	14%
Income (loss) from operations	(11)	(9)	18%
Other income (charges)	3	(6)	-147%
Reported net income (loss)	₱ (8)	₱ (15)	-43%

- **12% increase in petroleum revenues due to:**
  - *Higher crude oil prices.*
- **14% increase in cost and expenses due to:**
  - *Higher production and depletion cost; however, overhead declined by 26%.*
- **43% decrease in net loss due to:**
  - *Foreign currency exchange gain earned in during the current period vs a forex loss incurred last year.*

# Financial Highlights – Financial Position

ASSETS (in PHP millions)			
	As of Dec 31, 2016	As of Dec 31, 2015	% Inc (Dec)
Cash & cash equivalents	₱ 494	₱ 573	-14%
Receivables and other CA	100	96	4%
<i>Current assets</i>	595	669	-11%
Deferred exploration costs & other NCA	6,727	6,663	1%
<b>Total assets</b>	<b>₱ 7,322</b>	<b>₱ 7,332</b>	<b>0%</b>
LIABILITIES AND STOCKHOLDERS' EQUITY (in PHP millions)			
	As of Dec 31, 2016	As of Dec 31, 2015	% Inc (Dec)
Due to Parent	₱ 2,906	₱ 2,932	-1%
Accounts payable & others	19	28	-32%
<i>Current liabilities</i>	2,925	2,960	-1%
Deferred income tax liability	1,110	1,110	0%
Others	204	204	0%
Non-current liabilities	1,314	1,314	0%
<b>Total liabilities</b>	<b>4,240</b>	<b>4,273</b>	<b>-1%</b>
Capital stock	1,700	1,700	0%
Deficit	(1,261)	(1,256)	0%
Others	194	199	-3%
Non-controlling interest	2,449	2,415	1%
Total equity	3,082	3,059	1%
<b>Total Liabilities and SHE</b>	<b>₱ 7,322</b>	<b>₱ 7,332</b>	<b>0%</b>

# 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 (2) 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

**Ongoing discussions with DOE on possible lifting of Force Majeure for both SCs.**

## **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 was completed in December 2016. Currently conducting seismic interpretation, to be completed around June 2017
- Initial phase of gravity and magnetic data processing and interpretation was completed in January 2017.

# Operational Updates

## **SC 14C1 Galoc (Forum 2.27%)**

- Galoc-7 appraisal well was spudded on 31 March 2017 and reached total depth on 13 April 2017
  - Commerciality of the Mid-Galoc prospect cannot be concluded from preliminary results
  - Further studies using data from drilling are underway
- GPC is currently drilling Galoc-7 ST
- Full field development (Phase 3) will be contingent on the outcome of appraisal wells
- Expected to add 8 mmbo of proven reserves and extend the life of Galoc Field

## **SC 14C2 West Linapacan (Forum 9.1%)**

- Seismic interpretation of Pre-Stack Depth Migrated 3D data, to be conducted by Philodrill, was approved by DOE as 2017 Work Program

## **Peru Block Z-38 (Pitkin 25%)**

- Proposed work program in 2017 includes preparation for possible drilling of Marina and Bonito wells in 2018, subject to rig availability and securing of drilling-related permits from the Peruvian government.
- Pitkin is 100% carried in the cost of the two wells.



# Operational Updates

## **SC 53 Mindoro (Pitkin 70%)**

- Transfer of Pitkin's 70% participating interest to Mindoro-Palawan Oil and Gas, Inc. (MPOGI) was approved by the Department of Energy on 24 October 2016.

## **SC 40 (Forum 66.67%)**

- Libertad Field plug and abandonment (P&A) program is currently being prepared in coordination with Desco Inc. For implementation in 3Q 2017.

## **SC 6A Octon (PXP 5.56%/ Forum 5.56%)**

- Ongoing 3D seismic reprocessing and inversion with DownUnder GeoSolutions (DUG) as contractor. Reprocessing expected to be completed in July 2017.

## **SC 14A Nido & SC 14B Matinloc (Forum: 8.468% & 12.406%)**

- Continued oil production from Nido, Matinloc, and North Matinloc fields