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(Company's Full Name)

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(Business Address: No. Street City/Town Province)

Atty. Barbara Anne C. Migallos Atty. Daneia Isabelle F. Palad

Contact Person

899-2123/8969357 to 59

Telephone Number of the Contact Person

1	2

Month

3	1

Day

Fiscal Year

SEC 20-IS Definitive Information Statement (Annual Stockholders' Meeting)

FORM TYPE

Any day in June

Month Day

Annual Meeting

N/A

Secondary license Type, If Applicable

M	S	R	D

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

PHILEX MINING CORPORATION
Notice of 2020 Annual General Stockholders' Meeting

TO OUR STOCKHOLDERS:

Please be informed that the **Annual General Stockholders' Meeting** ("AGM" or the "Meeting") of **PHILEX MINING CORPORATION** (the "Company") will be held on **Wednesday, 15 July 2020 at 4:00 p.m., and will be presided at TV 5 Media Center, Reliance St. Mandaluyong City.** The meeting will be conducted virtually, and attendance at the meeting will be via remote communication only.

The order of business at the Meeting will be as follows:

1. Call to Order;
2. Proof of required notice of the meeting;
3. Certification of quorum;
4. Reading and approval of the Minutes of the 26 June 2019 annual stockholders' meeting and action thereon;
5. Presentation of annual report and audited financial statements for the year ended 31 December 2019 and action thereon;
6. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2019;
7. Appointment of independent auditors;
8. Election of directors, including independent directors;
9. Other matters;
10. Adjournment.

A brief statement of the rationale and explanation for each Agenda item which requires shareholders' approval is provided in Annex "A" below.

For purposes of the Meeting, only stockholders of record as of the close of business on **8 April 2020** are entitled to notice of, and to vote at, the Meeting.

The **Definitive Information Statement** for the Meeting is posted on the Company's website. To access the Definitive Information Statement, with the attached Management Report, Audited Financial Statements for the period ended 31 December 2019 and Proxy Form, please go to (http://www.philexmining.com.ph/).

Attendance via remote communication. Stockholders who will attend the Meeting should email the Corporate Secretary at bcmigallos@philexmining.com.ph not later than **5 July 2020.** Certificated shareholders must indicate in the email their Stockholder ID number and submit a scanned copy of a valid current government ID. Uncertificated shareholders (shareholders who hold their shares through a PCD Nominee account), should submit a certification from their broker attesting that the stockholder is the beneficial owner of shares of stock of the Company (the number of shares must be indicated) and a valid government ID. Clarificatory questions regarding attendance via remote communication maybe sent via email to bcmigallos@philexmining.com.ph**.**

Proxies. A proxy form that is compliant with the requirements of the Securities and Exchange Commission is attached to the Definitive Information Statement. Stockholders can be represented and vote at the Meeting by submitting the said proxy by email to bcmigallos@philexmining.com.ph or by sending a physical copy to the Office of the Corporate Secretary at the Company's principal office at 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila. The deadline for submission of proxies is **5 July**

2020. Proxy validation will be on 8 July 2020 at 10:30 a.m. at the Company's office address indicated above.

On-line voting. Secured on-line or electronic voting will be available for stockholders. Stockholders who have pre-registered attendance via remote communication may vote on-line by logging on to http://www.philexmining.com.ph/investor-relations/vote-online to cast their votes. On-line voting instruction are attached to this Notice as Annex "B". On-line voting will close at **12:00 noon on 13 July 2020.**

Open Forum. There will be an Open Forum during the Meeting. Stockholders who will attend via remote communication should send their questions via email to bcmigallos@philexmining.com.ph on or before 12:00 noon of 13 July 2020.

The Minutes of the Annual General Stockholders' Meeting of the Company held on 26 June 2019 are available on the Company's website (http://www.philexmining.com.ph/wp-content/uploads/2019/07/PX-2019-ASM-Minutes-June-26-2019.pdf) and is available for examination during office hours at the office of the Corporate Secretary.

The Rationale and Explanation for each Agenda item requiring shareholders' approval is attached to this Notice as Annex "A".

On-Line Voting Instructions are attached to this Notice as Annex "B."

The Information Statement with the Management Report, the 2019 Audited Financial Statements and the Proxy Form are posted on the Company's website (https://www.philexmining.com.ph/)

ANNEX "A"

EXPLANATION AND RATIONALE
For each item on the Agenda of the 2020 Annual General Stockholders' Meeting of Philex Mining Corporation requiring the vote of stockholders

AGENDA

1. **Call to Order**
   The Chairman will formally open the 2020 Annual General Stockholders' Meeting. The Directors and Officers of the Company will be introduced.

2. **Proof of required notice of the meeting**
   The Corporate Secretary will certify that copies of this Notice and the Information Statement with its accompanying documents have been duly provided in accordance with SEC Rules, within the required periods, to stockholders of record as of 08 April 2020.

3. **Certification of quorum**
   The Corporate Secretary will attest whether a quorum is present for the meeting.

4. **Reading and approval of the Minutes of the 26 June 2019 annual stockholders' meeting and action thereon**
   Stockholders may examine the Minutes of the 26 June 2019 Annual General Stockholders' Meeting in accordance with Sec. 73 of the Revised Corporation Code. The Minutes are available on the Company's website.

   Resolution to be adopted: Stockholders will vote for the adoption of a resolution approving the Minutes of the 26 June 2019 Annual General Stockholders' Meeting.

5. **Presentation of annual report and audited financial statements for the year ended 31 December 2019 and action thereon**
   The annual report and the financial statements of the Company, audited by the Company's external auditors, Sycip Gorres Velayo & Company, will be presented. The report will include the Audited Financial Statements, a copy of which accompanies this Notice and the Definitive Information Statement. Copies of the Information Statement and the Audited Financial Statements for 2019 will be made available on the Company's website (http://www.philexmining.com.ph/).

   OPEN FORUM. After the report, inquiries submitted by stockholders on or before 13 July 2020 via email as stated in the Notice will be answered by the appropriate officer. Due to time considerations, questions not addressed at the meeting will be responded to via email.

   Resolution to be adopted: Stockholders will vote for the adoption of a resolution approving the annual report and audited financial statements for the year ended 31 December 2019.

6. **Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2019**
   The actions taken by the Board and the officers that are to be ratified and approved by stockholders are summarized in the Information Statement and referred to in the Management Report.

Resolution to be adopted: Stockholders will vote for the adoption of a resolution ratifying and approving the acts of the Board of Directors and Officers.

7. **Appointment of independent auditors**
   The Audit Committee has endorsed the appointment of Sycip Gorres Velayo & Company as the Company's independent external auditors for the year 2020.

   Resolution to be adopted: Stockholders will vote on a resolution for the appointment of Sycip Gorres Velayo & Company as independent external auditors of the Company for 2020.

8. **Election of directors, including independent directors**
   The Final List of Candidates for election as directors, as prepared by the Nominations Committee in accordance with the Company's By-Laws, the Revised Manual on Corporate Governance, the Securities Regulation Code, and its Implementing Rules and Regulations and SEC guidelines for the election of independent directors, will be presented to the stockholders, and the elections will be held.

9. **Other matters**
   Matters that are relevant to and appropriate for the Annual General Stockholders' Meeting may be taken up. No resolution, other than the resolutions explained in the Notice and Information Statement, will be submitted for voting by the stockholders.

10. **Adjournment**

ANNEX "B"

ONLINE VOTING INSTRUCTIONS

For the 2020 Annual Stockholders' Meeting of PHILEX MINING CORPORATION

Secured electronic or online voting in absentia for the 2020 Annual Stockholders' Meeting of **PHILEX MINING CORPORATION** (the "**Company**") is available to certificated shareholders of record as of 08 April 2019. Instructions for online voting for certificated shareholders are as follows:

1. Log on to http://www.philexmining.com.ph/investor-relations/vote-online.

2. Key in your STOCKHOLDER NUMBER on the box labeled "STOCKHOLDER NUMBER".

Your STOCKHOLDER NUMBER serves as your account number with the Company, and can be found in previous letters and communications of the Company, including letters for dividends. If you cannot locate your STOCKHOLDER NUMBER, you may inquire with **Ms. Alma A. Escalante** of the Company's Investor Relations Division at **(632) 631-1381 to 88, local 8907** or via email at **aaescalante@philexmining.com.ph**, or **Mr. Richard D. Regala** of Stock Transfer Services, Inc., the Company's stock transfer agent at **(632) 403-2410** or **(632) 403-2412**, or via email at **rdregala@stocktransfer.com.ph**.

3. Key in your SECURITY CODE on the box labeled SECURITY CODE. The SECURITY CODE will be provided by the Company after the stockholder successfully registers with the Company.

4. Upon entering a valid STOCKHOLDER NUMBER and the correct SECURITY CODE, stockholder details (i.e. name, address, contact numbers, email address) will appear at the top of the page. Stockholders are requested to fill in the information for contact details (MOBILE NUMBER, LANDLINE, and EMAIL ADDRESS) to update their record with the Company.

The online ballot showing "Items Requiring Shareholder Approval" will appear afterwards.

5. For each item requiring shareholders' approval, click the appropriate box or boxes to indicate your vote. For all items except the election of directors, click only one box opposite "YES", "NO" or "ABSTAIN" to indicate your vote.

6. For the election of directors, stockholders may vote up to nine (9) regular directors, and two (2) independent directors. Click the boxes opposite the names of the chosen nominees to indicate your vote. Cumulative voting is allowed; please refer to Item 4 (pages 4-5) and Item 19 (pages 28-30) of the Information Statement for an explanation of cumulative voting.

To submit the online ballot, click the "SUBMIT" button on the lower right hand portion of the page. Once submitted, shareholders may still change their vote by clicking BACK to return to the previous page. As soon as the votes are finalized and the SUBMIT button is clicked, a confirmation message "Thank you for Voting" will appear.

7. Online ballots will be accepted until **12:00 p.m. on 13 July 2020**.

8. Results of the voting by shareholders will be announced for each item on the Agenda requiring the vote of shareholders, and shall be duly disclosed and shall be made available on the Company's website on the business day following the meeting.

For any questions or concerns, kindly contact the office of the Corporate Secretary via email at **bcmigallos@philexmining.com.ph**.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [x] Definitive Information Statement

2. Name of Registrant as specified in its charter: **PHILEX MINING CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**

4. SEC Identification Number: **10044**

5. BIR Tax Identification Code: **000-283-731-000**

6. Address of principal office: **2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila**

7. Registrant's telephone number, including area code: (**632) 631-1381 to 88**

8. Date, time and place of the meeting of security holders:

   Date : 15 July 2020
   Time : 4:00 p.m.
   Venue : The meeting will be presided at TV 5 Media Center, Reliance St., Mandaluyong City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **22 June 2020 (at least 21 days prior to the Meeting)**

10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor:
    Philex Mining Corporation
    Address and Telephone Number:
    2nd Floor LaunchPad,
    Reliance Street corner Sheridan Street,
    Mandaluyong City, Metro Manila 1600
    (632) 631-1381 to 88

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

    Number of Shares of Common Stock Issued — **4,940,399,068 common shares**

    Amount of Debt Outstanding — **P10.275 Billion**

12. Are any or all of registrant's securities listed on a stock exchange?

    (**x**) Yes ( ) No

    If so, disclose name of Exchange: **Philippine Stock Exchange, Inc.**

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

The Annual Meeting of Stockholders of **PHILEX MINING CORPORATION** (the "**Company**" or "**PMC**"), a corporation organized and existing under the laws of the Philippines with office address at 2nd Floor, LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila will be held on **15 July 2020 (Wednesday) at 4:00 p.m. and will be presided at TV 5 Media Center, Reliance St., Mandaluyong City** (the "**Stockholders' Meeting**" or the "**Meeting**")**.**

The Agenda of the Meeting, as indicated in the accompanying Notice of Annual Meeting of Stockholders, are as follows:

1. Call to Order
2. Proof of Required Notice of the Meeting
3. Certification of Quorum
4. Reading and Approval of the Minutes of the 26 June 2019 Stockholders' Meeting and Action Thereon
5. Presentation of Annual Report and Audited Financial Statements for the Year Ended 31 December 2019 and Action Thereon
6. Ratification and Approval of the Acts of the Board of Directors and Executive Officers During the Corporate Year 2019-2020
7. Appointment of Independent Auditors for Financial Year 2020
8. Appointment of Election Inspectors to serve until the close of the next annual meeting
9. Election of Directors, including Independent Directors
10. Other Matters

Shareholders may only participate via remote communication. Shareholders who will attend the meeting must email bcmigallos@philexmining.com.ph. Certificated shareholders must indicate in the email their Stockholder ID number, and attach a scanned copy of a valid government identification card (ID). Indirect or Uncertificated shareholders (shareholders who hold their shares through a PCD Nominee account) must submit through e-mail a certification from their broker attesting that the stockholder is the beneficial owner of shares of stock of the Company (the number of shares must be indicated) and a valid current ID. Deadline for registration is on 05 July 2020, at 12 NN. Clarificatory questions regarding attendance via remote communication may be sent via email to bcmigallos@philexmining.com.ph.

Once the Company successfully verifies the stockholder's status, the Company will reply to each stockholder with (1) a link through which the Meeting may be accessed; and (2) with an online ballot and a SECURITY CODE to be used for online voting. Questions relating to the Meeting materials may also be sent to bcmigallos@philexmining.com.ph on or before on or before 12:00 noon of 13 July 2020. Due to time considerations, questions that will not be addressed at the Meeting will be responded to via email.

Shareholders may vote online through a secure electronic voting facility. Stockholders who have pre-registered attendance via remote communication may log on to http://www.philexmining.com.ph/investor-relations/vote-online to cast their votes. More

detailed on-line voting instructions are on pages 28 to 30 of this Information Statement, and are also attached to the Notice as Annex "B". On-line voting will close at 12:00 noon on 13 July 2020.

Stockholders who cannot attend the meeting can still be represented and vote at the Meeting by submitting a proxy by email to bcmigallos@philexmining.com.ph,or by sending a physical copy to the Office of the Corporate Secretary at the Company's principal office at 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila. The deadline for submission of proxies is 5 July 2020.

Proxies will be tabulated by the stock transfer agent, Stock Transfer Services, Inc. ("STSI") (34th Floor, Rufino Plaza, Ayala Avenue, Makati City), and such tabulation will be subject to review by the Company's external auditors, Sycip Gorres Velayo & Company. Proxies will be voted as indicated by the shareholder in the proxy and applicable rules. The Special Committee of Inspectors constituted by the Company's Board of Directors, composed of the Corporate Secretary, the Compliance Officer, and a representative of the stock transfer agent, shall validate the proxies on 08 July 2020 at 10:30 a.m. at the Company's principal office.

The Management Report, the Securities Exchange Commission ("SEC") Form 17-A with the Audited Financial Statements for the year ended 31 December 2019, and SEC Form 17-Q are attached to this Information Statement. The SEC Form 17-A and SEC Form 17-Q are already available and may be accessed through http://www.philexmining.com.ph/wp-content/uploads/2020/05/2019-PX-SEC17A-REPORT.pdf, and http://www.philexmining.com.ph/sec-form-17-q/, respectively. Upon written request of a shareholder, the Company shall furnish such shareholder with a copy of the said SEC Form 17-A or SEC Form 17-Q, as filed with the SEC free of charge.

Voting procedures are contained in Item 19 (pages 28 to 30) of this Information Statement and will be stated at the start of the Meeting. Cumulative voting is allowed; please refer to Item 4 (page 5) and Item 19 (pages 28 to 30) for an explanation of cumulative voting.

Further information and explanation regarding specific agenda items**,** where appropriate, are contained in various sections of this Information Statement. This Information Statement constitutes notice of the resolutions to be adopted at the Meeting.

This Information Statement and Proxy Form shall be provided to security holders on or before 22 June 2020 (at least 21 days before the Meeting), after the approval of the Definitive Information Statement by the SEC.

Item 2. Dissenters' Right of Appraisal

There are no corporate matters or action to be taken during the Meeting that will entitle a stockholder to a Right of Appraisal as provided in Title X of the Revised Corporation Code of the Philippines (Batas Pambansa [National Law] No. 68).

For the information of stockholders, any stockholder of the Company shall have a right to dissent and demand payment of the fair value of his shares in the following instances, as provided in Section 80 of the Revised Corporation Code of the Philippines:

1. In case of an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;
3. In case of merger or consolidation; and
4. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.
5. Section 11 of the Revised Corporation Code automatically grants perpetual existence to Corporation existing at the time of its effectivity unless stockholders representing a majority of its outstanding capital stock elect to retain the specific corporate term under its Articles of Incorporation. However, any change in the corporate term under Section 11 is without prejudice to the appraisal right of dissenting stockholders.

The Revised Corporation Code of the Philippines (at Section 81) provides that the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares: provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made; provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

No incumbent director has informed the Company in writing of an intention to oppose any action to be taken at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of 31 May 2020, there are 4,940,399,068 outstanding common shares of the Company. The Company does not have any class of shares other than common shares. The holders of the 4,940,399,068 outstanding common shares are entitled to vote such shares.

All stockholders of record as of **08 April 2020** are entitled to notice and to vote at the Annual Stockholders' Meeting.

A stockholder entitled to vote at the meeting shall have the right to vote online via http://www.philexmining.com.ph/investor-relations/vote-online, or by proxy.

Cumulative voting may be adopted in the election of directors as allowed by the Revised Corporation Code of the Philippines. On this basis, each registered stockholder as of 08 April 2020 may vote the number of shares registered in his name for each of the eleven (11) directors to be elected, or he may multiply the number of shares registered in his name by eleven (11), the number of the Company's directors as provided in the Articles of Incorporation, and cast the total of such votes for one (1) director. A stockholder may also distribute his votes among some or all of the eleven (11) directors to be elected.

Security Ownership of Certain Record and Beneficial Owners

The following stockholders own more than five percent (5%) of the Company's stock as of 31 May 2020:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	%
Common	**Asia Link, B.V.** Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands	First Pacific Company Limited (Record Owner Asia Link, B.V. is a fully-owned subsidiary of beneficial owner First Pacific Company Limited. See Note 1 below for more details.)	Dutch	1,023,275,990	20.71%
Common	**Social Security System** c/o Loan and Investment Office, 7/F SSS Building, Diliman, Quezon City	Social Security System (Record owner is beneficial owner. See Note 2 below for more details)	Filipino	992,679,729	20.09%

Common	**PCD Nominee Corporation** 37/F Tower I, The Enterprise Center 6766 Ayala Center, Makati City	See Note 3 below.	Filipino	839,175,583 (exclusive of shares of SSS held through PCD)	16.99%
Common	**Two Rivers Pacific Holdings Corporation** 10/F MGO Building, Legaspi cor. Dela Rosa Sts., Legaspi Village, Makati City	Two Rivers Pacific Holdings Corporation (Record owner is also the beneficial owner. See Note 4 below for more details.)	Filipino	738,871,510	14.96%

[1] Asia Link B.V., a wholly-owned subsidiary of First Pacific Company Limited ("**First Pacific**"), is the registered owner of 1,023,275,990 shares. In its SEC Form 23-A dated December 3, 2009, First Pacific disclosed that it beneficially owns 1,542,589,352 shares of the Company, inclusive of the shares held by Asia Link B.V. First Pacific is represented on the Company's Board of Directors by Messrs. Manuel V. Pangilinan, Joseph H. P. Ng and Richard P. C. Chan.

[2] Mr. Michael G. Regino, Ms. Anita Bumpus Quitain and Ms. Diana V. Pardo Aguilar currently represent the Social Security System ("**SSS**") in the Company's Board of Directors. Of the 992,679,729 shares of SSS, 25,646,960 shares are held by SSS through the PCD Nominee Corporation.

[3] PCD Nominee Corporation ("**PCD Nominee**"), the nominee of the Philippine Depository & Trust Corp., is the registered owner of the shares in the books of the Company's transfer agent. PCD Nominee is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transaction in the Philippines. The beneficial owners of such shares are PCD Nominee's participants who hold the shares on their own behalf or in behalf of their clients.

[4] Two Rivers Pacific Holdings Corporation is represented by Ms. Marilyn A. Victorio-Aquino and Mr. Eulalio B. Austin, Jr. on the Company's Board of Directors.

To the best knowledge of the Company, there are no participants under the PCD account who own more than 5% of the Company's voting securities as of 08 April 2020.

Proxies of the foregoing record owners for the Annual Stockholders' Meeting have not yet been received by the Company. The deadline set by the Board of Directors for submission of proxies is on 05 July 2020.

Security Ownership of Management

The beneficial ownership of the Company's directors and executive officers as of 31 May 2020 is as follows:

Title of Class	Name of Beneficial Owner	Nature of Ownership	Amount of Beneficial Ownership	Citizenship	%
Common	Manuel V. Pangilinan	Direct	4,655,000	Filipino	0.094%
Common	Eulalio B. Austin, Jr.	Direct	1,360,937	Filipino	0.028%
Common	Joseph H. P. Ng	Direct	1	British	0.000%
Common	Richard P. C. Chan	Direct	1	Chinese	0.000%
Common	Marilyn A. Victorio-Aquino	Direct	100	Filipino	0.000%
		Indirect	500,000		0.010%
Common	Oscar J. Hilado	Direct	173	Filipino	0.010%
Common	Wilfredo A. Paras	Direct	1	Filipino	0.000%
Common	Barbara Anne C. Migallos	Direct	203,875	Filipino	0.004%
Common	Michael G. Regino	Direct	1	Filipino	0.000%
Common	Anita Bumpus Quitain	Direct	1	Filipino	0.000%
Common	Diana V. Pardo-Aguilar	Direct	1	Filipino	0.000%
Common	Romeo B. Bachoco	Direct	-	Filipino	0.000%
Common	Michael T. Toledo	Direct	-	Filipino	0.000%
Common	Jonas Emanuel S. Santos	Direct	-	Filipino	0.000%
Common	Vic Morris A. Yodong	Direct	-	Filipino	0.000%
Common	Victor A. Francisco	Direct	50,000	Filipino	0.001%
Directors and Officers as a Group			6,770,091		0.00137%

Security Ownership of Foreigners or Non-Filipinos

The chart below shows the ownership of foreigners or non-Filipinos as of 31 May 2020:

Total Outstanding Shares	Shares Allowed to Foreigners	% Allowed to Foreigners	Shares Owned by Foreigners	% Owned by Foreigners
4,940,399,068	1,976,159,627	40%	1,886,321,959	38.18%

Voting Trust Holders/Changes in Control

There are no voting trust holders of 5% or more of the Company's stock. There are no arrangements that may result in a change of control of the Company.

Item 5. Directors and Executive Officers

DIRECTORS

The following are the present directors of the Company whose terms of office are for one year or until their successors are elected and qualified:

1. MANUEL V. PANGILINAN, *Chairman, Non-Executive Director.*

Age: 73
Date of First Appointment: 28 November 2008

Academic Background:
Mr. Pangilinan graduated *Cum Laude* from the Ateneo de Manila University with a Bachelor of Arts degree in Economics. He received his Master of Business Administration degree from Wharton School of the University of Pennsylvania in 1968.

Business and Professional Background/ Experience:
Mr. Pangilinan founded First Pacific Company Limited, a corporation listed on the Hong Kong Stock Exchange, in May 1981. He served as Managing Director of First Pacific Company Limited since its founding in 1981 until 1999. He was appointed Executive Chairman until June 2003, after which he was named Managing Director and Chief Executive Officer. In May 2006, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of *Lakandula*, rank of *Komandante*, in recognition of his contributions to the country. He was named Management Man of the Year 2005 by the Management Association of the Philippines. Mr. Pangilinan was awarded Honorary Doctorates in Science by Far Eastern University in 2010; in Humanities by Holy Angel University in 2008; by Xavier University in 2007; and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School. He is a member of the ASEAN Business Advisory Council.

Mr. Pangilinan has been a Director of the Company and Philex Gold Philippines, Inc. (PGPI) since November 2008, and most recently re-elected on 26 June 2019. He is also Chairman of the PLDT Inc. (PLDT) since 2004, after serving as its President and Chief Executive Officer (CEO) since 1998. He reassumed the position of President and CEO of PLDT effective December 2015. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation, Landco Pacific Corporation, Medical Doctors Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Asian Hospital, Inc., Davao Doctors, Inc., Riverside Medical Center Inc., Our Lady of Lourdes Hospital, Central Luzon Doctors' Hospital, Inc., Maynilad Water Services Corporation, Mediaquest, Inc., Associated Broadcasting Corporation (TV5) and Manila North Tollways Corporation. Mr. Pangilinan is also Chairman of the Manila Electric Company (MERALCO), after serving as its President and Chief Executive Officer from July 2010 to May 2012. Mr. Pangilinan is also Vice Chairman of Roxas Holdings, Incorporated, the largest sugar producer in the Philippines. He is a Director of Silangan Mindanao Mining Co., Inc.

Directorship in Listed Companies in the Philippines:

1. Philex Mining Corporation – Chairman
2. PLDT, Inc. – Chairman
3. Metro Pacific Investments Corporation – Chairman
4. Roxas Holdings, Inc. – Vice Chairman and Non-Executive Director
5. Manila Electric Company – Chairman
6. PXP Energy Corporation – Chairman

2. EULALIO B. AUSTIN, JR. *President & Chief Executive Officer, Executive Director.*

Age: 58
Date of First Appointment: 29 June 2011

Academic Background:
Mr. Austin graduated from Saint Louis University-Baguio City, with a Bachelor of Science degree in Mining Engineering and placed eight at the 1982 Professional Board Examination for mining engineers. He took his Management Development Program at the Asian Institute of Management in 2005 and his Advance Management Program at Harvard Business School in 2013.

Business and Professional Background/ Experience:
Mr. Austin has been a Director of PMC and PGPI since 29 June 2011 and was re-elected on 26 June 2019. He became President and Chief Operating Officer on 1 January 2012 and President and CEO of the Company on 3 April 2013.

He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998. Mr. Austin concurrently serves as Director of PXP Energy Corporation and Silangan Mindanao Mining Co., Inc.

Outside of Philex Mining, he is a member of the Chamber of Mines of the Philippines' Board of Trustees. Mr. Austin also sits as a member of the Executive Committee of the Board of Trustees and serves as the Chairman of the Membership Committee as well as the Towards Sustainable Mining Initiative Committee. He is a Competent Person on Mining. He was awarded Most Outstanding Engineer of the Philippine Society of Mining Engineers (PSEM) in 2016, aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last 14 December 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

Directorship in Listed Companies in the Philippines:

1. Philex Mining Corporation – Executive Director
2. PXP Energy Corporation – Non-Executive Director

3. JOSEPH H. P. NG, *Non-Executive Director.*

Age: 57
Date of First Appointment: 30 January 2019

Academic Background:

Mr. Ng received an MBA and a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Ng is a Commissioner of PT Indofood Sukses Makmur Tbk and a Non-Executive Director of Philex Mining Corporation and PXP Energy Corporation, which are First Pacific Group subsidiary and associate.

Business and Professional Background/ Experience:
Mr. Ng. joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. He was appointed as Associate Director in April 2019. Prior to that, he was Executive Vice President of Group Finance and served in several senior positions within First Pacific Group ("the Group"), including as the Head of Finance of the Group's regional telecom division and a director of a number of the Group's telecom joint ventures in India, Indonesia and China.

Directorship in Listed Companies in the Philippines:
Philex Mining Corporation

4. RICHARD P.C. CHAN, *Non-Executive Director*

Age: 50
Date of First Appointment: 30 January 2019

Academic Background:
Mr. Chan received a BBA (Hons) degree from Hong Kong Baptist University and an MBA from the Chinese University of Hong Kong. He is a Certified Public Accountant (Practicing), a CFA Charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has experience in auditing, accounting, finance and management spanning a diverse range of business activities. He serves as a Non-Executive Director of Philex Mining Corporation since January 2019, which is First Pacific Group associate.

Business and Professional Background/ Experience:
Mr. Chan joined First Pacific in 1996 from KPMG. Prior to his appointment as Executive Vice President, Group Financial Controller in April 2019, Mr. Chan was Vice President, Group Financial Controller.

Directorship in Listed Companies in the Philippines:
Philex Mining Corporation

5. MARILYN A. VICTORIO-AQUINO, *Non-Executive Director.*

Age: 64
Date of First Appointment: 7 December 2009

Academic Background:
Ms. Aquino was educated at the University of Santo Tomas (A.B.) and University of the Philippines (LL.B., cum laude). and qualified as a barrister in the Philippines in 1981.

Business and Professional Background/ Experience:

Ms. Aquino joined Sycip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989. Ms. Aquino's practice focused on banking, finance and securities, construction and infrastructure, investments, mergers and acquisitions, and mining and natural resources. Ms. Aquino is a Director of Philex Mining Corporation, Philex Gold Philippines, Inc., PXP Energy Corporation, Silangan Mindanao Mining Company, Inc., Lepanto Consolidated Mining Company and Maynilad Water Services, Inc. She was also appointed as Chief Legal Counsel of PLDT in December 2018

Directorship in Listed Companies in the Philippines:
1. Philex Mining Corporation – Non-Executive Director
2. PXP Energy Corporation – Non-Executive Director
3. Lepanto Consolidated Mining Company – Non-Executive Director

6. OSCAR J. HILADO, *Lead Independent Director.*

Age: 82
Date of First Appointment: December 7, 2009

Academic Background:
Mr. Hilado, a Certified Public Accountant, completed his undergraduate studies at the De La Salle College-Bacolod in 1958 and obtained his Master's in Business Administration from the Harvard School of Business Administration (Smith Mundt/Fulbright Scholar) in 1962. He received a Doctorate in Business Management, Honoris Causa, from the De La Salle University and a Doctorate of Laws, Honoris Causa, from the University of St. La Salle in 1992.

Business and Professional Background/ Experience:
Mr. Hilado has been an Independent Director of PMC since 7 December 2009. Mr. Hilado holds the following positions: Chairman of Philippine Investment Management (PHINMA), Inc., Phinma Corporation, Phinma Property Holdings Corporation. Vice-Chairman of Union Galvasteel Corporation. Chairman of the Executive Committee of Phinma Corporation. Director of Philex Mining Corporation, Rockwell Land Corporation, A. Soriano Corporation, Roxas Holdings, Inc. Smart Communications, Inc., Phinma Solar Energy Corporation, Philippine Cement Corporation, Phinma Education Holdings, Inc., Araullo University, Inc., Cagayan de Oro College, Inc., University of Iloilo, Inc., University of Pangasinan, Inc., Southwestern University, St. Jude College, Manila, Phinma Hospitality, Inc., United Pulp and Paper Company, Inc., Digital Telecommunications Philippines, Inc., Seven Seas Resorts and Leisure, Inc., Beacon Property Ventures, Inc., Cebu Light Industrial Park, Inc., Pueblo de Oro Development Corporation and Manila Cordage Company.

Directorship in Listed Companies in the Philippines:
1. Philex Mining Corporation – Independent Director
2. PHINMA Corporation – Chairman
3. A. Soriano Corporation – Independent Director
4. Rockwell Land Corporation – Independent Director
5. Roxas Holdings, Inc. – Independent Director

7. WILFREDO A. PARAS, *Independent Director.*

Age: 73

Date of First Appointment: 29 June 2011

Academic Background:
Mr. Paras completed his undergraduate studies at the University of the Philippines in 1969 with Bachelor of Science, Industrial Pharmacy and his Master in Business Administration at the De La Salle University in 1991. He also completed an Executive Program at the University of Michigan at Ann Arbor, Michigan, USA.

Business and Professional Background/ Experience:
Mr. Paras has been an Independent Director of PMC since 29 June 2011 and was re-elected on 26 June 2019. He is currently an Independent Director of GT Capital Holdings, Inc. since May 2013 and President of WAP Holdings, Inc. He is also a member of the Board of Trustees of Dualtech Training Foundation Inc. Mr. Paras was previously the Executive Vice-President, Chief Operating Officer and Director of JG Summit Petrochemical Corporation, President and Director of PT Union Carbide Indonesia, Managing Director of Union Carbide Singapore, Business Director, Union Carbide Asia Pacific, and President of Union Carbide Philippines.

Directorship in Listed Companies in the Philippines
1. Philex Mining Corporation – Independent Director
2. GT Capital Holdings, Inc. – Independent Director

8. BARBARA ANNE C. MIGALLOS *Corporate Secretary, Executive Director.*

Age: 65
Date of First Election: 26 June 2013

Academic Background:
Ms. Migallos graduated *Cum Laude* from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as *Cum Laude* (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

Business and Professional Background/ Experience
Ms. Migallos was elected to the Board of Directors of the Company and PGPI on 26 June 2013, and was most recently re-elected on 26 June 2019. She has been the Company's Corporate Secretary since July 1998. She is also Corporate Secretary and former Director of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos is also Director of Mabuhay Vinyl Corporation since 2000, Philippine Resins Industries since 2001, Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005, Nickel Asia Corporation since 2010, and Alliance Select Foods International, Inc. since 2015. She is a professorial lecturer in Corporations Law, Insurance, Securities Regulation and Credit Transactions at the De La Salle University College of Law, and heads its Mercantile and Taxation Law Department. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006.

Directorship in Listed Companies in the Philippines
1. Philex Mining Corporation – Executive Director

2. Mabuhay Vinyl Corporation - Non-Executive Director

9. MICHAEL G. REGINO, *Non-Executive Director***.**

Age: 58
Date of First Appointment: 28 February 2017

Academic Background:
Michael G. Regino graduated Cum Laude and Salutatorian from the Ateneo de Zamboanga University in 1981, with a degree of Bachelor of Science, Major in Economics. He later obtained his Masters in Business Administration in 1985 from the Ateneo de Manila University.

Business and Professional Background/ Experience:
Mr. Regino was appointed last 27 October 2016 as Member of the Board of the Social Security Commission (SSC) and since 28 February 2017, a Director of Philex Mining Corporation. Last 07 March 2018, he was duly appointed as Director of Unionbank of the Philippines. Prior to these current positions, he engaged in multifarious activities which marked the significant milestones in his career.

He served as the President and member of the Board of Directors of San Agustin Services, Inc., Agata Mining Ventures, Inc. and Exploration Drilling Corp.; as the Senior Vice President and Chief Operating Officer of St. Augustine Gold and Copper Ltd.; and, as the Executive Director of TVI Resources Development Phils., Inc. He also became one of the members of the Board of Directors of Nationwide Development Corporation and KingKing Mining Corp., where he took charge of the Davao operations.

He also gained expertise in the field of real estate development and property management when he served as the President of Camella Homes, Golden Haven Memorial Parks, Inc., and MGS Group of Companies. He also once shared his competence in other industries such as Northern Foods, Corp., Kilusang Kabuhayan at Kaunlaran, and the Ateneo de Zamboanga University, where he served as Finance and Treasury Manager, Chief Financial Specialist, and Instructor in Economics, respectively.

Directorship in Listed Companies in the Philippines:
1. Philex Mining Corporation – Non-Executive Director
2. Union Bank of the Philippines, Inc. – Non-Executive Director

10. ANITA BUMPUS QUITAIN, *Non-Executive Director.*

Age: 73
Date of First Appointment: 28 February 2017

Academic Background:
Ms. Quitain has a BSE Education Degree from the University of Mindanao in Davao City, and Bachelor of Science Degree in Commerce, Major in Accounting. She has also completed two (2) years of Masters in Public Administration (37 units) for her Career Civil Service Eligibility.

Business and Professional Background/ Experience:

Ms. Quitain was first elected to the Company's Board of Directors on 28 February 2017, and most recently re-elected on 26 June 28 2019. She is Commissioner of the Social Security Commission since her appointment in November 2016. She is also Director of First Philippine Holdings, Inc. since March 2018.

She was an employee of the Social Security System (SSS) for 31 years assigned to the Main Office of Region 09 in Davao City, where one of her major achievements was taking charge of the operations of the then newly-opened SSS Representative Office in Digos City, Davao del Sur as Office-in-Charge. She stayed there for five (5) years where she conducted seminars and coverage drives, especially in rural areas, aside from discharging management and leadership functions in the Representative Office.

As a BSE Education Degree holder, she worked with the Department of Education as an elementary classroom teacher for ten (10) years and was a teacher at the Philippine Women's College of Davao. After this, she moved to SSS office in Region 09, Davao City, where she eventually retired in July 2009 after 31 years of dedicated service. Ms. Quitain, at one time or another, headed different sections of SSS Region 09, namely: Membership, Real Estate, Operations Accounting, Member Assistance Center, and Sickness, Maternity and Disability Sections.

Directorship in Listed Companies in the Philippines:
1. Philex Mining Corporation – Non-Executive Director
2. First Philippine Holdings, Inc. – Non-Executive Director

11. DIANA V. PARDO-AGUILAR, Non-Executive Director

Age: 56
Date of First Appointment: 13 November 2019

Academic Background:
Ms. Pardo-Aguilar holds a Masters degree in Business Administration major in International Business and Finance from Pepperdine University, California (1988) and a Bachelor of Science in Computer Studies from De La Salle University (1985).

Business and Professional Background/ Experience:
Ms. Pardo-Aguilar was appointed as Director of PMC on 13 November 2019. She was appointed Commissioner of the state-run Social Security System in August 2010 and was reappointed by President Rodrigo Duterte in 2016. She is Chairperson of the Investment Oversight Committee and Vice Chairperson of the Information Technology Committee; and a Member of the Risk Management and Audit Committees. She was appointed as Director of Security Bank Corporation since April 2017 and Chairs the Trust Committee. She was also appointed as Chairperson of SB Capital Investment Corporation since August 2016. She was appointed as an Independent Director of Medical Doctor's Inc., of Makati Medical Center since July 2018 and also appointed as Chairperson of the Audit Committee since September 2018. She is a Member of the Investment Committee of De La Salle Philippines since July 2018. She was re-elected as one of the members of the Board of Governors of the Employers Confederation of the Phils. in December 2018. She is a Member of the Board of Directors of Ionics Inc., since December 2016, a Consultant Advisor to the Board of Phil. Seven Corporation since January 2015, a Member of the Philippine Stock Exchange's Capital Markets

Development Board since 2013, a Director of Electronic Commerce Payment Networks, Inc., since 2004 and a Director of Wenphil Corporation since 1998.

Directorship in Listed Companies in the Philippines:

1. Security Bank Corporation
2. IONICS, Inc.
3. PXP Energy Corporation

Process and Criteria for Selection of Nominees for Directors

The Board of Directors set 20 April 2020 as the deadline for the submission of nominations to the Board of Directors. The deadline was duly announced and first disclosed on 28 February 2020.

The Nominations Committee composed of Manuel V. Pangilinan (Chairman), Marilyn A. Victorio-Aquino, Wilfredo A. Paras (Independent Director) and Diana V. Pardo-Aguilar screened the nominees for election to the Board of Directors in accordance with the Company's Revised Manual on Corporate Governance. The Committee assessed the candidates' background, educational qualifications, work experience, expertise and stature as would enable them to effectively participate in the deliberations of the Board.

In the case of the independent directors, the Committee reviewed their business relationships and activities to ensure that they have all the qualifications and none of the disqualifications for independent directors as set forth in the Company's Revised Manual of Corporate Governance, the Securities Regulation Code (SRC), the 2015 SRC Implementing Rules and Regulations, and SEC Memorandum Circular No. 19, series of 2016 or the "Code of Corporate Governance for Publicly-Listed Companies."

Nominees for Election at Annual Stockholders' Meeting on

The Nominations Committee screened the nominees to determine whether they have all of the qualifications and none of the disqualifications for election to the Company's Board of Directors, and prepared the Final List of Candidates for election to the Board of Directors at the Annual Stockholders' meeting.

The Final List of Candidates is as follows:

Nominees for Regular Director:

1. Manuel V. Pangilinan
2. Eulalio B. Austin, Jr.
3. Joseph H. P. Ng
4. Richard P. C. Chan
5. Marilyn A. Victorio-Aquino
6. Barbara Anne C. Migallos
7. Michael G. Regino
8. Anita Bumpus Quitain
9. Diana V. Pardo-Aguilar

Nominees for Independent Director

1. Oscar J. Hilado (Independent Director)
2. Wilfredo A. Paras (Independent Director)

The said nominees are all incumbent directors of the Company. Their experience and background of are summarized in pages 8 to 15 of this Information Statement.

The Company will comply with the guidelines on the nomination and election of independent directors prescribed in Rule 38 of the SRC Rules, and the Code of Corporate Governance for Publicly Listed Companies.

Mr. Oscar J. Hilado was nominated by Mr. Pangilinan. Mr. Wilfredo A. Paras was nominated by Ms. Migallos. Both nominees have accepted their nominations in writing. There are no relationships between the foregoing nominees for independent director and the persons who nominated them. Messrs. Hilado and Paras were first elected as independent directors on 7 December 2009 and 29 June 2011, respectively. Both Messrs. Hilado and Paras have each served less than the maximum cumulative nine (9) year term recommended by the Code of Corporate Governance for Publicly Listed Companies.

No director has resigned or declined to stand for re-election to the Board of Directors due to disagreement on any matter.

Executive Officers

The following persons are the present executive officers of the Company:

EULALIO B. AUSTIN, JR. – 58, Filipino citizen. Mr. Austin became President and Chief Operating Officer on 1 January 2012 and President and Chief Executive Officer of the Company on 3 April 2013. He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998, and Mine Engineering & Draw Control Department Manager from 1996 to 1998. Mr. Austin is also Chairman, President and Chief Executive Officer of Silangan Mindanao Mining Co., Inc. He is also a Director of PXP Energy Corporation. He likewise sits on the Board of the Chamber of Mines of the Philippines and Philippine Mineral Safety and Environmental Association (PMSEA) and was Founding President of PSEM's Philex Chapter. He was recently awarded as the CEO of the Year in Mining by The Asset in December 2015. He was also a recipient of Asia Pacific Entrepreneur Award (APEA) for the Mining Industry by Enterprise Asia in 2016. He was also recognized by the Philippine Society of Mining Engineers as the Most Outstanding Engineer in Mine Management in June 2016.

Mr. Austin graduated from Saint Louis University-Baguio City, with a Bachelor of Science degree in Mining Engineering and placed eight in the 1982 Professional Board Examination for mining engineers. He took his Management Development Program at the Asian Institute of Management in 2005, and his Advance Management Program at Harvard Business School in 2013.

BARBARA ANNE C. MIGALLOS – 65, Filipino citizen. Atty. Migallos has been the Company's Corporate Secretary since July 1998. She is also Corporate Secretary and former Director of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos is also Director of Mabuhay Vinyl Corporation since 2000, Philippine Resins Industries since 2001, Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005, Nickel Asia Corporation since 2010, and Alliance Select Foods International, Inc. since 2015. She is a professorial lecturer in Corporations Law, Insurance, Securities Regulation and Credit Transactions at the De La Salle University College of Law, and heads its Mercantile and Taxation Law Department. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006.

Ms. Migallos graduated *Cum Laude* from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as *Cum Laude* (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

ROMEO B. BACHOCO - 59, Filipino Citizen. Mr. Bachoco has been appointed as the Company's Senior Vice President for Finance, Chief Finance Officer and Treasurer since August 2019. He is a seasoned corporate professional with a diverse background in finance and commercial operations. He previously held the following senior management positions namely as Chief Operating Officer of XRC Mall Developer, Inc. (XentroMalls), Executive Vice-President and Head of Retail and Business Development of Seaoil Philippines, Inc., Executive Vice-President and Chief Operating Officer of Double Dragon Properties Corp., Executive Vice- President and Chief Finance Officer of Golden Arches Development Corp. (McDonalds Philippines) and Eastern Telecommunications Philippines. Mr. Bachoco graduated Cum Laude with a Bachelor of Science Degree in Business Administration, Major in Accounting, from the University of the Philippines Visayas and is a licensed Certified Public Accountant. He also obtained his Master in Business Administration from the Ateneo Graduate School of Business under the Ateneo-Regis Program. He is also a visiting professional lecturer in financial management at the Ateneo Graduate School of Business.

MICHAEL T. TOLEDO – 59, Filipino citizen. Mr. Toledo has been Senior Vice President for Public and Regulatory Affairs since 15 February 2012. He is the Chief Operating Officer of Silangan Mindanao Mining Company, Inc. and is also the Managing Director of the Media Bureau of the MVP group of companies. He currently sits as a Member of the Executive Council and Chairman of the Standing Committee on Legal Information of the ASEAN Law Association of the Philippines (ALA); Chairman of the Committee on Public Relations and Publicity and Co- Chair of the Committee on Business Law Reforms of the Philippine Bar Association (PBA); Chairman of the Sub-Committee on Natural Resources Development and Member of the National Issues Committee and Women Empowerment Committee of the Management Association of the Philippines (MAP); Member of the Board of Trustees of the UP College of Law Alumni Foundation (UPLAF);and member of the Board of Trustees of the Philippine Disaster Resiliency Foundation (PDRF). He is also a print journalist and writes a fortnightly column in The Philippine Star.

Mr. Toledo was named 2014 CEO (Communication Excellence in Organizations) Excel Awardee by the International Association of Business Communicators (IABC) and was conferred the Lifetime Achievement Award by the British Government and the British Alumni Association. Before joining the Company, he was President and Chief Executive Officer of the Weber Shandwick Manila office since 2006. Mr. Toledo was also Press Secretary and Presidential Spokesperson for former President Joseph Ejercito Estrada and was Director and/or Legal and Financial Consultant for various government owned and controlled corporations such as the Government Service Insurance System (GSIS), Department of Transportation and Communications (DOTC), and the Cagayan Economic Zone Authority (CEZA). Mr. Toledo finished a Bachelor of Arts Degree in Philosophy in 1981 and completed a Bachelor of Laws Degree at University of the Philippines in 1985. In 1994, he obtained a Master of Laws degree at the London School of Economics and Political Science as a Chevening Scholar and was accepted at the Fletcher School of Law and Diplomacy at Tufts University.

VICTOR A. FRANCISCO – 55, Filipino citizen. Mr. Francisco has been Vice President for Environment and Community Relations since 2 January 2009. He was previously Group Manager for Corporate Environment and Community Relations in 2007, Department Manager

– Corporate Environment and Community Relations in 1999, and Assistant Manager – Corporate Environmental Affairs in 1997.

Mr. Francisco completed a Bachelor of Science Degree in Community Development at the University of the Philippines in 1987. He also obtained a Masters degree in Environmental Science and Management at the University of the Philippines campus in Los Baños, Laguna in 1995.

VIC MORRIS A. YODONG - 65, Filipino citizen. Mr. Yodong was appointed and assumed the position of Vice President and Padcal Resident Manager on 11 March 2019. Mr. Yodong is licensed mining engineer with over forty years of industry experience from both local and international mining companies. He graduated with a Bachelor of Science in Mining Engineering Degree from Adamson University**.**

JONAS EMANUEL S. SANTOS, 42, Filipino citizen. Mr. Santos was appointed and assumed the position as Vice President and General Counsel of Philex Mining Corporation on 1 April 2019. Mr. Santos was formerly the Corporate Counsel of Chevron Philippines, Inc. and Senior Associate at Sycip Salazar Hernandez & Gatmaitan. He graduated with a Bachelor of Science in Management Engineering Degree from the Ateneo de Manila University and obtained his Bachelor of Laws from the University of the Philippines Diliman.

Significant Employees

No single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

Family Relationships

There are no family relationships up to the fourth civil degree either of consanguinity or affinity among any of the directors, executive officers and persons nominated or chosen to become directors or executive officers.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as a director, executive officers or control persons of the Company have been involved in any legal proceeding, including without limitation being the subject of any:

a. bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
b. conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
c. order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities commodities or banking activities; and
d. order or judgment of a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign

Exchange or other organized trading market or self-regulatory organization finding him/her to have violated a securities or commodities law or regulation,

for the past five (5) years up to the latest date, that is material to the evaluation of ability or integrity to hold the relevant positions in the Company. Note 31 of the Notes to the Company's Consolidated Financial Statements as of 31 December 2019, attached hereto, is incorporated by reference.

Certain Relationships and Related Transactions

The Company's significant related party transactions as of 31 December 2019, which are under terms that are no less favorable than those arranged with third parties, and account balances are as follows:

a) Advances from PMC to Silangan Mindanao Mining Co. Inc. (SMMCI) and Silangan Mindanao Exploration Co. Inc. (SMECI)

PMC, owning directly and indirectly 100% of SMMCI and SMECI, provides the funds to SMMCI, through SMECI since 2011 and directly thereafter, for the Silangan project's expenditures since the Company's acquisition of Anglo American's interest in the Silangan Project in 2009. These advances, which were intended to be converted into equity, amounted to P2.144 billion, P1.654 billion and P1.295 billion as of 31 December 2019, 2018 and 2017, respectively. In February 2015, the Company infused all outstanding advances amounting to P7.208 billion as equity.

b) Advances from PMC to PXP Energy Corporation (PXP Energy)

PMC made cash advances to PXP Energy for its additional working capital requirements, and for the acquisition of equity in Forum Energy PLC (FEP), Petroenergy Resources Corporation (PERC) and Pitkin. These advances were covered by a pledge agreement between PMC and PXP Energy wherein certain shares of stocks owned by PXP Energy were pledged to secure the advances. On October 26, 2018, PMC and PXP Energy signed a subscription agreement wherein PMC will subscribe to 260 million common shares of PXP Energy for a total consideration of P3.081 billion. PXP Energy's proceeds from the subscription agreement will be utilized by PXP Energy for the repayment of its advances from PMC. On 5 August 2019, a deed of assignment was entered into by Brixton Energy and Mining Corporation (BEMC, a subsidiary of PXP Energy) transferring Brixton receivables from PMC to PXP Energy amounting to P738 million. As of 31 December 2019, PXP Energy paid P2.897 billion to PMC to settle all PXP Energy advances, including the Brixton receivables which reduced the advances to nil from P1.387 billion as at end 2018 and P2.169 billion as of 31 December 2017. As of 31 December 2019, the Company has an outstanding subscription payable to PXP Energy amounting to P185 million after settling P2.896 million of the total subscription of P3.081 billion that brought PMC's interest in PXP Energy from 19.8% to 30.4%. 58

c) Issuance of Convertible Bonds to First Pacific Company Limited (FPC) and SSS by SMECI

In December 2014, SMECI and PMC, as the co-issuer, issued 8-year convertible bonds with a face value of P7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at P18,000 per share one year after the issue date. The carrying value of loans payable amounted to P7.743 billion, P7.333 billion and P6.950 billion as of 31 December 2019, 2018 and 2017, respectively. Note 12 and 26 of the Notes to Consolidated Financial Statements

of the Exhibits in Part V, Item 14 on Related Party Transactions, is incorporated hereto by reference.

Item 6. Compensation of Directors and Executive Officers

There are no arrangements for additional compensation of directors other than that provided in the Company's By-Laws which provides compensation to the directors, at the Board's discretion to determine and apportion as it may deem proper, an amount up to 1.5% percent of the Company's net income before tax of the preceding year. Payments made in 2019, 2018 and 2017 amounted to P1.3 million, P16.3 million and P16.9 million, respectively.

Effective March 2015, the Directors' per diem increased to P40,000 per Board meeting attended and P30,000 per Board committee participation, and are deductible from the annual directors' compensation provided under Section 7 of the Company's By-laws. Previously, the rate per attendance for both Board and Board committee meeting was at P8,000. In the event that financial results warrant the payment of the annual directors' compensation under the Company's by-laws, such directors' compensation shall be inclusive of the annual total per diem paid to directors. The total amount of per diem paid in 2019, 2018 and 2017 were P7.0 million, P5.5 million and P6.6 million, accordingly.

There is no executive officer with contracts or with compensatory plan or arrangement having terms or compensation significantly dissimilar to the regular compensation package, or separation benefits under the Company's group retirement plan, for the managerial employees of the Company.

On 23 June 2006, the Company's stockholders approved the stock option plan of the Company which was thereafter duly approved by the Securities and Exchange Commission on 8 March 2007. This Plan and all outstanding option shares granted under this plan expired in 2016.

On 29 June 2011, the Company's stockholders approved a new stock option plan covering up to 246,334,118 shares equivalent to 5% of the Company's outstanding shares of 4,926,682,368 as of 29 June 2011. This plan was approved by the SEC on 22 February 2013, which approval was received by the Company on 5 March 2013. Note 29 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on the Company's Stock Option Plan is hereby incorporated for reference.

The following table shows the compensation of the directors and officers for the past three years and estimated to be paid in the ensuing year. Starting 2008, stock option exercises of the Company's non-management directors, consisting of the difference between the market and exercise prices at the time of option exercise, are considered as director's fee for purposes of the table.

SUMMARY COMPENSATION TABLE
(in Php thousands)

a) Aggregate Compensation of All Directors

	Year	Director's Fee	Bonus	Others
All Directors as a Group (excluding Mr. Austin whose Director's Fees were reported under compensation of Executive Officers)	2020 *Estimate*	P7,300	-	
	2019	P7,610	-	
	2018	P19,885	-	

b) Chief Executive Officer and Four Most Highly Compensated Executive Officers

Name and Principal Position	Year	Salary	Bonus	Others
Eulalio B. Austin, Jr. **Romeo B. Bachoco** **Michael T. Toledo** **Victor A. Francisco** **Jonas Emanuel S. Santos**	2020 *Estimate*	P63,155	P5,263	
Eulalio B. Austin, Jr. **Danny Y. Yu** **Michael T. Toledo** **Redempta P. Baluda** **Joan A. De Venecia-Fabul**	2019	P56,444	P9,815	
Eulalio B. Austin, Jr. **Danny Y. Yu** **Michael T. Toledo** **Redempta P. Baluda** **Manuel A. Agcaoili**	2018	P59,085	P11,067	

c) Aggregate Compensation of All Executive Officers

	Year	Salary	Bonus	Others
All Executive Officers as a Group	2020 *Estimate*	P63,155	P5,263	
	2019	P56,444	P9,815	
	2018	P63,158	P12,307	

d) Aggregate Compensation of all Directors and Executive Officers

	Year	Director's Fees and Salary	Bonus	Others
All Directors and Executive Officers	2020 *Estimate*	P64,522	P4,768	
	2019	P64,054	P9,815	
	2018	P83,403	P12,307	

In 2019, a total of P8.291 million was paid to all executive and non-executive directors, details of which are as follows:

Name	Position	Amount *(Php Millions)*
Manuel V. Pangilinan	Chairman	P0.621
Eulalio B. Austin, Jr.*	President & Chief Executive Officer	0.681
Marilyn A. Victorio-Aquino	Non-Executive Director	0.891
Pin Cheung Chan	Non-Executive Director	0.531

Oscar J. Hilado	Independent Director	0.801
Barbara Anne C. Migallos	Executive Director	0.921
Joseph Ng	Non-Executive Director	0.860
Wilfredo A. Paras	Independent Director	0.831
Diana Pardo-Aguilar	Non-Executive Director	0.080
Michael G. Regino	Non-Executive Director	0.641
Anita B. Quitain	Non-Executive Director	0.681
Gonzalo T. Duque**	Non-Executive Director	0.511
Robert C. Nicholson**	Non-Executive Director	0.121
Edward A. Tortorici**	Non-Executive Director	0.121
Total		**8.291**

*The amount paid to Mr. Eulalio B. Austin, Jr. is included in his compensation as President and Chief Executive Officer as stated in the summary compensation table above.

**Mr. Gonzalo T. Duque resigned as Director of Philex Mining Corporation effective on 31 July 2019 while Messrs. Robert C. Nicholson and Edward A. Tortorici were no longer Directors starting 2019.

A total of P1.9 million was remitted and made payable directly to SSS, which covers the director fees paid to SSS nominee directors.

Item 7. Independent Public Auditor

The appointment, approval or ratification of the Company's independent public auditor or independent external auditor for 2020 will be submitted to the shareholders for approval at the Annual Stockholders' Meeting.

The Audit Committee has recommended, and the Board of Directors has approved, the reappointment of the auditing firm of SyCip Gorres Velayo & Co (SGV). SGV has been the Company's independent auditor since 1981.

Mr. Alexis C. Zaragoza III will be the certifying partner for SGV for 2020, and will be primarily responsible for the audit of the Company's financial accounts. Mr. Zaragoza was the certifying partner in 2017, 2018 and 2019, replacing Mr. Jose Pepito E. Zabat III who completed his fifth year as SGV certifying partner in 2016. The certifying partner of the Company's independent external auditor is rotated at least once every five (5) years, with a two (2) year cooling off period as applicable, in accordance with SRC Rule 68, Part 3(b)(iv)(ix).

The Company's Audited Financial Statements for 2019 as certified by Mr. Zaragoza is attached to this Information Statement. The Company has been advised that the SGV auditors assigned to render audit-related services have no shareholdings in the Company, or a right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, consistent with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

Representatives of SGV will be present at the scheduled stockholders meeting. They will have the opportunity to make a statement should they desire to do so and will be available to respond to appropriate questions.

External Audit Fees and Services

Audit and Audit-Related Fees

For the past three fiscal years, the Company's external auditors were engaged primarily to express an opinion on the financial statements of the Company and its subsidiaries. The audit, however, included the auditors providing assistance to the Company in the review of its income tax return in as far as ensuring the agreement of the reported income and costs and expenses in the return with the recorded amounts in the books. The procedures conducted for this engagement included those that are necessary under auditing standards generally accepted in the Philippines but did not include detailed verification of the accuracy and completeness of the reported income and costs and expenses. The audit fees for these services for the entire Philex Group (excluding PXP Energy group) P4.410 million in 2019, P5.04 million for 2018 and P5.05 million for 2017.

Tax Fees

The Company has not engaged the external auditors for any tax-related services for 2019 as well as in the two prior years.

All Other Fees

The external auditors were not engaged as well to do other engagements in 2019 and in the two prior years.

All audit and non-audit engagements were approved by the Company's Audit Committee.

Audit Committee's Approval of Policies and Procedures

Prior to the commencement of this year-end audit work, the external auditors presented their program and schedule to the Company's Audit Committee, which included discussion of issues and concerns regarding the audit work to be done. At the completion of this audit works, the Company's audited financial statements for the year were likewise presented by the external auditors to the Audit Committee for committee approval and endorsement to the full Board for final approval.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There was no change in the Company's independent auditors during the two most recent calendar years or in any subsequent interim period. As earlier mentioned, Mr. Zaragoza replaced Mr. Zabat as SGV's certifying or audit engagement partner in 2017.

There has been no disagreement with the independent accountants on accounting and financial disclosure.

Item 8. Compensation Plans

No action is to be taken by the shareholders at the Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action is to be taken at the Meeting with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company.

Item 10. Modification or Exchange of Securities

No action is to be taken at the Meeting with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information related to Items 9 and/or 10

As stated above, no action is to be taken at the Meeting with respect to the matters under Items 9 (Authorization or Issuance of Securities Other than for Exchange) and 10 (Modification or Exchange of Securities).

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken at the Meeting with respect to any transaction involving the following:

a) the merger or consolidation of the Company into or with any other person or of any other person into or with the Company;

b) the acquisition by the Company or any of its security holders of securities of another person;

c) the acquisition by the Company of any other going business or of the assets thereof;

d) the sale or other transfer of all or any substantial part of the assets of the Company; or

e) the liquidation or dissolution of the registrant.

Item 13. Acquisition or Disposition of Property

No action is to be taken at the Meeting with respect to the acquisition or disposition of any property.

Item 14. Restatement of Accounts

No action is to be taken at the Meeting with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

Action is to be taken on the reading and approval of the following:

1. **Minutes of the Previous Stockholders' Meeting**

   The Minutes of the Annual Stockholders' Meeting held on 26 June 2019 are posted on the Company's website (www.philexmining.com.ph) and also available for inspection by stockholders at the principal offices of the Company. Copies thereof will also be made available upon request at the venue of the next annual stockholders' meeting.

Matters taken up during the 2019 Stockholders' Meeting were the: (i) Reading and Approval of the Minutes of the 2018 Stockholders' Meeting and Action Thereon; (ii) Presentation of Annual Report and Audited Financial Statements for the Year Ended 31 December 2018 and Action Thereon; (iii) Ratification and approval of the acts of the Board of Directors and Executive Officers during the corporate year 2018 – 2019; (iv) Approval of the amendment of Article Third of the Company's Articles of Incorporation re: the Company's Principal Place of Business; (v) Appointment of Independent Auditors; (vi) Appointment of election inspectors to serve until the close of the next annual meeting; and (vii) Election of Directors, including Independent Directors.

The resolution to be adopted will be for the approval of the Minutes of the 2018 Annual Stockholders' Meeting held on 26 June 2019.

2. Management Reports

The Company's Annual Report and Audited Financial Statements will be submitted for approval by the stockholders. Copies of the Company's Audited Financial Statements and Management Report are attached to this Information Statement.

The Company's Annual Report on SEC Form 17-A for the year ended 31 December 2019, is available on the Company's website (www.philexmining.com.ph). Shareholders, upon written request, will be provided with a copy of the said Annual Report and/or Quarterly Report as filed with the SEC, free of charge. The contact details for obtaining copies of the said Reports are on page __ of this Information Statement.

The resolution to be adopted will be the approval of the Annual Report and the Audited Financial Statements of the Company for the year ended 31 December 2019.

Item 16. Matters not required to be submitted

There are no matters or actions to be taken up in the meeting that will not require the vote of the stockholders.

Item 17. Amendment of Charter

No action is to be taken at the Meeting with respect to amendments to the Company's Articles of Incorporation or By-Laws.

Item 18. Other Proposed Action

Action is to be taken on (1) the ratification and approval of the acts of the Board of Directors and executive officers for the corporate year 2019 to 2020; and (2) the appointment of independent election inspectors for the ensuing year.

1. Acts of the Board of Directors and Executive Officers

All acts, contracts, proceedings, elections and appointments made or taken by the Board of Directors and/or the officers of the Company during the corporate year 2019-2020 will be submitted for ratification and approval of shareholders. These include actions taken by the

Board of Directors at the organizational meeting held on 26 June 2019, and at regular and special meetings held on 30 January, 11 March, 21 March, 26 March, 7 May, 26 June, 31 July, 13 November and 5 December 2019. The acts of officers referred to are those that implemented the actions taken by the Board. A summary of significant actions of the Board, as set forth in the Minutes of meetings, is provided below.

At the organizational meeting held on 26 June 2019, the Board elected the Company's officers and constituted the Board committees for the corporate year 2019-2020.

At regular Board meetings, principal matters discussed included the presentation of detailed monthly operations and financial reports. Operations reports included safety performance, milling tonnage, gold and copper grades, metal production and updates on social development programs and environmental compliance. Key performance indicators such as production and operating cost per tonne are also discussed. Financial reports included operating revenues, operating costs and expenses, income from operations, other income (charges), income before income tax, net income, balance sheet and statements of cash flows. Metal prices and smelter charges are also regularly reported. Updates on the progress of the Silangan Project and other exploration projects, including the status of drilling programs, mining and exploration permit applications, project timetable and cost performance, were also presented. Various ministerial resolutions for the Company's credit facilities with banks were also taken up.

Aside from the foregoing, significant actions of the Board at regular meetings held during the corporate year 2019-2020 include:

At the 30 January 2019 special meeting, the Board discussed preliminary year-end results for 2018 and approved the revised budget for 2019. At the same meeting, Messrs. Joseph H. P. Ng and Richard P. C. Chan were appointed as Directors of the Company to serve the unexpired terms of Messers. Robert C. Nicholson and Edward A. Tortorici.

At the 11 March 2019 special meeting, the Board discussed the necessity to put in a buttress for TSF #3, as recommended by GHD.

At the 21 March 2019 regular meeting, the Board approved the Company's audited financial statements for the year ended 31 December 2018.

At the 26 March 2019 special meeting, the Board set the date of the 2019 Annual Stockholders' Meeting at 2:30 p.m., with a record date of 12 April 2019. The deadline for submission of nominations of directors to be elected at the Meeting was set on 15 April 2019, while the deadline for the submission of proxies was set on 17 June 2019.

At the 7 May 2019 regular meeting, the Board approved the financial results for the quarter ended 31 March 2019, and the corresponding press release for the period.

At the regular meeting held on 26 June 2019, the Board approved the financial results of the first 5 months of 2019.

At the regular meeting held on 31 July 2019, the presentation and approval of the financial results of the Company for the 6 months ended 30 June 2019 was made. The corresponding press release for the period was also reviewed and approved. In addition, the Board approved a $14 Million budget for the early works program of the Silangan project. At the same meeting, Commissioner Gonzalo T. Duque resigned from the Board, and Mr. Danny Y. Yu resigned as the Chief Financial Officer of the Company. The Board appointed Mr. Romeo B. Bachoco, effective August 1,2020, as the Chief Financial Officer of the Company.

On 13 November 2019, the Board approved the financial results of the Company for the 9 months ended 30 September 2019, and the corresponding press release for the period. At the same meeting, Commissioner Diana V. Pardo-Aguilar was appointed as Director of the Company. The Board also approved the renewal of the Company's insurance policies (both local and the London program).

On 5 December 2019, the Board approved the Life of Mine Projections up to 31 December 2022, and related capital expenditures up to 31 December 2022. The Board also approved the Budget and financial targets for the financial year 2020.

The resolution to be adopted is the ratification, approval and confirmation of all acts, contracts, proceedings, elections and appointments made or taken by the Board of Directors and/or the officers of the Corporation during the past corporate year, as set forth in the Minutes of the Meetings of the Board, and/or all acts and proceedings performed or taken pursuant thereto.

2. Appointment of an Independent Election Inspector

On the appointment of independent election inspectors, an independent party will be appointed by the shareholders to serve as election inspector responsible for counting and/or validating the votes cast for all shareholders' meetings held in the ensuing year until the next annual meeting. In 2019 and in previous years, representatives of the independent external auditor were appointed. This practice will be followed this year.

The resolution to be adopted will be the appointment of an election inspector to serve until the close of the next annual meeting.

Item 19. Voting Procedures

All matters requiring approval of stockholders as set forth in the Agenda and this Information Statement will require only the affirmative vote of the stockholders owning at least a majority of the outstanding voting capital stock.

In the election of directors, cumulative voting may be adopted. On this basis, each stockholder as of 08 April 2020 may vote the number of shares registered in his name for each of the eleven (11) directors to be elected, or he may multiply the number of shares registered in his name by eleven (11) and cast the total of such votes for one (1) director, or he may distribute his votes among some or all of the eleven (11) directors to be elected. The eleven (11) nominees with the greatest number of votes will be elected directors.

Stockholders as of 08 April 2020 may vote at the Annual General Stockholders' Meeting on 15 July 2020. Stockholders have the right to vote online, or be represented at the meeting by by proxy.

1. Stockholders who cannot attend by remote communication may accomplish the enclosed proxy form. The proxy form contains each item on the Agenda that requires stockholders to vote "YES", "NO", or "ABSTAIN". In the case of election of directors, the names of each of the nominees are listed in the proxy form with space for the stockholder to indicate his or her vote for or against each of the nominees. Stockholders are given until 03 July 2020 to submit a scanned copy of the proxy via email to bcmigallos@philexmining.com.ph, or physical copies to the Office of the Corporate Secretary at the Company's offices. Proxies will be validated by the Special Committee of Inspectors on 08 July 2020 at 10:30 a.m. at the Company's principal office.

2. On-line voting:

   a) A stockholder must first register via e-mail. Certificated shareholders must indicate in the email their Stockholder ID number, and attach a scanned copy of a valid government identification card (ID). Indirect or Uncertificated shareholders (shareholders who hold their shares through a PCD Nominee account) must submit through e-mail a certification from their broker attesting that the stockholder is the beneficial owner of shares of stock of the Company (the number of shares must be indicated) and a valid current ID. Certificated and Indirect or Uncertificated shareholders must send the required information to bcmigallos@philexmining.com.ph on or before 12 NN of 05 July 2020. Clarificatory questions regarding attendance via remote communication may also be sent via email to bcmigallos@philexmining.com.ph.

   b) Once the Company successfully verifies the stockholder's status, the Company will reply to each stockholder with (1) a link through which the Meeting may be accessed; and (2) and the SECURITY CODE and an online ballot.

   c) Shareholders may vote by sending the filled in online ballot via email to bcmigallos@philexmining.com.ph on or before 12:00 p.m. on 13 July 2020.

   d) Certificated shareholders also have the option of logging on to http://www.philexmining.com.ph/investor-relations/vote-online to cast their vote, following the instructions below:

i. A stockholder must key in his/her STOCKHOLDER NUMBER on the box labeled "STOCKHOLDER NUMBER".

   The STOCKHOLDER NUMBER serves as the account number with the Company, and can be found in previous letters and communications of the Company, including letters for dividends. If the STOCKHOLDER NUMBER cannot be located, please contact Ms. Alma A. Escalante of the Company's Investor Relations Division at (632) 631-1381 to 88, local 8907 or via email at aaescalante@philexmining.com.ph, or Mr. Richard D. Regala of Stock Transfer Services, Inc., the Company's stock transfer agent at (632) 403-2410 or (632) 403-2412, or via email at rdregala@stocktransfer.com.ph.

ii. Key in the SECURITY CODE provided by the Company after registration.

iii. Upon entering a valid STOCKHOLDER NUMBER and the correct SECURITY CODE, stockholder details (i.e. name, address, contact numbers, email address) will appear at the top of the page. Stockholders are requested to fill in the information for contact details (MOBILE NUMBER, LANDLINE, and EMAIL ADDRESS) to update their record with the Company. The online form showing "Items Requiring Shareholder Approval" will appear afterwards.

iv. For each item requiring shareholders' approval, click the appropriate box or boxes to indicate your vote. For all items except the election of directors, click only one box opposite "YES", "NO" or "ABSTAIN" to indicate your vote.

v. For the election of directors, stockholders may vote up to nine (9) regular directors, and two (2) independent directors. Click the boxes opposite the names of the chosen nominees to indicate your vote. Cumulative voting is allowed; please refer to Item 4 (pages 4-5) of the Information Statement for an explanation of cumulative voting.

vi. To submit the vote, click the "SUBMIT" button on the lower right hand portion of the page. Once submitted, shareholders may still change their vote by clicking BACK to return to the previous page. As soon as the votes are finalized and the SUBMIT button is clicked, a confirmation message "Thank you for Voting" will appear.

vii. Votes will be accepted until 12:00 p.m. on 13 July 2020.

viii. Results of the voting by shareholders will be announced for each item on the Agenda requiring the vote of shareholders, and shall be duly disclosed and shall be made available on the Company's website on the business day following the meeting.

For any questions or concerns, kindly contact the office of the Corporate Secretary via email at bcmigallos@philexmining.com.ph.

Proxies and online votes shall be tabulated by the Company with the Corporate Secretary and stock transfer agent, BDO, under the guidance and supervision of the Company's external auditors, when necessary. Results of the voting by shareholders will be announced for each item on the Agenda requiring the vote of shareholders. The tabulation and results of the voting

shall be duly disclosed and shall be made available on the Company's website on the business day following the meeting.

The voting procedure will be announced at the start of the meeting.

PART II.

(PLEASE SEE SEPARATE PROXY FORM)

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 17 June 2020.

By:

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A FOR THE PERIOD ENDING 31 DECEMBER 2018, AS FILED WITH THE SEC, FREE OF CHARGE. KINDLY ADDRESS WRITTEN REQUESTS TO:

ATTY. BARBARA ANNE C. MIGALLOS
Corporate Secretary

PHILEX MINING CORPORATION
2nd Floor Launchpad, Reliance Street corner Sheridan Street,
Mandaluyong City, Metro Manila

PROXY

The undersigned stockholder of **PHILEX MINING CORPORATION** (the "Company") hereby appoints _____ or in his absence, the Chairman of the meeting, as his/her/its attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the **Annual General Stockholders' Meeting** of the Company to be held on **15 July 2020 at 4:00PM** and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of annual stockholders' meeting held on 26 June 2019
   ☐ Yes ☐ No ☐ Abstain

2. Approval of annual reports and Audited Financial Statements for the year ending 2019
   ☐ Yes ☐ No ☐ Abstain

3. Ratification and approval of the acts of the Board of Directors and executive officers
   ☐ Yes ☐ No ☐ Abstain

4. Appointment of Sycip, Gorres, Velayo & Co. as independent auditors
   ☐ Yes ☐ No ☐ Abstain

5. Election of Directors
   ☐ Vote for all nominees listed below:

   Manuel V. Pangilinan
   Eulalio B. Austin, Jr.
   Joseph H. P. Ng
   Richard P. C. Chan
   Marilyn A. Victorio-Aquino
   Barbara Anne C. Migallos
   Michael G. Regino
   Anita Bumpus Quitain
   Diana V. Pardo-Aguilar
   Oscar J. Hilado
   Wilfredo A. Paras

   ☐ Withhold authority for all nominees listed above

   ☐ Withhold authority to vote for the nominees listed below:

   _____ _____
   _____ _____
   _____ _____

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.

_____ _____
Date Printed Name of Stockholder

_____
Signature of Stockholder/ Authorized Signatory

Proxy solicitation is made by or on behalf of the Company. This proxy should be received by the Corporate Secretary on or before **05 July 2020**, the deadline for submission of proxies. Proxies will be validated by the Special Committee of Inspectors.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted "for" the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.

A proxy submitted by a corporation should be accompanied by a Corporate Secretary's Certificate quoting the board resolution designating a corporate officer to execute the proxy. Proxies executed by brokers must be accompanied by a certification under oath stating that the broker has obtained the written consent of the account holder.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person. This proxy shall be valid for five (5) years from the date hereof unless otherwise indicated in the box herein provided.

This solicitation is primarily by mail; however, incidental personal solicitation may also be made by the officers, directors, and regular employees of the Company whose number is not expected to exceed fifteen and who receive no additional compensation therefor. The Company bears the cost, estimated not to exceed P3 Million, of preparing and mailing this proxy form and other materials furnished to stockholders in connection with this proxy solicitation and the expenses of brokers who mail such materials to their customers.

No director or executive officer, nominee for election as director, or associate of such director, executive officer of nominee of the Company, at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

XREPUBLIC OF THE PHILIPPINES)
MAKATI CITY)S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **OSCAR J. HILADO**, Filipino, of legal age, with business address at The Penthouse, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City, Metro Manila, hereby declare under oath that:

1. I am nominated for re-election as Independent Director of **PHILEX MINING CORPORATION** (the "**Company**"), a corporation duly organized and existing under Philippine law, with principal office at 2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, at the Company's Annual Stockholders' Meeting to be held on 15 July 2020. I have been Independent Director of the Company since 7 December 2009.

2. I am also currently affiliated with the following companies or organizations:

Philippine Investment Management (PHINMA), Inc.	Chairman	August 2005 – Present
Phinma Corporation	Chairman	Dec. 2003 – Present
Phinma Property Holdings Corporation	Chairman	April 1999 – Present
Union Galvasteel Corporation	Vice-Chairman	March 2017 - Present
Rockwell Land Corporation	Director	May 27, 2015 – Present
A. Soriano Corporation	Director	April 13, 1998 – Present
Roxas Holdings, Inc.	Director	March 2016 – Present
Smart Communications, Inc.	Director	May 6, 2013 – Present
Phinma Solar Energy Corporation	Director	July 3, 2017 - Present
Phil Cement Corp.	Director	July 10, 2018 - Present
Phinma Education Holdings, Inc.	Director	March 2016 – Present
Araullo University	Director	April 2004 – Present
Cagayan de Oro College	Director	June 2005 – Present
University of Iloilo, Inc.	Director	Aug 17, 2009 – Present

University of Pangasinan, Inc.	Director	Aug 17, 2009 – Present
Southwestern University	Director	June 20, 2016 – Present
St. Jude College, Manila	Director	Jan 20, 2018 – Present
Phinma Hospitality, Inc.	Director	July 15, 2011 - Present
Phinma Microtel Hotels, Inc.	Director	July 2011 - Present
United Pulp and Paper Company, Inc.	Director	Dec. 2, 1969 - Present
Digital Telecommunications Phils., Inc. (Digitel)	Director	May 6, 2013 – Present
Seven Seas Resorts & Leisure, Inc.	Director	1996 – Present
Beacon Property Ventures, Inc.	Director	Dec. 1994 – Present
Cebu Light Industries Phils., Inc.	Director	Feb 1996 – Present
Pueblo de Oro Development. Corporation	Director	Feb 1996 – Present
Manila Cordage Company	Director	1986 – Present

3. I possess all of the qualifications and none of the disqualifications to serve as Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code ("**SRC**"), the 2015 Implementing Rules and Regulations of the SRC (the "**SRC Rules**"), and other issuances of the Securities and Exchange Commission ("**SEC**").

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders under Rule 38.2.3 of the SRC Rules, or otherwise.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agency or instrumentality.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the SRC, SRC Rules, the Code of Corporate Governance for Publicly Listed Companies, and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 15 day of June 2020 at Makati City, Metro Manila.

OSCAR J. HILADO
Affiant

SUBSCRIBED AND SWORN to before me this 15 day of June 2020, affiant exhibiting to me his Competent Evidence of Identity consisting of his Philippine Passport No. **P7959521A** issued on **16 July 2018** at **DFA NCR EAST**, expiring on **15 July 2028** bearing his photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

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Series of 2020.

PX Mining Independent Director Certification – OJH /dfp64

WILLIE ANN M. ANGSIY
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-560 (2019-2020)
COMMISSION EXPIRES ON DECEMBER 31, 2020
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 8117341; Makati City; 1/3/2020
IBP O.R. No. 100826; Makati City; 1/3/2020
TIN 421-685-039
Attorney's Roll No. 73856
Admitted to the Philippine Bar: 20 June 2019

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **WILFREDO A. PARAS**, Filipino, of legal age, with address at 600 Palico Street, Ayala Alabang, Muntinlupa City, Metro Manila, hereby declare under oath that:

1. I am nominated for re-election as Independent Director of **PHILEX MINING CORPORATION** (the "**Company**"), a corporation duly organized and existing under Philippine law, with principal office at 2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, at the Company's 2020 Annual Stockholders' Meeting to be held on 15 July 2020. I have been Independent Director of the Company since 29 June 2011.

2. I am also currently affiliated with the following companies or organizations:

Company	Position	Period of Service
WAP Holdings, Inc.	President	2007 – Present
Dualtech Training Center Foundation, Inc.	Trustee	July 2012 – Present
GT Capital Holdings, Inc.	Independent Director	May 2013 – Present

3. I possess all of the qualifications and none of the disqualifications to serve as Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code ("**SRC**"), the 2015 Implementing Rules and Regulations of the SRC (the "**SRC Rules**"), and other issuances of the Securities and Exchange Commission ("**SEC**").

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders under Rule 38.2.3 of the SRC Rules, or otherwise.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agency or instrumentality.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the SRC, SRC Rules, the Code of Corporate Governance for Publicly Listed Companies, and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 15 day of June 2020 at Makati City, Metro Manila.

WILFREDO A. PARAS
Affiant

SUBSCRIBED AND SWORN to before me this 15 day of June 2020, affiant exhibiting to me his Competent Evidence of Identity consisting of his Philippine Passport No. P0966042A issued on 19 November 2016 at DFA NCR South, and expiring on 18 November 2021, bearing his photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc No. 246
Page No. 52
Book No. I
Series of 2020.

WAP Independent Director Cert /dfp83

WILLIE ANN M. ANGSIY
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-560 (2019-2020)
COMMISSION EXPIRES ON DECEMBER 31, 2020
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 8117341; Makati City; 1/3/2020
IBP O.R. No. 100826; Makati City; 1/3/2020
TIN 421-685-039
Attorney's Roll No. 73856
Admitted to the Philippine Bar: 20 June 2019

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SECRETARY'S CERTIFICATE

I, **BARBARA ANNE C. MIGALLOS**, of legal age, Filipino and with office address at 7th Floor, The PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, Metro Manila, hereby depose and state that under oath that:

1. I am the incumbent Corporate Secretary of **PHILEX MINING CORPORATION** (the "**Corporation**"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines, and with principal office address at 2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila.

2. The following incumbent Directors of the Company are not connected with any government agency or instrumentality:

2.1. Mr. Manuel V. Pangilinan
2.2. Engr. Eulalio B. Austin, Jr.
2.3. Mr. Joseph H. P. Ng
2.4. Atty. Marilyn A. Victorio-Aquino
2.5. Mr. Richard P. C. Chan
2.6. Mr. Oscar J. Hilado (Independent)
2.7. Mr. Wilfredo A. Paras (Independent)
2.8. Atty. Barbara Anne C. Migallos

3. Incumbent directors Mr. Michael G. Regino, Ms. Anita Bumpus Quitain and Ms. Diana V. Pardo-Aguilar are nominees and representatives of the Social Security System (the "**SSS**"), which holds 20.09% of the outstanding capital stock of the Company. Mr. Regino, Ms. Quitain and Ms. Pardo-Aguilar are Commissioners of the Social Security Commission, the governing board of the SSS. They have the consent of SSS to be elected to the Company's Board of Directors as shown in the attached Resolution dated 15 January 2020 from the SSS.

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of June 2020 at Makati City, Metro Manila, Philippines.

BARBARA ANNE C. MIGALLOS
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 17th day of June 2020, affiant exhibiting to me her Community Tax Certificate No. 04346179 issued on 6 January 2020 at Makati City, and her Passport No. P7148981A issued on 11 May 2018 at DFA NCR South, expiring on 10 May 2028 bearing her photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice

Doc. No.: 326;
Page No.: 67;
Book No.: I;
Series of 2020.

SAMANTHA LOUISE B. BUGAY
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-561 (2019-2020)
COMMISSION EXPIRES ON DECEMBER 31, 2020
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 8117340; Makati City; 1/3/2020
IBP O.R. No. 100827; Makati City; 1/3/2020
TIN 355-207-180
Attorney's Roll No. 73688
Admitted to the Philippine Bar: 20 June 2019

Republic of the Philippines
SOCIAL SECURITY COMMISSION
12th Floor, SSS Makati Building
6782 Ayala Avenue Corner V.A. Rufino St., Makati City
Tel. Nos. 813-4297; 813-4898; 813-4294 / Fax No. 813-4316

JAN 16 2 14 PM 20
OFFICE OF THE PRES. & CEO

Regular Meeting No. 1
15 January 2020

RESOLUTION NO. 22-s.2020

RESOLVED, That the Commission approve, as it hereby approves, the nomination and designation of the following Social Security Commission Members/Social Security System officials to the following SSS investee corporations for year 2020:

- *Philex Mining Corporation*

  Commissioner Anita Bumpus Quitain
  Commissioner Diana Pardo Aguilar
  Commissioner Michael G. Regino

- *Union Bank of the Philippines*

  PCEO/Vice Chairperson Aurora Cruz Ignacio
  Commissioner Michael G. Regino

- *PXP Energy Corporation*

  Commissioner Diana Pardo Aguilar

- *First Philippine Holdings Corporation*

  Commissioner Anita Bumpus Quitain

- *Belle Corporation*

  Commissioner Ricardo L. Moldez

- *Philippine Long Distance Telephone, Inc.*

  Commissioner Manuel L. Argel, Jr.
  (*vice* PCEO/Vice Chairperson Aurora Cruz Ignacio)

- *City Savings Bank*

  Commissioner Ricardo L. Moldez

- *Ionics, Inc.*

  Commissioner Bai Norhata Macatbar Alonto
  (*vice* EVP Rizaldy T. Capulong)

- *Philippine Dealing System*

  Treasurer Rosalia V. de Leon

- *Philamlife Tower Management Corporation*

  Commissioner Manuel L. Argel, Jr.
  (*vice* Atty. Paul Erik D. Manalo)
  Commissioner Bai Norhata Macatbar Alonto
  (*vice* SVP Pedro T. Baoy)
  EVP Rizaldy T. Capulong
  SVP Santiago D.R. Agdeppa

- *Philamlife Tower Condominium Corporation*

  SVP Santiago D.R. Agdeppa

- *Capital Consortium, Inc.*

  SVP Pedro T. Baoy

CERTIFIED BY:

SANTIAGO D.R. AGDEPPA
Commission Secretary/
Executive Commission Clerk

PHILEX MINING CORPORATION

MANAGEMENT REPORT

I. Consolidated Audited Financial Statements

The consolidated financial statements of the Company and its subsidiaries for the period ended December 31, 2019 in compliance with SRC Rule 68, as amended are attached to the Information Statement and are incorporated by reference.

II. Information on Independent Accountants and Other Related Matters

Audit and Audit-Related Fees

For the past three fiscal years, the Company's external auditors were engaged primarily to express an opinion on the financial statements of the Company and its subsidiaries. The audit, however, included the auditors providing assistance to the Company in the review of its income tax return in as far as ensuring the agreement of the reported income and costs and expenses in the return with the recorded amounts in the books. The procedures conducted for this engagement included those that are necessary under auditing standards generally accepted in the Philippines but did not include detailed verification of the accuracy and completeness of the reported income and costs and expenses. The audit fees for these services for the entire Philex Group (excluding PXP group) P3.800 million in 2019, P5.04 million for 2018 and P5.04 million for 2017.

Tax Fees

The Company has not engaged the external auditors for any tax-related services for 2019 as well as in the two prior years.

All Other Fees

The external auditors were not engaged as well to do other engagements in 2019 and in the two prior years.

All audit and non-audit engagements were approved by the Company's Audit Committee.

Audit Committee's Approval of Policies and Procedures

Prior to the commencement of this year-end audit work, the external auditors presented their program and schedule to the Company's Audit Committee, which included discussion of issues and concerns regarding the audit work to be done. At the completion of this audit works, the Company's audited financial statements for the year were likewise presented by the external auditors to the Audit Committee for committee approval and endorsement to the full Board for final approval.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There was no change in the Company's independent auditors during the two most recent calendar years or in any subsequent interim period. Since 2018 audit, the Company's audit engagement partner was Mr. Alexis C. Zaragoza, previously was Mr. Jose Pepito E. Zabat III.

There has been no disagreement with the independent accountants on accounting and financial disclosure.

III. Management Discussion and Analysis of Financial Position and Results of Operations

For the Quarters Ended March 31, 2020 and 2019

Information on the Company's results of operations and financial condition contained in the Unaudited Financial Statements for the period ended March 31, 2020 as presented in the Company's SEC Form 17Q for the First Quarter Ended March 31, 2020 are incorporated herein by reference.

Review of Financial Results

Total operating revenues for the first quarter ended March 31, 2020 (1Q2020) amounted to ₱1.860 billion which were 15% higher compared with ₱1.613 billion reported for the same period in 2019 (1Q2019), mainly due to higher metal output and gold prices which were partially offset by unfavorable copper prices and foreign exchange rates. Padcal continues to maintain a stable level of production with the implementation of production improvement programs that were fully put in place in mid-2019 to address various operational and technical issues to attain higher daily tonnage.

Gold
Gold production in 1Q2020 increased by 35% at 14,159 ounces compared with 10,493 ounces in 1Q2019. Average gold price for the same period was US$1,600 per ounce, 23% higher than the US$1,304 per ounce gold price realized in 1Q2019. The current level of gold prices remain to be favorable to the Company and is expected to boost the revenue to offset the decline in copper prices. With higher gold output and prices, gold revenues was consequently higher at ₱1.148 billion compared with ₱703 million in 2018. Gold revenues represent 62% of total revenues for the quarter.

Copper
Copper production in 1Q2020 also increased to 6,738,408 pounds, 18% above production of 5,727,054 pounds in 1Q2019. Realized copper prices for the same period averaged lower at US$2.35 per pound against US$2.96 per pound in 1Q2019. The 21% decline in copper prices coupled with a 3% decline in foreign exchange rates, copper revenue decreased to ₱697 million, 22% lower than the ₱896 million reported in 1Q2019 despite higher copper output in 1Q2020 versus 1Q2019. Copper revenues accounted for 37% of the total.

Silver
Revenues from silver made up the remaining 1% of the Company's total revenue and amounted to ₱15 million for 1Q2020, almost at par with last year's P14 million for the same period, mainly from lower foreign exchange rates.

As a mitigating strategy to counter any unfavorable impact of global metal price volatility in revenues, the Company regularly monitors the need to enter into hedging contracts. With conservative assessment and based on the Company's outlook of the movement of gold and copper prices for the year 2020, the Company entered into gold put option hedging contracts.

2020 Gold Put Options						
Deal Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)		Period Covered	Settlement Date	Realized Gain (in P Millions)
		Put	Settlement			
01/13/20	1,500	1,450	1,561	Jan. 2020	02/04/20	-
01/13/20	1,500	1,450	1,598	Feb. 2020	03/03/20	-
01/13/20	1,500	1,450	1,593	Mar. 2020	04/02/20	-
01/13/20	1,500	1,450		Apr. 2020	05/04/20	-
01/13/20	1,500	1,450		May 2020	06/02/20	-

01/13/20	1,500	1,450		June 2020	07/02/20	-

The Company paid US$4.20 per ounce or a total of US$37,800 as put option premium for the gold hedging contracts covering period beginning January 2020 through June 2020 . The premium is amortized over the term of the contract.

For 2019, the Company recognized a net hedging loss of P53 million on its gold hedge, with nil for 1Q2019 as settlement prices were within collar prices, as provided in the table below:

2019 Gold Collar Hedge							
Deal Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) *(in P Millions)*
		Put	Call	Settlement			
02/08/19	2,000	1,300	1,327	1,320	Feb. 2019	03/02/19	-
02/08/19	2,000	1,300	1,327	1,302	Mar. 2019	04/02/19	-
02/08/19	2,000	1,300	1,327	1,287	Apr. 2019	05/02/19	1
06/18/19	2,000	1,330	1,390	1,414	July 2019	08/02/19	(3)
06/18/19	2,000	1,330	1,390	1,498	Aug. 2019	09/03/19	(11)
06/18/19	2,000	1,330	1,390	1,511	Sept. 2019	10/02/19	(13)
06/18/19	2,000	1,330	1,390	1,495	Oct. 2019	11/04/19	(11)
06/18/19	2,000	1,330	1,390	1,471	Nov. 2019	12/02/19	(8)
06/18/19	2,000	1,330	1,390	1,478	Dec. 2019	01/03/20	(9)
							(53)

As of March 31, 2019, 2,000 ounces from the contract with deal date of Feb. 8, 2019 remained outstanding with unrealized MTM gain of P1 million. No contracts remained outstanding as of December 31, 2019, thus nil unrealized MTM gain or loss.

Operational Overview

The Company's total ore milled from its Padcal Mine for 1Q2020 increased by 8% to 1,969,490 tonnes compared to 1,832,279 tonnes in 1Q2019 mainly from continuing effect of the implementation of improvement programs and acquisition of LHDs which started mid-2019. The improvement in the execution of mining plan and operating procedures also resulted in the increase of final blended metal grades of both gold and copper.

Gold production significantly increased by 35% to 14,159 ounces for 1Q2020 from 10,493 ounces in 1Q2019. This was mainly due to 7% increase in tonnage coupled with the significant increase in gold grades by 18% following the effective blending of ore sources. Gold grades averaged at 0.283 grams per tonne (g/t) in 1Q2020 against 0.239 g/t in 1Q2019. Gold recovery also contributed to the increase in gold output with a 6% increase to 79% in 1Q2020 from 74% in 1Q2019.

Copper production similarly increased in 1Q2020 at 6,738,408 pounds, 18% above last year's production for the same period 5,727,054 pounds due to higher tonnage as well as higher ore grades. Copper ore grades averaged 0.188% in 1Q2020, 7% higher than 0.175% in 1Q2019. Like in gold, the improvement in metal recovery for copper also contributed to the increase in copper output.

Operating Costs and Expenses

The Company's total operating costs and expenses, including General and Administrative Expenses (G&A) and Depletion, Depreciation and Amortization, amounted to ₱1.552 billion for the 1Q2020, slightly lower than the ₱1.566 billion in 1Q2019, mainly as a result of the lower Production Costs and Depletion, Depreciation and Amortization, despite higher amounts for Excise Taxes and Royalties on account of higher revenues and higher G&A.

Smelting Charges amounted to ₱147 million for the period, 7% higher than the ₱137 million in 1Q2019, due mainly to higher copper concentrates produced of 14,447 dry metric tons (DMT) in 1Q2020 from 12,694 DMT in 1Q2019, as well as higher metal output in 1Q2020 which are basis in determining the smelting charges for the period.

Cash Production Costs for 1Q2020 slightly decreased to ₱1.065 billion from ₱1.074 billion, mainly from lower power costs due to lower power consumption, and also from lower materials and supplies usage.

Depletion, Depreciation and Amortization also decreased to ₱295 million from ₱327 million as a result of the previous year's impairment provisions against mine and mining assets. The recognition of the impairment provision reduced the rate per tonne for the depletion and block amortization expenses in 1Q2020. This reduction was, however, partially offset by depreciation of recently acquired equipment, and amortization for additional costs incurred in maintaining the tailings storage facility.

Excise Taxes and Royalties increased to ₱119 million from ₱94 million, on account of higher net revenue in 1Q2020 which serves as the basis of excise tax and royalties. Similarly, G&A slightly increased to ₱73 million in 1Q2020 from ₱71 million.

Costs Per Tonne / Per Ounce / Per Pound

Total production costs (including depletion, depreciation and amortization) on a per unit basis was recorded at ₱691 per tonne for 1Q2020, 10% lower than ₱765 per tonne in 1Q2019. Likewise, operating costs (including smelting charge, excise taxes, and royalties) was lower at ₱825 per tonne in 1Q2020 against ₱891 per tonne in 1Q2019. The favorable decrease in cost per tonne was attributable to the combined effect of lower operating costs and higher tonnage for the period.

Total operating costs (including smelting charges but excluding G&A) amounted to ₱1.626 billion in 1Q2020 compared to ₱1.632 billion in 1Q2019. However, on a per tonne basis, we see a decrease in cost per tonne (both for total production and operating) for 1Q2020 when compared to 1Q2019.

Using co-production method, the operating cost (including smelting charges but excluding G&A) per ounce of gold and per pound of copper for 1Q2020 were US$1,330 per ounce and US$1.95 per pound, compared with US$1,322 per ounce gold and US$2.99 per pound copper in 1Q2019, respectively. The expectation was to have lower cost per unit considering the higher metal output this period. However, with the relatively significant increase in gold prices resulting to higher gold revenues, the cost allocated to gold based on revenue contribution was higher compared to 1Q2019, thus the cost per ounce of gold increased in 1Q2020. On the other hand, with the lower allocation of cost to copper due to higher copper output, the resulting cost per pound was lower in 1Q2020 than in 1Q2019.

Other Income (Charges)

The Company recorded a Net Other Charges of ₱42 million in 1Q2020 against a Net Other Income of ₱294 million in 1Q2019. This quarter's Net Other Charges consisted mainly of share in net losses

of associates. Equity Share in Net Loss of Associates (covering PXP Energy Corp. and Lepanto) amounted to ₱14 million in 1Q2020 and ₱11 million in 1Q2019. These amounts correspondingly reduced the Company's investments in the named associates.

In 1Q2019, the Company's Net Other Income of ₱294 million consisted mainly of net non-recurring gain of P318 million that was partially offset by the share in net losses of associates of ₱11 million.

The Company recorded insignificant amounts of gain (loss) on foreign exchange (Forex) transactions in 1Q2020 and 1Q2019 as there was minor changes in foreign exchange rates used in the restatement of the Company's net foreign currency-denominated liabilities. The reference foreign exchange rates at closing dates of March 31, 2010 were ₱50.68 against ₱50.635 as of December 31, 2019 and as of March 31, 2019 of ₱52.50 against ₱52.58 as of December 31, 2018.

Minimal amounts of interest income from short-term money market placements were recorded in 1Q2020 and 1Q2019 on account of the lower cash balance arising from payment of loan balance for any excess cash.

Core and Reported Net Income

The favorable metal production in 1Q2020 allowed the Company to a core net income of ₱103 million, a turnaround from a loss of ₱112 million in 1Q2019. The production improvements implemented mid-2019 paved way for the Company's return to profitability.

EBITDA increased to ₱419 million for 1Q2020, 93% higher compared with ₱217 million in 1Q2019. The Company's core net income and EBITDA exclude non-recurring transactions to clearly reflect and provide results based on the normal operating parameters of the business. In 1Q2019, Non-core items consisted of the gain on the reversal of receivable previously written off, the write off of fixed assets and manpower rationalization costs.

Reported Net Income (the same as the Net Income Attributable to the Equity Holders as income attributable to non-controlling interest was nil), however, reached only ₱102 million against ₱206 million in the same period last year. Last year's reported net income included net non-recurring gain of P318 million.

FINANCIAL CONDITION REVIEW

Current Assets

The Company's Current Assets as of March 31, 2020 increased to ₱3.079 billion from ₱2.921 billion as of December 31, 2019. The increase of ₱158 million was mainly due to the increase in mine products inventory given that a significant volume of production remained in inventory awaiting scheduled shipment of mid-April 2020, partially offset by lower balances of cash and cash equivalents and accounts receivable.

Cash and Cash Equivalents

The Cash and Cash Equivalents amounted to P545 million as of March 31, 2020 and P796 million as of end-2019. In addition to the cash generated from operations, a portion of beginning cash balance was utilized to finance capital expenditures for the mine operations for the period as the next cash remittance was received in late April which proceeds are dependent on the timing of schedule of copper concentrate shipments.

Accounts Receivable

Under the existing sales agreement with the two major Company's Customers ("Offtakers"), the Company receives 90% of the total US$ value of the copper concentrates within a few days after the shipment date, with the balance payable upon final pricing determination based on agreed quotational shipment prices ("QP"). QP is determined either Month of Shipment Schedule (MOSS) or Month After Month of Arrival (MAMA) in destination.

The Company's Accounts Receivables are largely composed of Trade Receivables from sales of the Company's copper concentrates or bullion and Other Receivables that include advances to employees for conduct of transactions in the ordinary course of business. As of March 31, 2020, Accounts Receivables amounted to P294 million, consisting of Trade Receivables of P210 million and Other Receivables of P84 million, from P416 million in 2019.

As of December 31, 2019, the outstanding receivables from copper concentrates consisted period of the remaining value of four shipments in the fourth quarter of 2019 awaiting final pricing, of which three were with IXM SA, and the one with Pan Pacific Copper Co., Ltd (PPC). The QP for the PPC shipments is 3MAMA for copper and 1MAMA for gold and silver, while for IXM SA, the QP is MOSS for copper and MOSS or 3MAMA for gold.

Inventories

Total Inventories amounted to P1.534 billion as of 1Q2020 and P1.044 billion in 2019, or a 46% increase.

As of 1Q2020,inventories consists of of materials and supplies amounting to P868 million or about 57% and mine products amounting to P666 million or 43%. On the other hand, materials and supplies was P915 million in 2019, while mine products inventory, which is valued at net realizable value, amounted to P129 million in 2019.

Other Current Assets

Other Current Assets, composed primarily of input Value-Added Tax (VAT) claims for refund on purchases of materials, supplies and equipment, slightly increased to P704 million from P666 million in 2019, due mainly from additional claims for refund of VAT on purchases for 1Q2020.

Non-Current Assets

Non-Current Assets amounted to P35.011 billion as of March 31, 2020 from P34.977 billion as of December 31, which comprised mainly of Property, Plant and Equipment, Investment in Associates and Deferred Exploration Costs. PPE and Deferred Exploration Costs represent 79% of total assets, signifying the capital intensive nature of the business.

Property, Plant and Equipment

Property, Plant and Equipment slightly increased to P3.200 billion as of March 31, 2020 from P3.185 billion in 2019, mainly from Padcal's mine development activities and acquisition of mine equipment. In 2019, additional impairments were recorded amounting to P1.457 billion on top of the impairment of P1.332 billion in 2018. The annual impairments recorded in the financial statement are attributable to Padcal mine and mining properties as it is nearing the end of mine life.

Financial Assets Measured at FVOCI

Financial Assets Measured at FVOCI, consisting mainly of shares in gold and country clubs, did not change at P121 million from last year's balance.

Investment in Associates

Investment in Associates decreased to P4.195 billion as of March 31, 2020 from P4.208 billion as of December 31, 2019, mainly from the Company's share in the net losses of associates in 1Q2020 of P14 million.

Deferred Exploration Costs

As of December 31, 2019, Deferred Exploration Costs increased to P26.779 billion as of 1Q2020 from P26.616 billion in 2019, on account of the pre-development expenditures related to Silangan Project with cumulative amount of ₱24.511 billion or 92% of total deferred exploration costs. Initial expenditures on early works program for the Silangan Project were also included in the deferred exploration costs of the Project.

Pension Asset

Pension Asset decreased to P216 million from P224 million in 2019. Pension Asset represents the excess of the fair value of plan assets against the present value of defined benefit obligations under the Company's retirement plan, net of SMMCI pension obligation.

Other Non-Current Assets

Other Non-Current Assets decreased to P500 million from P623 million in 2019. This consisted mainly of the non-current portion of SMMCI input Value-Added Tax amounting to P434 million.

Total Assets

Total Assets of the Company increased to P38.090 billion from P37.899 billion in 2019, primarily from the higher balance of mine products inventory.

Current Liabilities

Current Liabilities slightly decreased to P4.925 billion from P4.929 billion in 2019, due mainly to the reduction of accounts payable and accrued expenses.

Loans Payable

The balance of Loans Payable increased to P2.589 billion (US$51 million) as of March 31, 2020 from P2.532 billion (US$50 million) in 2019. In 1Q2020, Philex made loan repayments amounting to $3 million under its debt reduction program. However, at the onset of COVID19, Philex re-availed a short term loan amounting to US$2 million as contingency fund should there be disruptions in the company's business operations related to COVID19. Total loan of Philex amounted to US$45 million as of March 31, 2020 from US$46 million in 2019. On the hand, SMMCI outstanding short term loan is at US$6 million as of 1Q2020 and at $4 million as of December 31, 2019. The additional loan availment of SMMCI was used for pre-development operating and capex requirement of SMMCI.

Accounts Payable and Accrued Liabilities

As of March 31, 2020, Accounts Payable and Accrued Liabilities amounted to P1.526 billion from P1.608 billion in 2019. This composed primarily of payables to suppliers and contractors of which no material amount has been left unpaid within terms acceptable and agreed upon with suppliers and contractors.

Subscription Payable

Subscription Payable remained at P187 million from its balance as of December 31, 2019, which consisted mainly of the outstanding balance related to the Company's additional subscription in PXP Energy which increased the Company's interest in PXP Energy from 19.8% to 30.4% in 2018.

Income Tax Payable

As of March 31, 2020, Income Tax Payable amounted to P39 million, which included the tax payable pertaining to 2019 that was due in 2020. Balance as of December 31, 2019 was P53 million.

Dividends Payable

Dividends Payable amounted to P586 million as of March 31, 2020 from P550 million in 2019. At the February 27, 2020 Philex Board meeting, the Philex Board of Directors approved the declaration of regular cash dividend of one centavo for shareholders on record as of March 13, 2020 payable March 27,2020. No dividends were declared in 2019.

Non-Current Liabilities

As of March 31, 2020, Non-Current Liabilities amounted at P10.142 billion, higher than the P10.001 billion in 2019, comprising mainly of Deferred Tax Liabilities and Bonds Payable.

Deferred Income Tax Liabilities

Deferred Income Tax Liabilities, mainly consisting of P1.665 billion arising from the acquisition of Anglo's 50% stake in the Silangan companies and P601 million for accelerated deductions, decreased significantly to P2.266 billion from P2.219 billion in 2019.

Bonds Payable

Loans and Bonds Payable increased to P7.835 billion as of March 31, 2020 from P7.743 billion in 2019. The yearly changes in the amounts correspond to the amortization of deferred transaction costs, accretion of interest from the discounting of the face value of the CN and accrual of the 3% redemption premium. The bonds payable pertains to the 8-year convertible bonds issued by SMECI, with PMC as the co-issuer, on December 18, 2014, with a face value of P7.2 Billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at P18,000 per share 12 months after the issue date ("Standstill Period"). On the last day of Standstill Period, the Issuer shall have a one-time right to redeem the bonds from the holders in whole or in part. After the Standstill Period, the noteholders may exercise the conversion right, in whole but not in parts, at any time but no later than the maturity date. At redemption/maturity date, the bonds can be redeemed together with the principal or face value of the bonds at a premium, payable at a rate of 3% per annum compounded semi-annually based on the face value of the bonds and unpaid accrued interest (if there be any). The proceeds of the bonds were used to repay the SMECI's advances from PMC and fund further exploration works of SMMCI.

Provision for Losses and Mine Rehabilitation Costs

Provision for Losses and Mine Rehabilitation Costs amounted to P40 million, almost the same as the P39 million in 2019. The Company spent P43 million and P60 million in 2019 and 2018, respectively, for the requirement under the Company's approved Final Mine Rehabilitation and Development Program for a total of P137 million.

Total Liabilities

As of March 31, 2020, Total Liabilities amounted to P15.067 billion, higher than the P14.930 billion in 2019, mainly due to the bonds payable.

Shareholders' Equity

The Company's Total Equity as of March 31, 2020 increased to P23.023 billion from P22.969 billion in 2019 on account of the net income of P102 million the Company recognized for 1Q2020.

Retained Earnings amounted to P14.024 billion from P13.971 billion, inclusive with the 1Q2020 Net Income of P102 million and net of cash dividend declared on February 27, 2020.

Net Unrealized Gain on Financial Assets Measured at FVOCI remained at P38 million, Similarly, Equity Conversion Options also remained at P1.226 billion since 2014 corresponding to the carrying amount of the conversion options of the 8-year convertible bonds issued by SMECI, with PMC as the co-issuer, in December 2014 with a face value of P7.200 billion. The Company recorded a very insignificant amount of marked-to-market losses on its outstanding gold hedging contracts Net Revaluation Surplus also remained at P1.572 billion. The balances of Effect of Transactions with Non-Controlling Interests and the Non-Controlling Interests were insignificant for the past two years.

Liquidity and Capital Resources

The Company's existing liquidity position and capital resources are primarily used for the funding of its existing operations and new exploration projects within the Padcal Mine to further extend mine life and for potential expansion of new like the Silangan Project. Despite the risks inherent in the business associated with metal prices, foreign exchange rates, regulatory environment, and the changing economic and market conditions, the Company's net cash generated in operating activities amounted to P31 million in the first quarter 2020 (1Q2020), compared with net cash used in operating activities of P1.528 billion for the same period in 2019 (1Q2019).

Internally generated funds remain as the Company's principal source of cash to finance the capital expenditures of the Padcal mine, the development of Silangan project and exploration initiatives of various mine sites, and to refinance existing loans.

Net cash used in investing activities, principally for capital expenditures and exploration costs, amounted to P320 million in 1Q2020 as against net cash from investing activities of P937 million for the same period in 2019. Capital expenditures increased to P265 million in 1Q2020 compared with P252 million in 1Q2019. The Company focused exploration activities on previously activated areas.

Net cash from financing activities amounted to P25 million in 1Q2020 compared to net cash used in financing activities of P19 million in 1Q2019. The Company availed additional P203 million (US$ 4 million) to finance initial development works in the Silangan Project and as a contingent fund in case there will be disruptions in Padcal operations due to Covid-19.

Capital Expenditures and Exploration Costs

(in Php Millions)	**1Q2020**	**1Q2019**
Padcal and Others:		
Mine Development	223	164
Tailings Pond Structures	7	36
Machinery and Equipment	35	58
Total	264	258
Silangan Project:		
Deferred Exploration Costs	41	205
Machinery and Equipment	1	(6)

Total	42	199
Mine Exploration Projects	1	14
Total	307	470
By Recording:		
Deferred Exploration Costs	42	218
Property, Plant and Equipment	265	252
Total	307	470

Capital Expenditures totalled to P307 million for 1Q2020 and P470 million for 1Q2019.

Padcal operations accounted for 86% of total programmed spending at P264 million in 1Q2020 as compared to P258 million in 1Q2019.

Silangan Project utilized 14% of the capital budget amounting to P42 million in 1Q2020 versus P199 million in 1Q2019. The Company is set to launch its Silangan project by 2022.

Other mining exploration projects has a minimal amount of P1 million in 2020 compared to P14 million in 2019. These activities were mainly centered on surrounding areas of Padcal.

Top Five Key Financial and Non-Financial Performance Indicators

Safety Performance

Personnel health and safety is of paramount concern and regarded with utmost priority. In the first quarter ended March 31, 2020 and 2019, the Company recorded no Lost Time Accident-Fatal (LTA-F). Meanwhile, in terms of Lost Time Accident Non-Fatal events, there were six recorded in 2020 versus nil in 2019.

The Company is targeting a “zero-harm” record through constant reviews of safety policies and procedures. Various initiatives are being implemented to minimize the occurrence of accidents and injuries in the workplace. Third-party experts are likewise engaged to assess existing safety performance and identify risk areas.

Earnings Per Share

Earnings Per Share (EPS) represents the net income attributable to equity holders of the Company, expressed in the amount per share of the Company’s average outstanding capital stock. Assuming a constant outstanding number of shares, the earnings per share correspondingly rises as the Company's earnings increase. The EPS ultimately reflects the Company’s financial and operational growth as a result of its performance in cost management, technical efficiency and productivity.

	1Q2020	**1Q2019**
Earnings Per Share	P0.0207	P0.0418
Total Outstanding Shares	4,940,399,068	4,940,399,068

There were outstanding stock options for the period that could have resulted in additional common shares had the exercise price been higher than market. However, in 2020 and 2019, the outstanding stock options were considered anti-dilutive based on the lower market prices of the Company’s shares compared with the exercise price, thus the diluted earnings per share for these periods were the same as the basic earnings per share of the Company.

Tonnes Milled and Metals Produced

Tonnes milled and ore grade determine the volume of concentrates to be produced and sold. Tonnes milled were 1,969,491 tonnes in 1Q2020, 7% lower compared with 1,832,279 tonnes in 1Q2019.

Copper output reached 6,738,408 pounds, 18% lower than 2019's 5,727,054 pounds, while gold production was down by 35% at 14,159 ounces, compared with 10,493 ounces in 2019, as a result of lower tonnage and ore grades.

Total Production Cost Per Tonne and Operating Cost Per Tonne of Ore Milled, and Per Ounce Gold and Per Pound Copper Produced

The Company's average cost per tonne is a key measure of the Company's operating performance. At the same cost level, the higher the production volume, the lower the cost per tonne becomes, which will also be similar if the same production volume incurs a lower operating cost. Thus, a lower cost per tonne would generally reflect an improvement in operating efficiency.

The same essentially applies to cost expressed in per unit of metal, which incorporates the metal grade, as it affects metal production, and the exchange rate, as it affects the conversion from peso to dollar.

In 2020, the total production cost (mine site cost and expenses excluding smelting charges, excise tax and royalties) per tonne of ore milled was P691, with total production cost of P1.360 billion over ore milled of 1,969,491 tonnes. This was 10% lower than the cost per tonne of P765 from the total production cost of P1.401 billion over ore milled of 1,832,279 tonnes in 2019. The lower cost per tonne in 1Q2020 was primarily due to the higher tonnage milled and lower production costs.

The operating costs and expenses (all cost and expenses excluding G&A) per tonne of ore milled in 1Q2020 was P825 from the total operating cost and expenses of P1.626 billion, also 7% lower than the P891 from the operating costs and expenses of P1.632 billion in 1Q2019. Aside from lower total operating costs for 1Q2020 on account of lower production cost as well as lower non-cash production costs, the cost per tonne was lower as a result of higher tonnage.

Using co-production method, the operating cost applicable to gold produced amounted to US$1,330 per ounce in 1Q2020 compared with US$1,324 per ounce in 1Q2019, while operating cost applicable to copper produced amounted to US$1.95 per pound in 1Q2020 compared with US$3.00 per pound in 1Q2019. Under co-production method, the total cost is allocated proportionately based on the revenue contribution of each product considering there is no physical basis that can be used in allocating costs between the two metals.

Exploration Activities

The Company is cognizant that exploration in itself is a speculative endeavor, and mineral exploration and mining operations can be hampered by force majeure and other unforeseen circumstances beyond the Company's control. To mitigate the impact of these external factors and other contingencies, the Company banks on its ability to successfully explore and/or acquire reserves, design and construct efficient processing facilities, operate and manage its projects, and provide effective financial controls and management. To ensure the optimization of value from its natural resource properties and the long-term sustainability of operations, the Company pursues and invests in viable exploration activities and operational enhancements on a constant basis.

In the first quarter of 2020, the amount spent on mining exploration including that Silangan Project amounted to P42 million compared with P218 million in 2019. As of March 31, 2020, total deferred exploration costs amounted to P26.779 billion, comprising 71% of the Company's Total Assets, compared with P26.616 billion at year-end 2019.

Subsidiaries and Related Party Transactions

The Company's significant related party transactions as of March 31, 2020 and December 31, 2019, which are under terms that are no less favorable than those arranged with third parties, and account balances are as follows:

a) Advances from PMC to SMMCI and SMECI

PMC, owning directly and indirectly 100% of SMMCI and SMECI, provides the funds to SMMCI, through SMECI since 2011 and directly thereafter, for the Silangan project's expenditures since the Company's acquisition of Anglo American's interest in the Silangan Project in 2009. These advances, which were intended to be converted into equity, amounted to P2.206 billion and P2.144 billion as of March 31, 2020 and December 31, 2019, respectively. In February 2015, the Company infused all outstanding advances amounting to P7.208 billion as equity.

b) Advances from PMC to PXP Energy

PMC made cash advances to PXP Energy Corporation (PXP Energy) for its additional working capital requirements, and for the acquisition of equity in FEP, PERC and Pitkin. These advances were covered by a pledge agreement between PMC and PXP Energy wherein certain shares of stocks owned by PXP Energy were pledged to secure the advances. On October 26, 2018, PMC and PXP Energy signed a subscription agreement wherein PMC will subscribe to 260 million common shares of PXP Energy for a total consideration of P3.081 billion. PXP Energy's proceeds from the subscription agreement will be utilized by PXP Energy for the repayment of its advances from PMC. On August 5, 2019, a deed of assignment was entered into by Brixton Energy and Mining Corporation (BEMC, a subsidiary of PXP Energy) transferring Brixton receivables from PMC to PXP Energy amounting to P738 million. In 2019, PXP Energy paid P2.897 billion to PMC to settle all PXP Energy advances, including the Brixton receivables which reduced the advances to nil as at March 31, 2020 and December 31, 2019 from ₱1.387 billion as at end 2018.

As of March 31, 2020, the Company has an outstanding subscription payable to PXP Energy amounting to P185 million after settling P2.896 million of the total subscription of P3.081 billion that brought PMC's interest in PXP Energy from 19.8% to 30.4%.

c) Issuance of Convertible Bonds to FPC and SSS by SMECI

In December 2014, SMECI and PMC, as the co-issuer, issued 8-year convertible bonds with a face value of P7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at P18,000 per share one year after the issue date. The carrying value of loans payable amounted to P7.385 billion and P7.743 billion as of March 31, 2020 and December 31, 2019, respectively.

Known Trends, Events, or Uncertainties

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked, although the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business, which contingencies are not presently determinable.

"As an export-oriented company, Philex was allowed to remain operational during the Enhanced Community Quarantine ("ECQ") in accordance with the guidelines of the government Inter-Agency Task Force (IATF) for the Management of Emerging Infectious Diseases.

The Company's Padcal mine operations continued to function in strict compliance with the applicable government mandated operating guidelines. The Padcal mine camp was placed on lock down and similar entry and exit protocols were implemented under the DOH guidelines. Among others, Padcal mine implemented a 24-hour curfew, implemented social distancing in our work places, Company quarters as well as in support services areas such as medical facilities and areas providing necessities such as food. The safety of our constituents inside the camp was our foremost priority.

The Company was also affected by the limited disruption in its supply chain during the first two weeks of the implementation of the ECQ in NCR and Region IV-A where most of the Company's supplies originates. With the strong government support for export-oriented enterprises like Philex, the potential significant impact to the Company's business of the supply chain disruptions were mitigated and partially eliminated. Alternative supply chain sources was put in place to ensure continued and unhampered business operations of the Company.

The full impact of COVID19 to the medium term and long term business operations is yet to be seen as the pandemic is continuously shaping the new normal for all businesses, including that of Philex.

Other than as discussed above, there are no known significant trends, demands, commitments, or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way. There are no material commitments for capital expenditures not reflected in the Company's financial statements.

There is likewise no significant seasonality or cyclicality in its business operation that would have material effect on the Company's financial condition or results of operation. There were no other significant elements of income or loss that did not arise from the Company's continuing operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period. There are no line items in the Company's financial statements not already explained for causes either above or in the Notes to the Consolidated Financial Statements other than due to the usual period-to-period fluctuations in amounts natural in every business operations.

For the Years Ended December 31, 2019, 2018 and 2017

Information on the Company's results of operations and financial condition presented in the 2019 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements are incorporated herein by reference.

Operations Overview

	2019	2018	2017	2016	2019 vs 2018 (%)	2018 vs 2017 (%)	2017 vs 2016 (%)
Tonnes Milled	8,112,791	8,516,915	8,673,474	9,359,161	(5)	(2)	(7)
Copper Concentrates	55,962	57,779	64,710	73,107	(3)	(11)	(11)
Gold:							
Ounces	53,064	61,977	84,638	103,304	(14)	(27)	(18)

Head Grade (g/t)	0.264	0.298	0.377	0.417	(11)	(21)	(10)
Recovery	77%	76%	81%	82%	2	(5)	(1)
Copper:							
Pounds	25,737,207	26,574,686	30,118,206	34,961,062	(3)	(12)	(14)
Head Grade (%)	0.177	0.181	0.192	0.206	(2)	(6)	(7)
Recovery	81%	78%	82%	82%	4	(4)	-

The Company milled a total of 8,112,791 tonnes in 2019 lower by 5% than that of 2018 at 8,516,915 tonnes.Total tonnes milled in 2018 was likewise slightly lower by 2% than that of 2017 at 8,673,474 tonnes (7% lower than 2016' 9,359,161 tonnes). The operations performance in 2019 was affected by numerous internal and external factors. Internal factors include both unscheduled maintenance of critical mining equipment as well as programmed maintenance and repair works of the aging mine and mill equipment. Externally, numerous forest fire incidents near the mine camp caused power outages as well as diversion of operations personnel to help the local fire department contain the forest fires, and uncontrollable power outages that resulted to lesser operating days

Likewise, metal production was affected by declining ore grades as the Company continue to extract ores from the fringes of the ore body. Less valuable mineral concentrations are a natural episode when extracting ore away from the core of the deposit. The Company also mine ores from various active and previously mined mining levels to improve ore grades blend.

Notwithstanding these challenges, Management implemented enhance operational productivity programs in both mine and mill activities. These include, among others, the construction additional rock breaking stations in key strategic areas underground to shorten hauling distance from active drawpoints to the conveyor belts, and the acquisition of two units of Load Haul Dump LHD trucks to further augment Padcal's existing fleet and loading capacity. The impact of these programs was felt starting midyear as manifested by the improving metal recovery rates, resulting in increasing production output beginning the third quarter of 2019.

Review of Financial Results

(in Php Millions except for metrics, units and prices)	**2019**	**2018**	**2017**	**2016**	**2019 vs 2018 (%)**	**2018 vs 2017 (%)**	**2017 vs 2016 (%)**
Gold:							
Revenues	3,740	4,200	5,432	6,209	(11)	(23)	(13)
Ounces Produced	53,064	61,977	84,638	103,304	(14)	(27)	(18)
Realized Price	$1,388	$1,294	$1,273	$1,254	7	2	2
Copper:							
Revenues	3,592	4,051	4,475	3,976	(11)	(9)	13
Pounds Produced	25,737,207	26,574,686	30,118,206	34,961,062	(3)	(12)	(14)
Realized Price	$2.72	$2.92	$2.96	$2.35	(7)	(1)	26
Silver Revenues	67	63	77	86	7	(27)	(11)
Gross Revenues	7,399	8,314	9,985	10,272	(11)	(17)	(3)

Gross Revenues totalled P7.399 billion in 2019, lower than revenues of P8.314 billion in 2018 and lower than that of 2017 amounting to P9.985 billion (3% lower than 2016's P10.272 billion). This is mainly due to the declining metal production since 2016 as the Company nears its mine life. Higher gold prices prevailed much of 2019 but this was offset by the declining copper prices and unfavourable foreign exchange rates during the same period of 2019.

Generated gold revenues, representing 51% of total, amounted to P3.740 billion in 2019 from P4.200 billion in 2018, P5.432 billion in 2017 and P6.209 billion in 2016. The declining revenues was attributable to the lower gold output that was partly cushioned by higher gold prices. Realized gold prices per ounce for the years 2019, 2018, 2017 and 2016 were at $1,388, $1,294, $1,273 and $1,254, respectively. Gold production reached 53,064 ounces in 2019 from 61,977 ounces in 2018, 84,638 ounces in 2017 and 103,304 ounces in 2016. With declining ore grades from the remaining producing blocks at the 782 ML and 908 ML, gold production was 14% lower than 2018 production level.

Copper revenues amounted to P3.592 billion, lower than the P4.051 billion in 2018, P4.475 billion in 2017 and P3.976 billion in 2016. Copper revenues accounted for 48% of the total revenues. Copper production totalled 25,737,207 pounds in 2019 from 26,574,686 pounds in 2018, 30,118,206 pounds in 2017 and 34,961,062 pounds in 2016. The declining copper output was attributable to the 5% reduction in tonnage milled and 2% decline in ore grades but with higher recovery. Efforts to improve metal recoveries were employed to cushion the unfavourable impact of low copper prices. Copper prices averaged at $2.72 per pound in 2019 from $2.92 in 2018, $2.96 in 2017 and $2.35 in 2016.

Revenues from silver, making the remaining 1% of total, amounted to P67 million in 2019 compared with P63 million in 2018, P77 million in 2017 and P86 million in 2016, principally from lower metal output.

Following PFRS 15 which took effect in 2018, the revenues are presented in the Company's 2019 Financial Statements as net of smelting charges with comparative numbers in 2018 and 2017. Net Revenues amounted to P6.790 billion in 2019 from P7.640 billion in 2018, P9.142 billion in 2017 and P9.378 billion in 2016.

The Company enters into metal hedging contracts as measure to mitigate the impact of global metal price volatility in revenues. Taking a conservative position, and based on the Company's outlook of the behavior of gold prices for 2019, the Company entered into gold collar hedging contracts on 2,000 ounces of gold per month, in January,2019, and June,2019, covering the periods February to April 2019, and July to December 2019, respectively.

For 2019, the Company recognized a net hedging loss of P53 million on its gold hedge as provided in the table below:

2019 Gold Collar Hedge							
Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php Millions)*
		Put	Call	Settlement			
02/08/19	2,000	1,300	1,327	1,320	Feb. 2019	03/02/19	-
02/08/19	2,000	1,300	1,327	1,302	Mar. 2019	04/02/19	-
02/08/19	2,000	1,300	1,327	1,287	Apr. 2019	05/02/19	1
06/18/19	2,000	1,330	1,390	1,414	July 2019	08/02/19	(3)
06/18/19	2,000	1,330	1,390	1,498	Aug. 2019	09/03/19	(11)
06/18/19	2,000	1,330	1,390	1,511	Sept. 2019	10/02/19	(13)
06/18/19	2,000	1,330	1,390	1,495	Oct. 2019	11/04/19	(11)
06/18/19	2,000	1,330	1,390	1,471	Nov. 2019	12/02/19	(8)
06/18/19	2,000	1,330	1,390	1,478	Dec. 2019	01/03/20	(9)
							(53)

No contracts covering 2019 production remained outstanding as of December 31, 2019, thus nil unrealized MTM gain or loss.

For 2018, the Company entered into gold and copper hedges are as follows:

2018 Gold Collar Hedge							
Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php Millions)*
		Put	Call	Settlement			
01/10/18	2,200	1,300	1,349.50	1,332	Jan. 2018	02/02/18	-
01/10/18	2,200	1,300	1,349.50	1,333	Feb.2018	03/02/18	-
01/10/18	2,200	1,300	1,349.50	1,325	Mar. 2018	04/02/18	-
01/10/18	2,200	1,300	1,349.50	1,335	Apr. 2018	05/02/18	-
01/10/18	2,200	1,300	1,349.50	1,303	May 2018	06/02/18	-
01/10/18	2,200	1,300	1,349.50	1,282	June 2018	07/03/18	2
04/19/18	3,000	1,330	1,400	1,238	July 2018	08/02/18	15
04/19/18	3,000	1,330	1,400	1,202	Aug. 2018	09/02/18	21
04/19/18	3,000	1,330	1,400	1,199	Sep. 2018	10/02/18	21
							59

2018 Copper Collar Hedge							
Date	Quantity (Pounds)	Copper Prices (US$ Per Pound)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php Millions)*
		Put	Call	Settlement			
01/08/18	793,663	3.00	3.40	3.18	Jan. 2018	02/02/18	-
01/08/18	793,663	3.00	3.40	3.08	Feb. 2018	03/02/18	-
01/08/18	793,663	3.00	3.40	3.10	Mar. 2018	04/02/18	-
01/08/18	793,663	3.00	3.40	3.09	May. 2018	06/04/18	-
01/08/18	793,663	3.00	3.40	3.15	June 2018	07/03/18	-
01/08/18	793,663	3.00	3.40	2.83	July 2018	08/02/18	7
							7

The Company recognized a gain of P59 million in 2018 on its gold hedges and P7 million on its copper hedges that matured within the period. No contracts remained outstanding as of December 31, 2018, thus nil unrealized MTM gain or loss.

The Company entered into copper and gold collar hedging contracts in 2017 are as follows:

2017 Gold Collar Hedge							
Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php Millions)*
		Put	Call	Settlement			
09/06/17	2,300	1,300	1,395	1,316	09/17	10/02/17	2

09/06/17	2,300	1,300	1,395	1,280	10/17	11/02/17	2
09/06/17	2,300	1,300	1,395	1,283	11/17	12/02/17	4
09/06/17	2,300	1,300	1,395	1,263	12/17	01/02/18	-
	9,200						9

2017 Copper Collar Hedge							
Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php Millions)*
		Put	Call	Settlement			
10/20/17	727,525	3.00	3.40	3.10	11/17	12/05/17	-
10/20/17	727,525	3.00	3.40	3.03	12/17	01/05/18	-
10/20/17	727,525	3.00	3.40		01/18	02/05/18	-

The net realized MTM gain on these gold hedges amounted to P9 million while no gains nor losses were realized on the copper hedges that matured within 2017. For the outstanding copper hedge as of December 31, 2017, no unrealized gain or loss was also recorded.

The Company entered into gold collar hedging contracts in 2016 are as follows:

2016 Gold Collar Hedge							
Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php Millions)*
		Put	Call	Settlement			
02/11/16	3,000	1,170	1,242	1,197	02/16	03/02/16	-
02/11/16	3,000	1,170	1,242	1,246	03/16	04/04/16	(1)
02/11/16	3,000	1,170	1,242	1,242	04/16	05/04/16	(0)
02/11/16	3,000	1,170	1,242	1,260	05/16	06/02/16	(3)
02/11/16	3,000	1,170	1,242	1,275	06/16	07/05/16	(5)
02/11/16	3,000	1,170	1,242	1,337	07/16	08/02/16	(14)
06/30/16	3,000	1,300	1,350	1,341	08/16	09/02/16	-
06/30/16	3,000	1,300	1,350	1,326	09/16	10/04/16	-
06/30/16	3,000	1,300	1,350	1,267	10/16	11/02/16	5
06/30/16	3,000	1,300	1,350	1,238	11/16	12/02/16	9
06/30/16	3,000	1,300	1,350	1,152	12/16	01/04/16	22
	33,000						15

Net realized gain recognized for the year 2016 amounted to P15 million. As of 31 December 2016, there were no outstanding gold hedging contracts resulting no unrealized MTM gain or loss recognized.

Operating Costs and Expenses

Operating Costs and Expenses (Opex) were at P6.917 billion in 2019 from P6.821 billion in 2018, P6.778 billion in 2017 and P6.900 billion in 2016. Opex increased in 2019 on account of higher non-charges related to asset depreciation in the first quarter. Costs beginning the second quarter bear the impact of lower tonnage and the continuous implementation of cost saving programs which

included manpower rationalization both at head office and at the Padcal Mine. For 2018, operating costs and expenses were largely maintained from the prior year as a result of cost management initiatives that were implemented across the business which was also the reason for the decrease in Opex in 2017 versus 2016.

Production Costs decreased to P4.388 billion in 2019 from P4.408 billion in 2018, P4.412 billion in 2017 and P4.614 billion in 2016. The reduction was attributable mainly to lower power costs and the manpower rationalization program the full impact of which was felt mid-2019. For 2018, production costs were similarly maintained from 2017 driven by lower renegotiated electricity rates and fewer purchased contracts. Likewise, 2017 production costs were significantly lower than 2016 on account of lower cost of power, contracts and other expenses.

Depletion, Amortization and Depreciation amounted to P1.814 billion in 2019 from P1.601 billion in 2018, P1.551 billion in 2017 and P1.460 billion in 2016 related mainly to additional asset depreciation in the first quarter, with partial offset from the reduction of block amortization as an effect of the 2018 impairment of block development costs, while higher block amortization was recorded in 2017 against 2016 due to higher-costs drawpoints.

With the continuous efforts of the Company to lower costs and expenses by implementing cost management programs, downward trend on General and Administrative Expenses (G&A) was seen from 2016, down to only P287 million in 2019 which decreased further from P306 million in 2018, P363 million in 2017 and P373 million in 2016.

Excise Taxes and Royalties also decreased to P427 million from P506 million in 2018 and P452 million in 2017, same as in 2016, with the reduction attributable to lower net revenues in 2019. While for 2018, newly-enacted legislations provisioned for the doubling of excise tax rate levied on mining products caused the increase in 2018. There was no change from 2016 to 2017 on account of higher royalties.

Smelting Charges amounted to P610 million in 2019, lower than P674 million in 2018, P842 million in 2017 and P893 million in 2016, due mainly to lower negotiated rates for treatment charges and refining charges (TCRC) on concentrate shipments. Lower copper concentrates and metal production also contributed to the lower smelting charges in 2019.

Costs Per Tonne/Per Ounce/Per Pound

(in Php Millions except for unit costs)	**2019**	**2018**	**2017**	**2016**	**2019 vs 2018 (%)**	**2018 vs 2017 (%)**	**2017 vs 2016 (%)**
Cash Production Cost	4,388	4,408	4,412	4,614	(0.5)	0.1	(4)
Depletion, Amortization and Depreciation*	1,814	1,601	1,551	1,460	13	3	6
Total Production Cost	6,202	6,009	5,963	6,074	3	1	(2)
Excise Tax and Royalties	427	506	452	452	(16)	12	-
Smelting Charges	610	674	842	893	(9)	(20)	(6)
Total Operating Cost	7,239	7,189	7,257	7,421	0.7	(1)	(2)
Breakeven Costs:							
Production Cost Per Tonne	P724	P705	P687	P649		3	6
Operating Cost Per Tonne	P852	P844	P837	P793		1	6
Operating Cost Per Oz. of Gold	$1,296	$1,112	$929	$919	17	20	1
Operating Cost Per Lb. of Copper	$2.54	$2.50	$2.16	$1.72	2	16	25

*Included depreciation of assets written-off in 2019 amounting to P329 million that was not included in the breakeven costs computation

Production cost per tonne, consisting of cash and non-cash, increased to P724 in 2019 from P705 in 2018, P687 in 2017 and P649 in 2016, despite lower total production cost of P5.873 billion (excluding asset impairment of P329 million) compared with P6.009 billion in 2018, P5.963 billion in 2017 and P6.074 billion in 2016. The higher production cost per tonne was caused by lower tonnage production in 2019 compared to previous years.

Similarly, Operating Cost per tonne went up to P852 in 2019 as against P844 per tonne in 2018, P837 per tonne in 2017 and P793 per tonne in 2016 on account of lower tonnage in 2019, despite lower operating costs before the asset write-off of P329 million.

Break-even Operating Cost (using a co-production method) per ounce of gold and per pound of copper were higher at $1,296 per ounce and $2.54 per pound in 2019, compared with $1,112 per ounce and $2.50 per pound in 2018, $929 per ounce and $2.16 per pound in 2017 and $919 per ounce and $1.72 per pound in 2016. The higher operating cost per ounce and per pound were primarily due to lower metal output in 2019 of 14% in gold and 3% in copper brought about mainly by declining ore grades. The higher breakeven costs reflect that producing gold and copper in 2019 was more expensive than in the previous years.

Net Other Income (Charges)

(in Php Millions)	**2019**	**2018**	**2017**
Share in Net Losses of Associates	(118)	(41)	(40)
Foreign Exchange Gain (Losses) – Net	93	(121)	(39)
Interest Income	2	2	2
Gain on Disposal of AFS Financial Assets	-	-	22
Provisions for Impairment Losses – Net of Reversal	(849)	(67)	-
Others	(4)	91	58
Total	(877)	(136)	2

As a regular exercise, the Company continues to assess the viability of its operating mine, recoverability of costs on existing mine exploration projects and other investments. Following this exercise, the Company, in 2019, recorded Net Provisions for Impairment Losses of P849 million consisting mainly of the non-cash impairment provisions of P1.457 billion on mining assets and P129 million on investment, with partial offset from recording a non-recurring gain from the reversal of P738 million in receivables previously written-off. The Company also recorded higher share in net losses of associates primarily from additional impairment provision taken up by PXP Energy, an associate of Philex.

In 2018, Net Provisions for Impairment Losses amounted to P67 million which consisted of a P1.379 billion provision for impairment losses on mining assets and deferred exploration costs, and a P1.312 billion gain on the reversal of Provision for Expected Credit Losses on PXP Energy advances. There were no impairments booked in 2017 upon determining that prior impairments were adequate to comply with the required annual impairment test.

The overall Net Other Charges in 2019 amounted to P877 million versus P136 million in 2018 and compared to a net gain of P2 million in 2017 from net charges of P202 million in 2016. The Company realized a net foreign exchange (forex) gain on short-term loans of P93 million on account of lower exchange rate of peso to dollar as against a net forex loss of P121 million in 2018 and P39 million in 2017. This lower forex loss in 2017 caused the significant difference against 2016 when P145 million of forex loss was recognized.

Core and Reported Net Income

After recording the non-cash net impairment provisions in 2019, the Company ended reporting a Net Loss of P648 million, compared to a Net Income of P608 million in 2018, P1.658 billion in 2017 and P1.567 billion in 2016. Production challenges experienced at Padcal Mine deterred improvement in the Company's profitability level.

Excluding extra-ordinary and non-recurring transactions, Core Net Income which reflects the Company's operational performance amounted to P156 million in 2019 compared to P600 million in 2018 and a high of P1.686 billion in 2017 and P1.657 billion in 2016. The overall profitability of the Company was significantly affected by the impact of lower tonnage and ore grades that was partially cushioned by favorable gold prices in 2019.

Reconciliation of Core Net Income to Consolidated Net Income

(in Php Millions)	**2019**	**2018**	**2017**
Core Net Income	156	600	1,686
Non-Recurring Gains (Losses):			
Foreign Exchange Gain (Losses)	93	(121)	(39)
Write-off of Fixed Assets	(329)		
Net Provisions for Impairment of Assets	(849)	93	-
Others	(80)	-	-
Net Tax Effect of Aforementioned Adjustments	361	36	12
Net Income Attributable to Equity Holders	(648)	608	1,658
Net Income Attributable to Non-Controlling Interest	-	-	-
Consolidated Net Income	(648)	608	1,658

Financial Condition Summary

(in Php Millions except ratios)	**2019**	**2018**	**2017**
Cash and Cash Equivalents	796	871	584
Current Assets (excluding cash)	2,125	3,582	5,683
Non-Current Assets	34,977	36,258	33,412
Total Assets	37,899	40,712	39,679
Short-Term Loans	2,532	2,156	2,447
Current Liabilities (excluding short-term loans)	2,397	4,655	2,410
Non-Current Liabilities	10,001	10,202	10,090
Equity Attributable to Equity Holders of Parent Company	22,969	23,699	24,732
Non-Controlling Interests	(0.3)	(0.3)	(0.3)
Total Equity	22,969	23,699	24,372
Liquidity Ratios:			
Current Ratio	0.59	0.65	1.29
Quick Ratio	0.25	0.17	0.32
Solvency and Debt to Equity Ratios:			
Debt-to-Equity Ratio	0.65	0.72	0.60
Solvency Ratio	0.08	0.13	0.22
Financial Leverage Ratios:			
Asset-to-Equity Ratio	1.65	1.72	1.60
Profitability Ratios:			
Return on Assets	(1.65)	1.51%	4.23%
Return on Equity	(2.78)	2.51%	6.89%
Net Profit Margin	(9.54)	7.96%	18.14%

Current Assets

As of December 31, 2019, Current Assets was significantly lower at P2.921 billion from P4.453 billion in 2018, P6.267 billion in 2017 and P6.493 billion in 2016. The reduction in amount was mainly due to the collection of remaining advances from PXP Energy and subsequent payment of subscription payable to PXP Energy for the additional subscription of shares of stock that brought Philex's ownership interest in PXP Energy from 19.8% to 30.4%, while the decline in 2017 from 2016 was from the lower trade receivables from copper concentrate shipments.

Cash and Cash Equivalents

The Cash and Cash Equivalents amounted to P796 million as of end-2019 from P871 million in 2018, P584 million in 2017 and P458 million in 2016. The cash generated from operations was primarily used for the day to day operating expenses and capital expenditures for the mine development and mill operations. The minimal cash surplus generated during the year was utilized to augment the cash requirements for the completion of the Definitive Feasibility Study (DFS) of the Silangan Project.The monthly main source of cash is dependent on the timing of shipments of the copper concentrates to its customers overseas.

Current Assets Excluding Cash and Cash Equivalents

Accounts Receivable

The Company's Accounts Receivables are largely composed of Trade Receivables from sales of the Company's copper concentrates or bullion and Other Receivables that include advances to employees for conduct of transactions in the ordinary course of business. As of December 31, 2019, Accounts Receivables amounted to P416 million, consisting of Trade Receivables of P338 million and Other Receivables of P78 million, from P300 million in 2018 and P991 million in 2017.

Under the existing sales agreement with the two major Company's Customers ("Offtakers"), the Company receives 90% of the total US$ value of the copper concentrates within a few days after the shipment date, with the balance payable upon final pricing determination based on agreed quotational shipment prices. (QP). QP is determined either Month of Shipment Schedule (MOSS) or Month After Month of Arrival (MAMA) in destination. As of December 31, 2019, the outstanding receivables from copper concentrates consisted period of the remaining value of four shipments in the fourth quarter of 2019 awaiting final pricing, of which three were with IXM SA, and the one with Pan Pacific Copper Co., Ltd (PPC). The QP for the PPC shipments is 3MAMA for copper and 1MAMA for gold and silver, while for IXM SA, the QP is MOSS for copper and MOSS or 3MAMA for gold.

For end-2018, the receivable balance was for the uncollected proceeds equivalent to 10% of the value of six shipments made in the fourth quarter of 2018 for final pricing then, while for end-2017, the balance pertained to 100% of the value of one shipment to IXM SA and the remaining 10% of four other shipments in 2017.

Accounts receivables in 2017 significantly increased to P991 million from P487 million in 2016 due to higher amount of outstanding trade receivables from copper concentrate shipments.

Inventories

Inventories are comprised of materials and supplies representing about 88% of total value in 2019, and mine products for the balance of 12%. Total Inventories amounted to P1.044 billion in 2019 from P1.138 billion in 2018 and P1.517 billion in 2017, with Materials and supplies amounting P915 million, down from P1.082 billion in 2018 and P1.127 billion in 2017. Mine Products inventory which is valued at net realizable value amounted to P129 million in 2019 from P56 million in 2018 and P390 million in 2017. Total inventories decreased in 2017 from P2.319 billion in 2016 mainly from lower ending inventory for copper concentrates as at December 31, 2017.

Advances to a Related Party

In 2018, Advances to a Related Party totalled to P1.387 billion in 2018 from P2.169 billion in 2017. These represent non-interest bearing advances to affiliate PXP Energy Corporation and are secured by a pledge agreement between the Company and PXP Energy Corporation (PXP Energy). The significant reduction in the 2018 balance was from the payment made by PXP Energy amounting to P782 million which substantially came from the proceeds of the Company's additional subscription of PXP Energy shares. The remaining PXP Energy advances of P1.387 billion in 2018 and the additional advances of P738 million from the transfer of advances from Brixton Mining & Energy Corporation to PXP Energy were collected in 2019 thus the nil amount as at end-2019. As at end 2017, there was minimal changes in the balance that amounted to P2.169 billion from P2.194 billion in 2016.

Other Current Assets

Other Current Assets, composed primarily of input Value-Added Tax (VAT) claims on purchases of materials, supplies and equipment, decreased further to P666 million in 2019 from P757 million in 2018 and from P1.007 billion in 2017 and P1.035 billion in 2016. The decrease is on account of receipt of actual refund of VAT claims from the BIR in the form of either cash or Tax Credit Certificates ('TCC"). During 2019, the Company received P93 million in actual refunds in the form of cash and TCC, as compared to actual VAT refund of VAT amounting to P127 million 2018. In 2017, P172 million was refunded in the form of Tax Credit Certificates.

Non-Current Assets

Non-Current Assets amounted to P34.977 billion as of December 31, 2019 from P36.258 billion in 2018, P33.412 billion in 2017 and P32.169 billion in 2016, which comprised mainly of Property, Plant and Equipment, Investment in Associates and Deferred Exploration Costs. PPE and Deferred Exploration Costs represent 79% of total assets, signifying the capital intensive nature of the business.

Property, Plant and Equipment

As of December 31, 2019, Property, Plant and Equipment decreased to P3.185 billion from P5.404 billion in 2018, P6.721 billion in 2017 and P6.736 billion in 2016. In 2019, additional impairments were recorded amounting to P1.457 billion on top of the impairment of P1.332 billion in 2018. The annual impairments recorded in the financial statement are attributable to Padcal mine and mining properties as it is nearing the end of mine life. Other changes in the accounts from 2016 to 2019 referred to additional acquisition of equipment and other capital expenditures, net of depreciation, depletion and amortization.

Financial Assets Measured at FVOCI

Financial Assets Measured at FVOCI, consisting mainly of shares in gold and country clubs, amounted to P121 million as at end 2019 from P118 million in 2018. Following new accounting rule in 2018, the Company's financial assets amounting to P118 million were reclassified to Financial Assets Measured at FVOCI from Available-for-Sale (AFS) Financial Assets in the previous years. The AFS Financial Assets in 2017 and 2016 amounted to P76 million and P105 million, respectively.

Investment in Associates

Investment in Associates decreased to P4.208 billion as of December 31, 2019 from P4.456 billion in 2018, P1.416 billion in 2017 and P1.456 billion in 2016, mainly from the Company's share in the net losses of associates in 2019, which included impairment provision. For 2018, the significant

increase was from the additional equity subscription by the Company in upstream oil and gas affiliate PXP Energy Corporation. This transaction increased the Company's stake in PXP Energy from 19.8% to 30.4% as of December 31, 2019. The Company's share in the net losses of associates were also reflected from 2016 to 2018.

Deferred Exploration Costs

As of December 31, 2019, Deferred Exploration Costs increased to P26.616 billion in 2019 from P25.448 billion in 2018, P24.361 billion in 2017 and P23.072 billion in 2016, with the increases mainly from expenditures for Silangan Project. The Company continues to actively explore potential new ore sources within surrounding areas of Padcal and Silangan.

(in Php Millions)	**2019**	**2018**	**2017**
Silangan Project	24,349	23,212	23,234
Kalayaan Project	2,746	2,743	2,742
Bulawan and Vista Alegre Projects	633	633	632
Lascogon Project	289	289	289
Sibutad Project	235	235	235
Bumolo Project	210	210	209
Clifton Project	135	135	134
Southwest Project	110	109	100
Sanfran/Tambis Project	92	92	92
Tapsan Project	148	143	78
Other Exploration Costs	1,495	1,472	394
Total	30,442	29,273	28,139
Less: Impairment Losses	(3,825)	(3,825)	(3,778)
Total Deferred Exploration Costs	26,616	25,448	24,361

Pension Asset

As at end 2019, Pension Asset decreased to P224 million from P360 million in 2018, P374 million in 2017 and P313 million in 2016. Pension Asset represents the excess of the fair value of plan assets against the present value of defined benefit obligations under the Company's retirement plan, net of SMMCI pension obligation.

Other Non-Current Assets

Other Non-Current Assets increased to P623 million from P473 million in 2018, P464 million in 2017 and P488 million in 2016. This consisted mainly of the non-current portion of SMMCI input Value-Added Tax amounting to P433 million in 2019 from P410 million in 2018, P400 million in 2017 and P402 million in 2016.

Total Assets

Total Assets of the Company amounted to P37.899 billion, slightly lower than the P40.712 billion in 2018, P39.679 billion in 2017 and P38.662 billion in 2016, primarily from the collection of PXP Energy advances and additional impairment provisions on mining assets.

Current Liabilities

As of December 31, 2019, Current Liabilities decreased to P4.929 billion from P6.811 billion in 2018, P4.857 billion in 2017 and P5.578 billion in 2016, due to the additional payment of subscription payable to PXP Energy for the additional subscription of shares of stock in 2018 that brought Philex's ownership interest in PXP Energy from 19.8% to 30.4%. Current Liabilities decreased in 2017 from 2016 due to lower balances of loans payable and accounts payable.

Loans Payable

The balance of Loans Payable increased to P2.532 billion (US$50 million) from P2.156 billion (US$41 million) in 2018, P2.447 billion (US$49 million) in 2017 and P3.083 billion (US$62 million). The 2019 loan balance consisted of US$44 million directly under Philex and US$6 million under SMMCI. These loans were used for the cash requirement of SMMCI.

Current Liabilities Excluding Loans Payable

Current Liabilities, excluding Loans Payable, decreased significantly to P2.397 billion from P4.654 billion in 2018, P2.410 billion in 2017 and P2.495 billion in 2016, due to the payment of the subscription payable with PXP Energy.

Accounts Payable and Accrued Liabilities

As of December 31, 2019, Accounts Payable and Accrued Liabilities amounted to P1.608 billion, lower than P1.791 billion in 2018, P1.649 billion in 2017 and P1.833 billion in 2016. This composed primarily of payables to suppliers and contractors of which no material amount has been left unpaid within terms acceptable and agreed upon with suppliers and contractors.

Subscription Payable

Subscription Payable significantly decreased to P187 million as of December 31, 2019 from P2.313 billion in 2018 and P2 million in 2017 on account of the additional and final payment made by the Company for its 2018 subscription in PXP Energy which increased the Company's interest in PXP Energy from 19.8% to 30.4% as of December 31,2019.

Income Tax Payable

Income Tax Payable amounted to P53 million from P18 thousand in 2018, P230 million in 2017 and P164 million in 2016. The tax amount is due and payable no later than April 15, 2020.

Dividends Payable

As of December 31, 2019, Dividends Payable amounted to P550 million, not far from the levels in 2018 and 2017 of P551 million and P529 million, respectively. At the February 27, 2020 Philex Board meeting, the Philex Board of Directors approved the declaration of regular cash dividend of one centavo for shareholders on record as of March 13, 2020 payable March 27,2020.

For 2018, the Company declared regular cash dividends amounting to four centavos per share to shareholders on record as of 13 March 2018. Moreover, the Company again declared regular cash dividends amounting to three and a half centavos per share to shareholders on record as of 08 August 2018.

In November 2017, the Company also declared cash dividend of four centavos per share (equivalent to ₱198.0 million) to shareholders as of record date of November 24, 2017, with payment date of December 6, 2017, representing 17% of the Company's core net income for the nine months ended September 30, 2017.

In February 2016, the Company declared its shares of stock in PXP as property dividends to its shareholders at record date of March 15, 2016 at a ratio of 17 PXP shares for every 100 PX shares held.

The dividend declaration was approved by the Philippine Securities and Exchange Commission (SEC) on June 22, 2016, with payment date if July 15, 2016, the Company also declared cash

dividend of three centavos per share (equivalent to P148 million) to shareholders at record date of August 10, 2016, with payment date of August 24, 2016, representing 19% of the Company's core net income for the first half of 2016.

Non-Current Liabilities

Non-Current Liabilities stood at P10.001 billion from P10.202 billion in 2018, P10.090 billion in 2017 and P9.685 billion in 2016, comprising mainly of Deferred Tax Liabilities and Bonds Payable.

Deferred Income Tax Liabilities

Deferred Income Tax Liabilities, mainly consisting of P1.665 billion arising from the acquisition of Anglo's 50% stake in the Silangan companies and P554 million for accelerated deductions, decreased significantly to P2.219 billion from P2.790 billion in 2018, P3.005 billion in 2017 and P2.958 billion in 2016.

Bonds Payable

As of December 31, 2019, Loans and Bonds Payable increased to P7.743 billion from P7.333 billion, P6.950 billion in 2017 and P6.593 billion in 2016. The yearly changes in the amounts correspond to the amortization of deferred transaction costs, accretion of interest from the discounting of the face value of the CN and accrual of the 3% redemption premium. The bonds payable pertains to the 8-year convertible bonds issued by SMECI, with PMC as the co-issuer, on December 18, 2014, with a face value of P7.2 Billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at P18,000 per share 12 months after the issue date ("Standstill Period"). On the last day of Standstill Period, the Issuer shall have a one-time right to redeem the bonds from the holders in whole or in part. After the Standstill Period, the noteholders may exercise the conversion right, in whole but not in parts, at any time but no later than the maturity date. At redemption/maturity date, the bonds can be redeemed together with the principal or face value of the bonds at a premium, payable at a rate of 3% per annum compounded semi-annually based on the face value of the bonds and unpaid accrued interest (if there be any). The proceeds of the bonds were used to repay the SMECI's advances from PMC and fund further exploration works of SMMCI.

Provision for Losses and Mine Rehabilitation Costs

Provision for Losses and Mine Rehabilitation Costs decreased to P39 million from P79 million in 2018, P135 million in 2017 and P134 million in 2016. The Company spent P43 million and P60 million in 2019 and 2018, respectively, for the requirement under the Company's approved Final Mine Rehabilitation and Development Program (FMRDP) for a total of P137 million. Changes from 2016 to 2017 consisted of additional provisions for FMRDP.

Total Liabilities

As of December 31, 2019, Total Liabilities amounted to P14.930 billion, a reduced amount from P17.012 billion in 2018, P14.947 billion in 2017 and P15.263 billion in 2016. The reduction in the 2019 balance was mainly due to the payment of subscription payable to PXP Energy and lower Deferred Tax Liabilities.

Shareholders' Equity

As of December 31, 2019, Total Equity amounted to P22.969 billion compared with P23.699 billion in 2018, P24.732 billion in 2017 and P23.399 billion in 2016.

	2019	2018	2017
Common Shares	4,940,399,068	4,940,399,068	4,940,399,068

Stock Options	16,460,000	18,020,000	18,020,000

Retained Earnings amounted to P13.971 billion, inclusive with the 2019 Net Loss of P648 million and cash dividend payment, compared with P14.704 billion in 2018 and P15.771 billion in 2017.

Net Unrealized Gain on Financial Assets Measured at FVOCI amounted to P38 million in 2019 and P35 million in 2018 upon adoption of PFRS 9 in 2018 from P1 million in 2017. Equity Conversion Options remained at P1.226 billion since 2014 corresponding to the carrying amount of the conversion options of the 8-year convertible bonds issued by SMECI, with PMC as the co-issuer, in December 2014 with a face value of P7.200 billion. Net Revaluation Surplus also remained at P1.572 billion from 2017 to 2019. The balances of Effect of Transactions with Non-Controlling Interests and the Non-Controlling Interests were insignificant for the past three years.

The changes in 2017 versus 2016 comprised mainly of the net income generated for the period.

Liquidity and Capital Resources

The Company's existing liquidity position and capital resources are primarily used for the funding of its existing operations and new exploration projects within the Padcal Mine to further extend mine life and for potential expansion of new like the Silangan Project. Despite the risks inherent in the business associated with metal prices, foreign exchange rates, regulatory environment, and the changing economic and market conditions, the Company generated net cash flows from operating activities of P1.232 billion in 2019 compared to P3.288 billion in 2018, P3.429 billion in 2017 and P2.747 billion in 2016.

Internally generated funds remain as the Company's principal source of cash to finance the capital expenditures of the Padcal mine, the development of Silangan project and exploration initiatives of various mine sites, and to refinance existing loans.

Net cash used in investing activities, principally for capital expenditures and exploration costs, amounted to P1.784 billion in 2019 as against P2.241 billion in 2018, P2.286 billion in 2017 and P2.665 billion in 2016. Capital expenditures decreased to P1.071 billion in 2019 from P1.672 billion in 2018, P1.747 billion in 2017 and P2.360 billion in 2016. The Company focused exploration activities on previously activated areas.

Net cash from financing activities amounted to P473 million in 2019 compared to net cash used in financing activities of P764 million in 2018, P1.020 billion in 2017 and P637 million in 2016. The Company availed additional P474 million (US$ 9 million) to finance the capital expenditures of Padcal Mine and initial development works in the Silangan Project.

Capital Expenditures and Exploration Costs

(in Php Millions)	**2019**	**2018**	**2017**
Padcal and Others:			
Mine Development	552	1,095	694
Tailings Pond Structures	165	292	320
Machinery and Equipment	366	389	735
Total	1,083	1,776	1,749
Silangan Project:			
Deferred Exploration Costs	641	433	497
Machinery and Equipment	(12)	(104)	(3)
Total	629	329	495
Mine Exploration Projects	32	156	194
Total	1,745	2,261	2,438
By Recording:			

Deferred Exploration Costs	673	589	691
Property, Plant and Equipment	1,071	1,672	1,747
Total	1,745	2,261	2,438

Capital Expenditures totalled to P1.745 billion, P2.261 billion, P2.438 billion and P2.360 billion for 2019, 2018, 2017 and 2016, respectively. In 2019, the Company funded the completion of Silangan DFS and land banking activities in preparation for the commencement of the Silangan Project development phase . In addition, the Company purchased additional mine and mill equipment to augment Padcal's aging machinery and equipment and funded the on-going improvement of its existing tailings facilities.

Padcal operations accounted for 62% of total programmed spending at P1.083 billion in 2019 as compared to P1.776 billion in 2018, P1.749 billion in 2017 and P1.636 billion in 2016.

Silangan Project utilized 36% of the capital budget amounting to P629 million in 2019 versus P329 million in 2018, P495 million in 2017 and P514 million in 2016 to fast-track its pre-mine development phase. The Company is set to launch its Silangan project by 2022.

Other mining exploration projects constituted a total amount of P32 million in 2019 compared to P156 million in 2018, P194 million in 2017 and P210 million in 2016. These activities centered on surrounding areas of Padcal to extend the mine life of Padcal and to take advantage of its existing Mill facilities.

Top Five Key Financial and Non-Financial Performance Indicators

Safety Performance

Personnel health and safety is of paramount concern and regarded with utmost priority. In 2019, the Company reported for its Padcal mine five Lost Time Accident-Fatal incidents compared to two incidents in 2018 and a single occurrence in 2017. Meanwhile, in terms of Lost Time Accident Non-Fatal events, there were five recorded in 2019 versus six in 2018 and nine in 2017.

The Company is targeting a "zero-harm" record through constant reviews of safety policies and procedures. Various initiatives are being implemented to minimize the occurrence of accidents and injuries in the workplace. Third-party experts are likewise engaged to assess existing safety performance and identify risk areas.

Earnings Per Share

Earnings Per Share (EPS) represents the net income attributable to equity holders of the Company, expressed in the amount per share of the Company's average outstanding capital stock. Assuming a constant outstanding number of shares, the earnings per share correspondingly rises as the Company's earnings increase. The EPS ultimately reflects the Company's financial and operational growth as a result of its performance in cost management, technical efficiency and productivity.

	2019	**2018**	**2017**
Earnings (Loss) Per Share	(P0.131)	P0.123	P0.336
Total Outstanding Shares	4,940,399,068	4,940,399,068	4,940,399,068

There were outstanding stock options for the period that could have resulted in additional common shares had the exercise price been higher than market. However, for the years 2019, 2018 and 2017, the outstanding stock options were considered anti-dilutive based on the lower market price of the Company's shares compared to the exercise price, thus the diluted earnings per share in 2019, 2018 and 2017 were the same as the basic earnings per share of the Company in the said periods.

Tonnes Milled and Metals Produced

Tonnes milled and ore grade determine the volume of concentrates produced and sold. Tonnes milled totalled to 8,112,791 in 2019, compared to 8,516,915 in 2018 and 8,673,474 in 2017. Copper production reached 25,737,207 pounds in 2019 versus 26,574,686 pounds in 2018 and 30,118,207 pounds in 2017. Gold production totalled 53,064 ounces in 2019 compared to 61,977 ounces in 2018 and 84,638 ounces in 2017.

Total Production Cost Per Tonne and Operating Cost Per Tonne of Ore Milled, and Per Ounce Gold and Per Pound Copper Produced

The Company's average cost per tonne is a key measure of the Company's operating performance. At the same cost level, the higher the production volume, the lower the cost per tonne becomes, which will also be similar if the same production volume incurs a lower operating cost. Thus, a lower cost per tonne would generally reflect an improvement in operating efficiency.

The same essentially applies to cost expressed in per unit of metal, which incorporates the metal grade, as it affects metal production, and the exchange rate, as it affects the conversion from peso to dollar.

In 2019, the total production cost (mine site cost and expenses excluding smelting charges, excise tax and royalties) per tonne of ore milled was P724, with total production cost of P5.873 billion over ore milled of 8,112,791 tonnes. This was 3% higher than the cost per tonne of P705 from the total production cost of P6.009 billion over ore milled of 8,516,915 tonnes in 2018 primarily due to the lower tonnage milled, despite lower production costs in 2019. Total production cost per tonne in 2017 was P687 from the total production cost of P5.963 billion over 8,673,474 tonnes milled.

The operating costs and expenses (all cost and expenses excluding G&A) per tonne of ore milled in 2019 was P852 from the total operating cost and expenses of P6.190 billion, slightly higher than the P844 from the operating costs and expenses of P7.189 billion in 2018 and P837 per tonne in 2017 from P7,257 billion costs. Despite lower total operating costs for 2019 on account of lower cash production costs, smelting charges, excise tax and royalties as well as lower non-cash production costs, the cost per tonne was higher as a result of lower tonnage.

Using co-production method, the operating cost applicable to gold produced amounted to US$1,296 per ounce in 2019 compared with US$1,112 per ounce in 2018 and US$929 per ounce in 2017, while operating cost applicable to copper produced amounted to US$2.54 per pound in 2019 compared with US$2.50 per pound in 2018 and US$2.16 per pound in 2017. Under co-production method, the total cost is allocated proportionately based on the revenue contribution of each product considering there is no physical basis that can be used in allocating costs between the two metals.

Exploration Activities

The Company is cognizant that exploration in itself is a speculative endeavor, and mineral exploration and mining operations can be hampered by force majeure and other unforeseen circumstances beyond the Company's control. To mitigate the impact of these external factors and other contingencies, the Company banks on its ability to successfully explore and/or acquire reserves, design and construct efficient processing facilities, operate and manage its projects, and provide effective financial controls and management. To ensure the optimization of value from its natural resource properties and the long-term sustainability of operations, the Company pursues and invests in viable exploration activities and operational enhancements on a constant basis.

In 2019, the Company spent P673 million for exploration activities versus P589 million in 2018 and P691 million in 2017. As of end-2019, total deferred exploration costs amounted to P26.616 billion compared to P25.448 billion in 2018 and P24.361 billion in 2017.

Subsidiaries and Related Party Transactions

Philex Mining Corporation has extended loans and advances to some of its subsidiaries, as described under Part III, Item 12 of Company's Annual Report under SEC Form 17A.

Furthermore, Note 2 of the Notes to the Consolidated Financial Statements is likewise incorporated hereto by reference for discussions on the new and revised accounting standards that the Company adopted in 2019.

Known Trends, Events, or Uncertainties

There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked, although the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business, which contingencies are not presently determinable.

Other than as discussed above, there are no known significant trends, demands, commitments, or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way. There are no material commitments for capital expenditures not reflected in the Company's financial statements.

There is likewise no significant seasonality or cyclicality in its business operation that would have material effect on the Company's financial condition or results of operation. There were no other significant elements of income or loss that did not arise from the Company's continuing operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period. There are no line items in the Company's financial statements not already explained for causes either above or in the Notes to the Consolidated Financial Statements other than due to the usual period-to-period fluctuations in amounts natural in every business operations.

IV. Brief Description of the General Nature and Scope of the Business of the Company and its Subsidiaries

Company Overview

Philex Mining Corporation ("PMC", "Company") and its subsidiaries are organized into two main business groupings: the mining business, which is directly under PMC, Philex Gold Philippines, Inc. (PGPI) Silangan Mindanao Exploration Co., Inc. (SMECI) and Silangan Mindanao Mining Co., Inc. (SMMCI), and the energy and hydro-carbon business under PXP Energy Corporation (PXP), formerly Philex Petroleum Corporation. In 2016, PMC declared property dividends in the form of shares in PXP, effectively reducing its ownership from 64.7% to 19.4% in PXP. This undertaking will allow PMC to leverage on its key strengths and focus its resources on its core business of mining. In 2018, PMC entered into a subscription agreement with PXP for 260,000,000 million shares of PXP at P11.85 per share, for a total consideration of P3.081 billion, resulting to the largest single shareholding of 30.4%. As of December 31, 2019, PMC has settled 94% of its subscribed portion equivalent to P2.896 billion. This transaction forms part of the Company's long-term growth strategy which includes deploying assets into value-accretive ventures.

Mining Business

The Company was incorporated in the Philippines in 1955 and was listed in the Philippine Stock Exchange on November 23, 1956. PMC, and its wholly-owned subsidiaries namely, PGPI, SMECI

and SMMCI (through SMECI), are primarily engaged in large-scale exploration, development and utilization of mineral resources in the Philippines.

PMC has been operating the Padcal Mine in Benguet for the last 62 years employing the underground block-cave method, with a starter mine in 1958. It is one of the longest operating mines in the country and serves as the Company's primary source of revenues

PGPI, on the other hand, operated the Bulawan mine in Negros Occidental until the second quarter of 2002. At present, the Bulawan mine has residual resource estimates of around 29.6 million tonnes containing 1.7 million ounces of gold, which also includes the Vista Alegre area with completed geological modelling and preliminary resource estimation.

SMECI, through SMMCI, completed the acquisition of the Silangan Copper and Gold Project ("Silangan Project") situated in Surigao del Norte, Northeastern Mindanao in 2010. The Silangan Project is considered one of the current three large scale projects seen in the country to become a major copper producer. Its tenements consist of two main deposit areas – Boyongan and Bayugo, consisting of Bayugo-Silangan and Bayugo-Kalayaan with the latter representing a joint venture with Manila Mining Corporation. For Kalayaan, PMC currently holds 5% interest in the project and the option to further increase its stake up to 60%.

In July 2019, SMMCI approved the definitive feasibility study (DFS) prepared by its consultants, Ausenco of Australia, for an underground sub-level cave mining method for the Silangan Project yielding 81 million tonnes (Mt) high-grade copper and gold ore reserves out of 279 Mt of mineral resource estimates for the Boyongan deposit containing high-quality copper and gold grades. Including the Bayugo deposit, the Project's total mineral resource is estimated to be 571 Mt.

Also, in July 2019, the Silangan Project was granted an Environmental Compliance Certificate (ECC) for underground sub-level cave mining method. Following the grant of ECC, the Department of Environment and Natural Resources (DENR), through the Mines and Geosciences Bureau (MGB), in a letter dated September 26, 2019, has approved the underground sub-level cave mining method amending the previously issued Order dated April 10, 2015 approving the Declaration of Mining Project Feasibility (DMPF) of the Silangan Copper-Gold Project under MPSA No. 149-99-XII.

The approved DMPF for underground sub-level cave mining method under the DMPF included the approved Three Year Development and/or Utilization Work (3YD/UWP) Program, the Environmental Protection and Enhancement Program (EPEP), Final Mine Rehabilitation and Decommissioning Plan (FMRDP) and Social Development and Management Program (SDMP).

Corporate Objectives

2020	2021	2022
Bridging the Gap by Optimizing Padcal through: • Relentless pursuit for operational efficiency improvements • Other business opportunities at Padcal		
Silangan Commissioning • Secure project financing • Proceed to mine development of the project		
Value-Creation Initiatives for other mine tenements and non-core assets		

Products and Sales

For the past 62 years, the Company has operated the Sto. Tomas II deposit at Padcal, Tuba, Benguet Province – the first underground block caving operation in the Far East.

The Company's Padcal mine produces copper concentrates, containing copper, gold and silver. Total ore extracted and processed from start of operation to 2019 aggregated to 425.91 million tonnes, producing 2.331 billion pounds of copper, 6.298 million ounces of gold, and 6.821 million ounces of silver.

Based on the Sales Agreement entered into by the Company and Pan Pacific Copper Co., Ltd. (Pan Pacific) in March 2004, 60% of the Company's annual copper concentrate production, approximately 40,000 dry metric ton of current production level, is committed to Pan Pacific up to contract year April 2018 to March 2019. Pan Pacific is a major Japanese smelting and refining company jointly established by JX Nippon Mining & Metals Corporation and Mitsui Mining & Smelting Co., Ltd.

Starting contract year April 2019 and onwards, this volume can go from 40% to 70% at the discretion of PMC. The contract with PPC will end coterminous with the end of Padcal mine life. Pan Pacific processes the concentrates through its smelter plants and produces products, such as refined copper and precious metals. Pan Pacific is one of the leading buyers of copper concentrates in the world, procuring approximately 1.7 million tonnes of copper concentrates annually from around the world. Compared to this huge volume, the Company's shipments to Pan Pacific is relatively insignificant.

The remaining copper concentrate production outside the Pan Pacific agreement is under contract with IXM SA (formerly Louis Dreyfuss Commodities Metals Suisse SA) though bidding covering the period up to March 2020. For the contract year April 2018 – March 2019, PMC awarded the remaining lots to IXM SA and Transamine Trading SA, with the latter recognized as one of the oldest independent privately-held commodity trading companies in the world.

In 2017, the Company's revenues consisted of shipments of copper concentrate to Japan and Korea under PPC and shipments through IXM SA to Japan and China. For 2019 and 2018, in addition to shipments to PPC and IXM SA, the Company also shipped copper concentrates to Korea and China though Transamine. The reported consolidated revenues of the Company included the net realizable value of mine products inventory at the end of the financial reporting period in accordance with the generally accepted revenue recognition method. These mine products inventory are subsequently shipped to the designated smelting and refining company of the customers.

The contributions over the past three years of the gold and copper produced from the Padcal mine to gross revenues are as follows:

	2019		**2018**		**2017**	
(in Php Millions)	Amount	% to Revenues	Amount	% to Revenues	Amount	% to Revenues
Gold	3,740	50%	4,200	50%	5,432	54%
Copper	3,592	49%	4,051	49%	4,475	45%
		99%		99%	9,908	99%
Total Revenues	**7,399**		**8,314**		**9,985**	

V. Directors and Executive Officers

The following are the present directors of the Company whose terms of office are for one (1) year or until their successors are elected and qualified:

Directors

MANUEL V. PANGILINAN, Chairman, Non-Executive Director

Age: 73
Date of First Appointment: November 28, 2008

Academic Background:
Mr. Pangilinan graduated Cum Laude from the Ateneo de Manila University with a Bachelor of Arts degree in Economics. He received his Masters of Business Administration degree from Wharton School of the University of Pennsylvania in 1968.

Business and Professional Background/ Experience:
Mr. Pangilinan founded First Pacific Company Limited, a corporation listed on the Hong Kong Stock Exchange, in May 1981. He served as Managing Director of First Pacific Company Limited since its founding in 1981 until 1999. He was appointed Executive Chairman until June 2003, after which he was named Managing Director and Chief Executive Officer. In May 2006, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula, rank of Komandante, in recognition of his contributions to the country. He was named Management Man of the Year 2005 by the Management Association of the Philippines.

Mr. Pangilinan was awarded Honorary Doctorates in Science by Far Eastern University in 2010; in Humanities by Holy Angel University in 2008; by Xavier University in 2007; and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School. He is a member of the ASEAN Business Advisory Council. Mr. Pangilinan has been a Director of PMC and Philex Gold Philippines, Inc. (PGPI) since November 2008. He is also Managing Director and Chief Executive Officer of First Pacific Company Limited, and Chairman of the PLDT Inc. (PLDT) since 2004, after serving as its President and Chief Executive Officer (CEO) since 1998. He reassumed the position of President and CEO of PLDT effective December 2015. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Silangan Mindanao Mining Co., Inc., Landco Pacific Corporation, Medical Doctors Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Asian Hospital, Inc., Davao Doctors, Inc., Riverside Medical Center Inc., Our Lady of Lourdes Hospital, Central Luzon Doctors' Hospital, Inc., Maynilad Water Services Corporation, Mediaquest, Inc., Associated Broadcasting Corporation (TV5) and Manila North Tollways Corporation. Mr. Pangilinan is also Chairman of the Manila Electric Company (MERALCO), after serving as its President and Chief Executive Officer from July 2010 to May 2012. In December 2013, Roxas Holdings, Inc., Incorporated, the largest sugar producer in the Philippines, announced the election of Mr. Pangilinan as Vice Chairman.

EULALIO B. AUSTIN, JR. President and Chief Executive Officer**,** Executive Director

Age: 58
Date of First Appointment: June 29, 2011

Academic Background:
Mr. Austin graduated from Saint Louis University-Baguio City, with a Bachelor of Science degree in Mining Engineering and placed eight at the 1982 Professional Board Examination for mining engineers. He took his Management Development Program at the Asian Institute of Management in 2005 and his Advance Management Program at Harvard Business School in 2013.

Business and Professional Background/ Experience:

Mr. Austin has been a Director of PMC and PGPI since June 29, 2011 and was re-elected on June 28, 2017. He became President and Chief Operating Officer on January 1, 2012 and President and CEO of the Company on April 3, 2013.

He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998. Mr. Austin concurrently serves as Director of PXP Energy Corporation and Silangan Mindanao Mining Co., Inc.

Outside of Philex Mining, he is a member of the Chamber of Mines of the Philippines' Board of Trustees. Mr. Austin also sits as a member of the Executive Committee of the Board of Trustees and serves as the Chairman of the Membership Committee as well as the Towards Sustainable Mining Initiative Committee. He is a Competent Person on Mining. He was awarded Most Outstanding Engineer of the Philippine Society of Mining Engineers (PSEM) in 2016, aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last December 14, 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

OSCAR J. HILADO, Independent Director

Age: 82
Date of First Appointment: December 7, 2009

Academic Background:
Mr. Hilado, a Certified Public Accountant, completed his undergraduate studies at the De La Salle College-Bacolod in 1958 and obtained his Master's in Business Administration from the Harvard School of Business Administration (Smith Mundt/Fulbright Scholar) in 1962. He received a Doctorate in Business Management, Honoris Causa, from the De La Salle University and a Doctorate of Laws, Honoris Causa, from the University of St. La Salle in 1992.

Business and Professional Background/ Experience:
Mr. Hilado has been an Independent Director of PMC since December 7, 2009. Mr. Hilado holds the following positions: Chairman of Philippine Investment Management (PHINMA), Inc., Phinma Corporation, Phinma Property Holdings Corporation. Vice-Chairman of Union Galvasteel Corporation. Chairman of the Executive Committee of Phinma Corporation. Director of Philex Mining Corporation, Rockwell Land Corporation, A. Soriano Corporation, Roxas Holdings, Inc. Smart Communications, Inc., Phinma Solar Energy Corporation, Philippine Cement Corporation, Phinma Education Holdings, Inc., Araullo University, Inc., Cagayan de Oro College, Inc., University of Iloilo, Inc., University of Pangasinan, Inc., Southwestern University, St. Jude College, Manila, Phinma Hospitality, Inc., United Pulp and Paper Company, Inc., Digital Telecommunications Philippines, Inc., Seven Seas Resorts and Leisure, Inc., Beacon Property Ventures, Inc., Cebu Light Industrial Park, Inc., Pueblo de Oro Development Corporation and Manila Cordage Company.

MARILYN A. VICTORIO-AQUINO, Non-Executive Director

Age: 64
Date of First Appointment: December 7, 2009

Academic Background:
Ms. Aquino was educated at the University of Santo Tomas (A.B.) and University of the Philippines (LL.B., cum laude). and qualified as a barrister in the Philippines in 1981.

Business and Professional Background/ Experience:
Ms. Aquino joined Sycip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989. Ms. Aquino's practice focused on banking, finance and securities, construction and infrastructure, investments, mergers and acquisitions, and mining and natural resources. Ms. Aquino is a Director of Philex Mining Corporation, Philex Gold Philippines, Inc., PXP Energy Corporation, Silangan Mindanao Mining Company, Inc., Lepanto Consolidated Mining Company and Maynilad Water Services, Inc. She was also appointed as Chief Legal Counsel of PLDT in December 2018.

BARBARA ANNE C. MIGALLOS Corporate Secretary**,** Executive Director

Age: 65
Date of First Appointment: June 26, 2013

Academic Background:
Ms. Migallos graduated Cum Laude from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as Cum Laude (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

Business and Professional Background/ Experience:
Ms. Migallos was elected to the Board of Directors of PMC and PGPI on June 27, 2018. She is also the Company's Corporate Secretary since July 1998. She is also Director and Corporate Secretary of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos is also a Director of Mabuhay Vinyl Corporation since 2000 and Philippine Resins Industries since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005 and Nickel Asia Corporation since 2010. She is a professorial lecturer in Corporations Law, Insurance and Credit Transactions at the De La Salle University College of Law. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006.

WILFREDO A. PARAS, Independent Director

Age: 73

Date of First Appointment: June 29, 2011

Academic Background:

Mr. Paras completed his undergraduate studies at the University of the Philippines in 1969 with Bachelor of Science, Industrial Pharmacy and his Master in Business Administration at the De La Salle University in 1991. He also completed an Executive Program at the University of Michigan at Ann Arbor, Michigan, USA.

Business and Professional Background/ Experience:

Mr. Paras has been an Independent Director of PMC since June 29, 2011 and was re-elected on June 26, 2019. He is currently an Independent Director of GT Capital Holdings, Inc. since May 2013 and President of WAP Holdings, Inc. He is also a member of the Board of Trustees of Dualtech Training Foundation Inc. Mr. Paras was previously the Executive Vice-President, Chief Operating Officer and Director of JG Summit Petrochemical Corporation, President and Director of PT Union Carbide Indonesia, Managing Director of Union Carbide Singapore, Business Director, Union Carbide Asia Pacific, and President of Union Carbide Philippines

MICHAEL G. REGINO, Non-Executive Director

Age: 58
Date of First Appointment: February 28, 2017

Academic Background:
Michael G. Regino graduated Cum Laude and Salutatorian from the Ateneo de Zamboanga University in 1981, with a degree of Bachelor of Science, Major in Economics. He later obtained his Master in Business Administration in 1985 from the Ateneo de Manila University.

Business and Professional Background/ Experience:
Mr. Regino was appointed last October 27, 2016 as Member of the Board of the Social Security Commission (SSC) and since February 28, 2017, a Director of Philex Mining Corporation. Last March 07, 2018, he was duly appointed as Director of Unionbank of the Philippines. Prior to these current positions, he engaged in multifarious activities which marked the significant milestones in his career.

He served as the President and member of the Board of Directors of San Agustin Services, Inc., Agata Mining Ventures, Inc. and Exploration Drilling Corp.; as the Senior Vice President and Chief Operating Officer of St. Augustine Gold and Copper Ltd.; and, as the Executive Director of TVI Resources Development Phils., Inc. He also became one of the members of the Board of Directors of Nationwide Development Corporation and KingKing Mining Corp., where he took charge of the Davao operations.

He also gained expertise in the field of real estate development and property management when he served as the President of Camella Homes, Golden Haven Memorial Parks, Inc., and MGS Group of Companies. He also once shared his competence in other industries such as Northern Foods, Corp., Kilusang Kabuhayan at Kaunlaran, and the Ateneo de Zamboanga University, where he served as Finance and Treasury Manager, Chief Financial Specialist, and Instructor in Economics, respectively.

ANITA B. QUITAIN, Non-Executive Director

Age: 73
Date of First Appointment: February 28, 2017

Academic Background:
Ms. Quitain has a Bachelor of Science Degree in Elementary Education from the University of Mindanao. She also completed two (2) years of Masters in Public Administration (37 units) for Career Civil Service Eligibility.

Business and Professional Background/ Experience:
Ms. Quitain is currently a Commissioner of the Social Security System (SSS). She previously held the following SSS positions: Section Head of Membership, Real Estate, Operations, Accounting, Membership Assistance Center and Sickness, Maternity and Disability in Region 9. She also headed the SSS Representative Office in Digos, Davao del Sur. Ms. Quitain officially retired from the SSS in 2009 after thirty-one (31) years of continuous and dedicated service.

DIANA V. PARDO-AGUILAR* Non-Executive Director

Age: 55
Date of First Appointment: November 13, 2019

Academic Background

Ms. Pardo-Aguilar holds a Master degree in Business Administration major in International Business and Finance from Pepperdine University, California (1988) and a Bachelor of Science in Computer Studies from De La Salle University (1985).

Business and Professional Background/Experience
Ms. Pardo-Aguilar was appointed as Commissioner of the state-run Social Security System in August 2010 and was reappointed by President Rodrigo Duterte in 2016. She is Chairperson of the Investment Oversight Committee and Vice Chairperson of the Information Technology Committee; and a Member of the Risk Management and Audit Committees. She was appointed as Director of Security Bank Corporation since April 2017 and Chairs the Trust Committee. She was also appointed as Chairperson of SB Capital Investment Corporation since August 2016. She was appointed as an Independent Director of Medical Doctor's Inc., of Makati Medical Center since July 2018 and also appointed as Chairperson of the Audit Committee since September 2018. She is a Member of the Investment Committee of De La Salle Philippines since July 2018. She was re-elected as one of the members of the Board of Governors of the Employers Confederation of the Phils. in December 2018. She is a Member of the Board of Directors of Ionics Inc., since December 2016, a Consultant Advisor to the Board of Phil. Seven Corporation since January 2015, a Member of the Philippine Stock Exchange's Capital Markets Development Board since 2013, a Director of Electronic Commerce Payment Networks, Inc., since 2004 and a Director of Wenphil Corporation since 1998.

JOSEPH H.P. NG Non-Executive Director

Age: 57
Date of First Appointment: January 30, 2019

Academic Background:
Mr. Ng received an MBA and a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales.

Business and Professional Background/ Experience:
Mr. Ng. joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. He was appointed as Associate Director in April 2019. Prior to that, he was Executive Vice President of Group Finance and served in several senior positions within First Pacific Group ("the Group"), including as the Head of Finance of the Group's regional telecom division and a director of a number of the Group's telecom joint ventures in India, Indonesia and China. Mr. Ng is a Commissioner of PT Indofood Sukses Makmur Tbk and a Non-Executive Director of Philex Mining Corporation and PXP Energy Corporation, which are First Pacific Group subsidiary and associate.

RICHARD P.C. CHAN Non-Executive Director

Age: 50
Date of First Appointment: January 30, 2019

Academic Background:
Mr. Chan received a BBA (Hons) degree from Hong Kong Baptist University and an MBA from the Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a CFA Charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has experience in auditing, accounting, finance and management spanning a diverse range of business activities. He serves as a Non-executive Director of Philex Mining Corporation since January 2019, which is First Pacific Group associate.

Business and Professional Background/ Experience:
Mr. Chan joined First Pacific in 1996 from KPMG. Prior to his appointment as Executive Vice President, Group Financial Controller in April 2019, Mr. Chan was Vice President, Group Financial Controller.

Directorships in Other Publicly-Listed Companies

Name	Listed Company	Type of Directorship
Manuel V. Pangilinan	PLDT, Inc. Metro Pacific Investments Corp. Roxas Holdings, Inc. Manila Electric Company PXP Energy Corp.	Executive Non-Executive Non-Executive Non-Executive Non-Executive
Michael G. Regino	Union Bank of the Philippines	Non-Executive
Wilfredo A. Paras	GT Capital Holdings, Inc.	Non-Executive
Barbara Anne C. Migallos	Mabuhay Vinyl Corp.	Non-Executive
Marilyn A. Victorio-Aquino	PXP Energy Corp. Lepanto Consolidated Mining Company	Non-Executive Non-Executive
Oscar J. Hilado	PHINMA Corp. Rockwell Land Corp. Roxas Holdings, Inc. A. Soriano Corp.	Non-Executive Independent Independent Independent
Eulalio B. Austin, Jr.	PXP Energy Corp.	Non-Executive
Diana Pardo Aguilar	Security Bank Corporation IONICS, Inc. PXP Energy Corp	Non-Executive Non-Executive Non-Executive

*Mr. Gonzalo T. Duque resigned July 31, 2019 and was replaced by Ms. Diana Pardo-Aguilar on November 13, 2019

Executive Officers

The following persons are the present Executive Officers of the Company:

EULALIO B. AUSTIN, JR. – 58, Filipino citizen. Mr. Austin has been a Director of PMC and PGPI since June 29, 2011 and was re-elected on June 24, 2015. He became President and Chief Operating Officer on January 1, 2012 and President and Chief Executive Officer of the Company on April 3, 2013. He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998.

Mr. Austin concurrently serves as Director of PXP Energy Corporation and Silangan Mindanao Mining Co., Inc. Outside of Philex Mining, he is a member of the Chamber of Mines of the Philippines' Board of Trustees. Mr. Austin also sits as a member of the Executive Committee of the Board of Trustees and serves as the Chairman of the Membership Committee as well as the Towards Sustainable Mining Initiative Committee. Mr. Austin is a Competent Person on Mining. He was awarded Most Outstanding Engineer in Mine Management by the Philippine Society of Mining Engineers (PSEM) in 2016, aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last December 14, 2015

in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

BARBARA ANNE C. MIGALLOS – 65, Filipino citizen. Ms. Migallos has been a Director of the Company and PGPI since June 26, 2013 and was re-elected on June 24, 2015. She is also the Company's Corporate Secretary since July 1998. Ms. Migallos is also Director and Corporate Secretary of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. and Lascogon Mining Corporation. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos has also been a Director of Mabuhay Vinyl Corporation since 2000 and the Philippine Resins Industries since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005 and Nickel Asia Corporation since 2010. She is also a professorial lecturer in insurance law and securities regulation law at the De La Salle University College of Law. Ms. Migallos graduated cum laude from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as cum laude (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

ROMEO B. BACHOCO - 59, Filipino Citizen. Mr. Bachoco has been appointed as the Company's Senior Vice President for Finance, Chief Finance Officer and Treasurer since August 2019. He is a seasoned corporate professional with a diverse background in finance and commercial operations. He previously held the following senior management positions namely as Chief Operating Officer of XRC Mall Developer, Inc. (XentroMalls), Executive Vice-President and Head of Retail and Business Development of Seaoil Philippines, Inc., Executive Vice-President and Chief Operating Officer of Double Dragon Properties Corp., Executive Vice-President and Chief Finance Officer of Golden Arches Development Corp. (McDonalds Philippines) and Eastern Telecommunications Philippines. Mr. Bachoco graduated Cum Laude with a Bachelor of Science Degree in Business Administration, Major in Accounting, from the University of the Philippines Visayas and is a licensed Certified Public Accountant. He also obtained his Master in Business Administration from the Ateneo Graduate School of Business under the Ateneo-Regis Program. He is also a visiting professional lecturer in financial management at the Ateneo Graduate School of Business.

MICHAEL T. TOLEDO – 59, Filipino citizen. Mr. Toledo has been Senior Vice President for Public and Regulatory Affairs since February 15, 2012. He is the Chief Operating Officer of Silangan Mindanao Mining Company, Inc. and is also the Managing Director of the Media Bureau of the MVP group of companies. He currently sits as a Member of the Executive Council and Chairman of the Standing Committee on Legal Information of the ASEAN Law Association of the Philippines (ALA); Chairman of the Committee on Public Relations and Publicity and Co-Chair of the Committee on Business Law Reforms of the Philippine Bar Association (PBA); Chairman of the Sub-Committee on Natural Resources Development and Member of the National Issues Committee and Women Empowerment Committee of the Management Association of the Philippines (MAP); Member of the Board of Trustees of the UP College of Law Alumni Foundation (UPLAF);and member of the Board of Trustees of the Philippine Disaster Resiliency Foundation (PDRF). He is also a print journalist and writes a fortnightly column in The Philippine Star. Mr. Toledo was named 2014 CEO (Communication Excellence in Organizations) Excel Awardee by the International Association of Business Communicators (IABC) and was conferred the Lifetime Achievement Award by the British Government and the British Alumni Association. Before joining the Company, he was President and Chief Executive Officer of the Weber Shandwick Manila office since 2006.

Mr. Toledo was also Press Secretary and Presidential Spokesperson for former President Joseph Ejercito Estrada and was Director and/or Legal and Financial Consultant for various government owned and controlled corporations such as the Government Service Insurance System (GSIS), Department of Transportation and Communications (DOTC), and the Cagayan Economic Zone Authority (CEZA). Mr. Toledo finished a Bachelor of Arts Degree in Philosophy in 1981 and completed a Bachelor of Laws Degree at University of the Philippines in 1985. In 1994, he obtained

a Master of Laws degree at the London School of Economics and Political Science as a Chevening Scholar and was accepted at the Fletcher School of Law and Diplomacy at Tufts University.

VICTOR A. FRANCISCO – 55, Filipino citizen. Mr. Francisco has been Vice President for Environment and Community Relations since January 2, 2009. He was previously Group Manager for Corporate Environment and Community Relations in 2007, Department Manager– Corporate Environment and Community Relations in 1999 and Assistant Manager –Corporate Environmental Affairs in 1997. Mr. Francisco completed a Bachelor of Science Degree in Community Development at the University of the Philippines in 1987. He also obtained a Master's in Environmental Science and Management degree at the University of the Philippines campus in Los Banos, Laguna in 1995.

VIC MORRIS A. YODONG - 65, Filipino citizen. Mr. Yodong was appointed and assumed the position of Vice President and Padcal Resident Manager on March 11, 2019. Mr. Yodong is licensed mining engineer with over forty years of industry experience from both local and international mining companies. He graduated with a Bachelor of Science in Mining Engineering Degree from Adamson University.

JONAS EMANUEL S. SANTOS, 42, Filipino citizen. Mr. Santos was appointed and assumed the position as Vice President and General Counsel of Philex Mining Corporation on April 01, 2019. Mr. Santos was formerly the Corporate Counsel of Chevron Philippines, Inc. and Senior Associate at Sycip Salazar Hernandez & Gatmaitan. He graduated with a Bachelor of Science in Management Engineering Degree from the Ateneo de Manila University and obtained his Bachelor of Laws from the University of the Philippines Diliman.

Mr. Danny Y. Yu served as the Company' Senior Vice President for Finance, Chief Finance Officer And Treasurer up to July 31, 2019 followed by his early retirement on August 01, 2019.

Ms. Joan de Venecia-Fabul served as the Company's Vice President and General Counsel up to March 31, 2019.

While all employees are expected to make a significant contribution to the Company, there is no one particular employee, not an executive officer, expected to make a significant contribution to the business of the Company on his own.

The Company is not aware of any adverse events or legal proceedings during the past five (5) years that are material to the evaluation of the ability or integrity of its directors or executive officers. Note 31 of the Notes to the Consolidated Financial Statements of the Exhibits in Part V, Item 14 is also hereto incorporated by reference.

There are no family relationships up to the fourth civil degree of consanguinity among any of the directors and executive officers.

No director has resigned or declined to stand for re-election because of disagreement with the Company on any matter relating to the Company's operations, policies or practices.

VI. Market Price of and Dividends on the Company's Common Equity

Market Information

The registrant's common equity, which was initially classified into Class A and Class B common stock until it was declassified into a single class in 2006, is traded in the Philippine Stock Exchange under the ticker symbol "PX". The Company's public float as of December 31, 2019 is 33.58%.

The average quarterly stock prices for the Company's common shares for the last two fiscal years and the first quarter of 2020 are as follows:

Year	Period	High	Low
2018	1Q 2018	7.21	5.81
	2Q 2018	6.16	4.48
	3Q 2018	4.99	3.32
	4Q 2018	3.75	2.50
2019	1Q 2019	4.46	3.15
	2Q 2019	3.84	2.86
	3Q 2019	4.22	3.38
	4Q 2019	3.76	2.65
2020	1Q 2020	3.31	1.85

The Company's stock was traded at P2.22 per share as of May 5, 2020.

Holders

The Company has 43,986 shareholders as of December 31, 2019, with total issued and outstanding shares at 4,940,399,068 of which 38.31% are held by foreign nationals and entities.

The Top 20 shareholders of the Company as of December 31, 2019 are listed below:

Name	Nationality	No. of Shares Held	Ownership
Asia Link B.V.	Dutch	1,023,275,990	20.71%
PCD Nominee Corp.	Filipino / Other Alien	1.043,290,232	23.24%
Social Security System	Filipino	992,679,659	20.09%
Two Rivers Pacific Holdings Corp.	Filipino	738,871,510	14.96%
Kirtman Limited	British	242,011,062	4.90%
Maxella Limited	British	239,479,900	4.85%
Artino Limited	British	37,822,400	0.77%
The First National Investment Co. Inc.	Filipino	12,195,042	0.25%
Makati Supermarket Corp.	Filipino	8,353,226	0.17%
Estate of Eudaldo Boix	American	5,025,422	0.10%
Philippine Remnants Co., Inc.	Filipino	4,875,000	0.10%
Manuel V. Pangilinan	Filipino	4,655,000	0.09%
Frank Pao	Foreign	3,639,260	0.07%
Estate of Edualdo Boix and Petra Hernando	American	3,093,203	0.06%
Paulino De Ugarte and/or Elena E. De Ugarte	Filipino	3,068,143	0.06%
Carol Joan Reif	American	2,974,086	0.06%
Robin John Pettyfer	Canadian	2,644,747	0.05%

Estate of Jose Tan Yan Doo	Filipino	2,569,251	0.05%
Victor Sy	Filipino	2,437,500	0.05%
Lucio W. Yan and/or Clara Yan	Filipino	2,437,500	0.05%

Dividends

Beginning 2010, the Company has adopted a policy to declare cash dividends of up to 25% of core net income should the circumstances allow for its declaration. Below shows the Company's dividend payout history since 2015:

Declaration Date	Record Date	Payment Date	Amount Per Share
February 28, 2017	March 14, 2017	March 27, 2017	P0.04
November 07, 2017	November 24, 2017	December 06, 2017	P0.04
February 27, 2018	March 13, 2018	March 26, 2018	P0.04
July 25, 2018	August 08, 2018	August 24, 2018	P0.035
February 27, 2020	March 13, 2020	March 27, 2020	P0.01

VII. Compliance with Leading Practices on Corporate Governance

Vision and Mission

The Company's Vision and Mission Statement is reviewed and approved by Management and the Board of Directors on an annual basis. The Company's vision is to be a highly-respected, world-class natural resource company, committed to deliver excellent value to its investors, employees and other stakeholders. Its mission is to become a responsible mining corporation that discovers and processes minerals and energy resources for the use of society.

Governance Statement

Philex Mining Corporation is principally committed to the highest standards of corporate governance and transparency in the conduct of its business. Through the years, the Company has reinforced its governance framework by broadening its scope to include initiatives associated with social responsibility and environmental stewardship. To ensure constant improvement, PMC regularly benchmarks its procedures against internationally-recognized and globally-accepted best corporate practices. Since 2015, PMC has constantly maintained its top-tier standing among local peers in the annual ASEAN Corporate Governance Scorecard rankings. For 2018, the Company formalized new policies on Succession Planning, Board Diversity, Information Technology Governance and assessment forms for Key Officers to further strengthen its overall governance structure.

The Company has adopted a Manual of Corporate Governance and is generally compliant with the Code of Corporate Governance of the Securities and Exchange Commission and Corporate Governance Guidelines of the Philippine Stock Exchange, including all other pertinent regulations for publicly-listed entities.

COVER SHEET

1	0	0	4	4						

SEC Registration Number

P	H	I	L	E	X			M	I	N	I	N	G			C	O	R	P	O	R	A	T	I	O	N		A	N	D		
S	U	B	S	I	D	I	A	R	I	E	S																					

(Company's Full Name)

2	N	D		F	L	O	O	R		L	A	U	N	C	H	P	A	D		R	E	L	I	A	N	C	E					
S	T	R	E	E	T		C	O	R	N	E	R		S	H	E	R	I	D	A	N		S	T	R	E	E	T					
M	A	N	D	A	L	U	Y	O	N	G		C	I	T	Y																	
M	E	T	R	O		M	A	N	I	L	A																					

(Business Address: No. Street City/Town/Province)

ROMEO B. BACHOCO	(632) 631-13-81
(Contact Person)	(Company Telephone Number)

1	2		3	1		1	7	-	A			0	6		2	8
Month		*Day*										*Month*		*Day*		
(Calendar Year)						(Form Type)						(Annual Meeting)				

Not Applicable
(Secondary License Type, If Applicable)

	Not Applicable
Dept. Requiring this Doc.	Amended Articles Number/Section

	Total Amount of Borrowings	
43.990		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
Document ID	Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

S.E.C. Number 10044
File Number_____

PHILEX MINING CORPORATION
(Company's Full Name)

2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila 1550
(Company's Address)

631-1381 to 88
(Telephone Numbers)

December 31
(Fiscal Year Ending)
(month & day)

SEC FORM 17-A
Form Type

_____
Amendment Delegation (If applicable)

December 31, 2019
Period Ended Date

_____
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended **December 31, 2019**
2. SEC Identification Number **10044**
3. BIR Tax Identification No. **000-283-731-000**
4. Exact name of issuer as specified in its charter: **PHILEX MINING CORPORATION**
5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization
6. [ ] (SEC Use Only) Industry Classification Code:
7. **2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila**
   Address of principal office Postal Code **1550**
8. **(632) 631-1381 to 88**
   Issuer's telephone number, including area code
9. _____
   Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 & 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares, P1 par value (as of Dec. 31, 2019)	**4,940,399,068**
Debt Outstanding (as of December 31, 2019)	**P10.275 Billion**

11. Are any or all of these securities listed on a Stock Exchange?

    Yes [x] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange **Common Shares**

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a) – 1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the issuer was required to file such reports).

    Yes [x] No [ ]

    (b) has been subject to such filing requirements for the past 90 days.

    Yes [x] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: P11.560 billion based on closing price at the Philippine Stock Exchange on May 11, 2020.

PART 1 - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Company Overview

Philex Mining Corporation ("PMC", "Company") and its subsidiaries are organized into two main business groupings: the mining business, which is directly under PMC, Philex Gold Philippines, Inc. (PGPI) Silangan Mindanao Exploration Co., Inc. (SMECI) and Silangan Mindanao Mining Co., Inc. (SMMCI), and the energy and hydro-carbon business under PXP Energy Corporation (PXP Energy), formerly Philex Petroleum Corporation. In 2016, PMC declared property dividends in the form of shares in PXP Energy, effectively reducing its ownership from 64.7% to 19.4% in PXP Energy. This undertaking will allow PMC to leverage on its key strengths and focus its resources on its core business of mining. In 2018, PMC entered into a subscription agreement with PXP Energy for 260,000,000 million shares of PXP Energy at P11.85 per share, for a total consideration of P3.081 billion, resulting to the largest single shareholding of 30.4%. As of December 31, 2019, PMC has settled 94% of its subscribed portion equivalent to P2.896 billion. This transaction forms part of the Company's long-term growth strategy which includes deploying assets into value-accretive ventures.

Mining Business

The Company was incorporated in the Philippines in 1955 and was listed in the Philippine Stock Exchange on November 23, 1956. PMC, and its wholly-owned subsidiaries namely, PGPI, SMECI and SMMCI (through SMECI), are primarily engaged in large-scale exploration, development and utilization of mineral resources in the Philippines.

PMC has been operating the Padcal Mine in Benguet for the last 62 years employing the underground block-cave method, with a starter mine in 1958. It is one of the longest operating mines in the country and serves as the Company's primary source of revenues

PGPI, on the other hand, operated the Bulawan mine in Negros Occidental until the second quarter of 2002. At present, the Bulawan mine has residual resource estimates of around 29.6 million tonnes containing 1.7 million ounces of gold, which also includes the Vista Alegre area with completed geological modelling and preliminary resource estimation.

SMECI, through SMMCI, completed the acquisition of the Silangan Copper and Gold Project ("Silangan Project") situated in Surigao del Norte, Northeastern Mindanao in 2010. The Silangan Project is considered one of the current three large scale projects seen in the country to become a major copper producer. Its tenements consist of two main deposit areas – Boyongan and Bayugo, consisting of Bayugo-Silangan and Bayugo-Kalayaan with the latter representing a joint venture with Manila Mining Corporation. For Kalayaan, PMC currently holds 5% interest in the project and the option to further increase its stake up to 60%.

In July 2019, SMMCI approved the definitive feasibility study (DFS) prepared by its consultants, Ausenco of Australia, for an underground sub-level cave mining method for the Silangan Project yielding 81 million tonnes (Mt) high-grade copper and gold ore reserves out of 279 Mt of mineral resource estimates for the Boyongan deposit containing high-quality copper and gold grades. Including the Bayugo deposit, the Project's total mineral resource is estimated to be 571 Mt.

Also, in July 2019, the Silangan Project was granted an Environmental Compliance Certificate (ECC) for underground sub-level cave mining method. Following the grant of ECC, the Department of Environment and Natural Resources (DENR), through the Mines and Geosciences Bureau (MGB), in a letter dated September 26, 2019, has approved the underground sub-level cave mining method amending the previously issued Order dated April 10, 2015 approving the Declaration of Mining Project Feasibility (DMPF) of the Silangan Copper-Gold Project under MPSA No. 149-99-XII.

The approved DMPF for underground sub-level cave mining method under the DMPF included the approved Three Year Development and/or Utilization Work (3YD/UWP) Program, the Environmental Protection and Enhancement Program (EPEP), Final Mine Rehabilitation and Decommissioning Plan (FMRDP) and Social Development and Management Program (SDMP).

Corporate Objectives

2020	2021	2022
Bridging the Gap by Optimizing Padcal through: • Relentless pursuit for operational efficiency improvements • Other business opportunities at Padcal		
Silangan Commissioning • Secure project financing • Proceed to mine development of the project		
Value-Creation Initiatives for other mine tenements and non-core assets		

Products and Sales

For the past 62 years, the Company has operated the Sto. Tomas II deposit at Padcal, Tuba, Benguet Province – the first underground block caving operation in the Far East.

The Company's Padcal mine produces copper concentrates, containing copper, gold and silver. Total ore extracted and processed from start of operation to 2019 aggregated to 425.91 million tonnes, producing 2.331 billion pounds of copper, 6.298 million ounces of gold, and 6.821 million ounces of silver.

Based on the Sales Agreement entered into by the Company and Pan Pacific Copper Co., Ltd. (PPC) in March 2004, 60% of the Company's annual copper concentrate production, approximately 40,000 dry metric ton of current production level, is committed to PPC up to contract year April 2018 to March 2019. PPC is a major Japanese smelting and refining company jointly established by JX Nippon Mining & Metals Corporation and Mitsui Mining & Smelting Co., Ltd.

Starting contract year April 2019 and onwards, this volume can go from 40% to 70% at the discretion of PMC. The contract with PPC will end coterminous with the end of Padcal mine life. PPC processes the concentrates through its smelter plants and produces products, such as refined copper and precious metals. PPC is one of the leading buyers of copper concentrates in the world, procuring approximately 1.7 million tonnes of copper concentrates annually from around the world. Compared to this huge volume, the Company's shipments to PPC is relatively insignificant.

The remaining copper concentrate production outside the PPC agreement is under contract with IXM SA (formerly Louis Dreyfuss Commodities Metals Suisse SA) though bidding covering the period up to March 2020. For the contract year April 2018 – March 2019, PMC awarded the remaining lots to IXM SA and Transamine Trading SA, with the latter recognized as one of the oldest independent privately-held commodity trading companies in the world.

In 2017, the Company's revenues consisted of shipments of copper concentrate to Japan and Korea under PPC and shipments through IXM SA to Japan and China. For 2019 and 2018, in addition to shipments to PPC and IXM SA, the Company also shipped copper concentrates to Korea and China though Transamine. The reported consolidated revenues of the Company

included the net realizable value of mine products inventory at the end of the financial reporting period in accordance with the generally accepted revenue recognition method. These mine products inventory are subsequently shipped to the designated smelting and refining company of the customers.

The contributions over the past three years of the gold and copper produced from the Padcal mine to gross revenues are as follows:

	2019		2018		2017	
(in Php Millions)	Amount	% to Revenues	Amount	% to Revenues	Amount	% to Revenues
Gold	3,740	50%	4,200	50%	5,432	54%
Copper	3,592	49%	4,051	49%	4,475	45%
		99%		99%	9,908	99%
Total Revenues	**7,399**		**8,314**		**9,985**	

Competition

The Company's sales of copper concentrates are based on global prices quoted from the London Metal Exchange. Occasional shipment of gold bullion are valued based on quoted gold prices from the London Bullion Metal Association. Since no one mine can affect international metal prices, competition among mining companies is indirect.

Sources and Availability of Raw Materials and Supplies

As generally defined, raw materials for the production of copper concentrate containing copper, gold and silver come from the ore, which is a naturally occurring solid material from which a metal or valuable mineral can be profitably extracted. It therefore follows that the ore that the Company mines from the Padcal ore body, known as the Sto. Tomas II ore body, is deemed to be the basic raw material of the copper, gold, and silver minerals actually produced. In the same manner, the ore are then subjected to further processing at the mill to produce the copper concentrates for shipment to smelting and refining companies abroad. Materials and supplies, labor, power and other services are employed in the mining of the ore and the milling operations to produce the copper concentrates.

Labor is generally provided by the Company's regular employees, augmented by government-accredited contractors for certain activities and projects. Sourcing of machinery and equipment, including Maintenance, Repair and Overhaul (MRO) Supplies are handled by the Company's Supply Chain Organization. To ensure efficient mechanical availability of these mining and milling equipment and prevent supply risk, various medium-to long-term supply chain and inventory management strategies are maintained with major mining equipment manufacturers and Original Equipment Manufacturers (OEMs). Also, major mining consumables are either ordered locally or imported. Locally sourced mining consumables are diesel fuel, ball mill liners, explosives, lime, oil and lubricants, cement and sand, while indent or imported items are grinding balls, copper flotation reagents, major equipment spare parts, conveyor belts and off-the-road (OTR) tires.

To assure ample supply, high quality performance, and minimized costs, various inventory and supply chain management strategies, such as economic order quantity (EOQ), just-in-time (JIT) outsourcing, and partnerships with various suppliers, are implemented.

Electrical power to run the Padcal Mine is currently sourced from Vantage Energy Solutions and Management, Inc. under the terms of an electricity supply contract up to December 25, 2020 subject to mutual agreement to extend to another two years up to December 25, 2022. The National Grid Corporation of the Philippines provides the transmission lines for the delivery of power to the mine. Diesel fuel is used mostly for the Load-Haul-Dump (LHDs) equipment and Low Profile Trucks (LPTs). These equipment, mostly acquired from Sandvik, Epiroc, and Fambition Mining Technology Co., are utilized underground for the mine's hauling and miscellaneous activities.

The maintenance of the Padcal mine's cable-haul conveyor system to transport the ore from underground to the mill is contracted with Prince ACE Corporation, a Philippine company that works closely with Conveyor Design Engineering (Australia) and JV Industries (Australia). In 2018 and 2019, the Company engaged local consultant Geotecnica Corporation and Coffey Services Australia Pty Ltd for the design and validation of the capacity of TSF-3 consistent with the extension of the mine life up to December 2022.

Employees

The Company's total manpower headcount, including those of subsidiaries, is at 1,881 in 2019 and 2,133 in 2018. For the Parent Company, headcount is 1,845 and 2,114 in 2019 and 2018, respectively.

As of end-2019, there are 67 head-office based employees and 1,778 operations and support personnel assigned in Padcal. Employee rank classifications are detailed below:

	2019	2018
Officers and Managers	93	120
Supervisors	473	526
Rank and File	1,279	1,468
Total	1,845	2,114

The overall average tenure of employees is 13 years, with an average age of 41 years old. Employee gender distribution was at 93% male and 7% female and this is attributed to the nature of the job being an underground mine. The Company anticipates no material change in the number and type of employees within the ensuing twelve months.

Padcal-based employees belong to two collective bargaining agents: the Philex Rank-and-File Employees Union-Association of Labor Unions (Trade Union Congress of the Philippines) [PRFEU-ALU (TUCP)] for rank-and-file employees and the Philex Mining Supervisory Employees Union-Association of Professional Supervisory Office Technical Employees Union (Trade Union Congress of the Philippines) [PMSEU-APSOTEU (TUCP)] for supervisors. The five-year collective bargaining agreements (CBAs) with both unions were signed in January 2016 with effectivity up to January 2, 2020 for PRFEU-ALU (TUCP) and up to May 1, 2020 for PMSEU-APSOTEU (TUCP). The Company re-negotiated and agreed to the salary increase provision of the respective CBAs for PRFEU and PMSEU for years 2018 and 2019.

On the other hand, head-office rank-and-file employees are members of the Philex Pasig Employees Union. The CBA was signed by the Philex Pasig Employees Union and the Company on April 6, 2017 and was registered with the Department of Labor and Employment on February 20, 2018. The salary increase provision for the last two years of the CBA (2019 and 2020) was re-negotiated starting August 2019, and was agreed upon and signed in September 2019.

There has been no strike conducted by any of the Company's unions in the past five years. In addition, the Company has no other supplemental benefits or incentive arrangements under its collective bargaining agreements with the unions other than the usual employee benefits, such as vacation and sick leave pays, among others.

Mining Properties and Royalty Agreements

PMC's mineral properties or tenements in the Padcal mine and its vicinity have a total area of 11,834 hectares located within the municipalities of Tuba and Itogon in Benguet Province. These are all covered by existing mineral agreements and applications.

Padcal Mine, where Sto. Tomas II deposit is situated, is covered by MPSA 276-2009-CAR, valid up to January 19, 2034, with an area of 81 hectares. MPSA-276-2009-CAR was issued under the names of the heirs of Baldomero Nevada, Sr., Trinidad Nevada and Baldomero Nevada, Jr. (the "Nevadas"). The Nevadas transferred their rights to explore, develop and

utilize the mineral property under the mineral agreements covered by MPSA-276-2009-CAR to PMC by virtue of a royalty agreement executed on August 29, 1955 for an indefinite term, in consideration of royalty payments of 1% for copper and 4% for gold and silver based on the net revenue of minerals after deducting smelting charges.

Contiguous to the area covered by MPSA-276-2009-CAR are two other mineral agreements covered by MPSA-156-2000-CAR and MPSA-157-2000-CAR, both issued on April 10, 2000 and valid up to April 10, 2025, and applications under EXPA-075-CAR, EXPA-078-CAR, and EXPA (unnumbered).

A summary of the Padcal vicinity mining tenements and applications is shown in the table below:

Tenement	Operator / Contractor	Area (in Hectares)	MPSA Date of Expiration
MPSA-156-2000-CAR	PMC	3,848	April 10, 2025
MPSA-157-2000-CAR	PMC	2,958	April 10, 2025
MPSA-276-2009-CAR	PMC	81	January 19, 2034
EXPA-075-CAR	PMC	262	n/a
EXPA-078-CAR	PMC	4,561	n/a
EXPA (formerly APSA-98)	PMC	124	n/a
Total		11,834	

Padcal Mine Mineral Resources
As of December 31, 2019

Ore Sources	Classification	Tonnes	Cu %	Au g/t	Contained Cu (lbs.)	Contained Au (ozs.)
782ML	Measured + Indicated	7,900,000	0.22	0.31	38,500,000	78,000
798ML	Measured + Indicated	22,300,000	0.21	0.38	102,800,000	270,000
Subtotal	**Measured + Indicated**	**30,100,000**	**0.21**	**0.36**	**141,300,000**	**348,000**
800-700ML	Measured + Indicated	53,700,000	0.19	0.38	226,700,000	655,000
Total	**Measured + Indicated**	**83,800,000**	**0.20**	**0.37**	**367,900,000**	**1,002,000**

Notes:

1. Cut-off grade = 0.354%CuEq
   CuEq = %Cu + 0.798 x g/tAu

   Metal prices = US$2.65/lb Cu and US$1,450/oz Au
   Metal recoveries = 80% for Cu and 80% for Au
   Forex (Php to USD) = 51.50 Php
   Operating Cost per MT = 852.0 Php

   The Resource was generated using Leapfrog ARANZTM and Geovia GemsTM softwares based on the current Padcal Mine economic parameters stated above.

2. Mineral Resource reported is based on the February 2019 Resource block model prepared by Philex, incorporating data from development sampling and additional holes in early 2019. Details of the estimation methodology is available in the accompanying PMRC compliant MRE report.
3. The resource above cut-off within 800-700ML are included in the tabulation, however, current indications show that these may be largely unavailable for production due to operational risks and additional costs of mining.

4. Mineral Resource Estimates followed the terminology and guidelines set forth in the Philippine Mineral Reporting Code ("PMRC").
5. Total Resources include Proved Reserves.
6. All tonnage information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences in the totals.

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.

PROVED RESERVES As of December 31, 2019					
ORE SOURCES	**Tonnes** **MT**	**Cu** **%**	**Au** **Grams/Tonne**	**Recoverable Cu** **(Pounds)**	**Recoverable Au** **(Ounces)**
798-ML	16,770,000	0.18	0.27	53,600,000	115,000
782-ML	5,300,000	0.17	0.23	15,600,000	32,000
760-ML	1,880,000	0.20	0.44	6,600,000	21,000
Total Reserves	**23,950,000**	**0.18**	**0.27**	**75,800,000**	**168,000**

Notes:

1. Geovia GEMS™ and PCBC™ software were used in the above estimate with the following parameters:

Metal Prices:	Cu:	2.65 US$/lb
	Au:	1,450 US$/oz
Metal Recoveries:	Cu:	80%
	Au:	80%
Forex (PhP to US$):		PhP 51.50

Conversion Factor for Gold grade to CuEq:	0.798
Operating Cost per Tonne:	PhP 852.00
Break-even Grade (%CuEq):	0.354

2. The cost per MT of PhP852 is the actual operating cost of the Company for the year 2019 and is the forecast cost until year 2022.
3. Meanwhile, the FOREX of PhP51.5/US$ is the projection of the Company and is lower by 3% compared to last year's PhP53/US$.

This estimate was prepared by Engr. Ricardo S. Dolipas, II (BSEM) who is the current General Manager for Technical Services for Philex Mining Corporation, Padcal Operations. Engr. Dolipas is a Competent Person under the definition of the Philippine Mineral Reporting Code (PMRC) and has 26 years of experience as to the type of deposit and style of mining. He is a licensed mining engineer with Professional Regulation Commission (PRC) registration number 0002513 and accreditation number EM 0002513-021/13. He has given his consent to the Public Reporting of this statement concerning Mineral Reserve estimation.

On October 28, 2015, the declared life of mine of Padcal Mine has been extended by two years due to an additional 20 million tonnes declared proved reserves.

On February 22, 2016, the Company disclosed the results of exploration near the surface of Bumolo Project, which area is within MPSA 156-2000-CAR, with an estimated 21.7 million tonnes of inferred resources at 0.21% copper and 0.30 grams per tonne gold, at a cut-off of 0.312% CuEq. Thereafter, an additional drilling program, including metallurgical testing, was completed and yielded preliminary resources and grades of Indicated category at 11.4 million

tonnes of 0.19% copper and 0.30 grams per tonne gold at 0.312% copper equivalent cut-off grade.

Other mineral agreements and/or applications of the Company, such as the Silangan Project in Surigao Del Norte, and mineral agreements and/or applications of its subsidiaries and affiliates are discussed in the Exploration and Development section of this report.

Patents, Trademarks and Licenses

The Company has several areas targeted for exploration within the vicinity of the Padcal Mine, which has a total of 11,834 hectares covered by the mining agreements and applications identified in the table above and in the Exploration and Development section of this report. In addition, on September 27, 2017, the DENR issued an Environmental Compliance Certificate for the Company's Tailings Storage Facility No. 3, a pollution-control device. Apart from these mining properties and tenements, the Company holds no other patents, trademarks, copyrights, licenses, franchises and concessions from the government issued and granted to the Company by government authorities on which the Company's Padcal mine operations depend on.

Government Regulations and Approvals

Existing government regulations affect the Company's operations, particularly on the costs of compliance reflected either as expense or as capital asset under generally accepted accounting principles. In the case of new government regulations, the effect or impact of such new governmental regulations on the Company's operations could only be determined upon their passage and implementation.

The exploration, development and utilization of the country's natural resources is governed principally by the 1987 Constitution, which provides that the State may directly explore, develop, and utilize the country's natural resources, or it may enter into co-production, joint venture or production-sharing agreements with Filipino citizens or corporations or associations, at least sixty per centum of whose capital is owned by such citizens. The Constitution also authorizes the President of the Republic of the Philippines to enter into technical or financial assistance agreements with foreign-owned corporations for large-scale exploration, development, and utilization of minerals, petroleum, and other mineral oils in accordance with the general terms and conditions of applicable laws, based on real contributions to the economic growth and general welfare of the country. Several laws have since been enacted to implement these Constitutional principles and directives.

RA 7942: Mining Act of 1995, approved on March 3, 1995

Republic Act 7942 or the Mining Act of 1995 sets out the provisions governing mining and mining-related activities in the country. The Mining Act declares the areas open for mining operations and at the same time, enumerates those closed for mining applications. More importantly, said law sets forth the mining cycle and the corresponding permits needed for each phase: from exploration to the declaration of mining project feasibility, to the positive determination of commercial viability of a project, to the execution of mineral agreements with the government prior to actual operations, until the required rehabilitation after operating a mine.

RA 8371: Indigenous Peoples' Rights Act of 1997, approved on October 29, 1997

RA 8371 or the Indigenous Peoples' Rights Act of 1997 ("IPRA Law") introduced the requirement of "Free and Prior Informed Consent" (FPIC) which means the consensus of members of the concerned Indigenous People (IP) / Indigenous Cultural Community (ICC). Under this, all departments and governmental agencies are strictly enjoined from issuing, renewing, or granting any concession, license or lease or entering into a production sharing agreement, without prior certification from the National Commission on Indigenous Peoples (NCIP), which certification can only be issued after the FPIC with the IPs / ICCs concerned is secured and the process concluded.

PD No. 1586, Environmental Impact Assessment System (EIA), issued on June 11, 1978

Presidential Decree No. 1586 (PD No. 1586) introduced the Environmental Impact Assessment System (EIA) which mandates that "no person, partnership, or corporation shall undertake or operate any such declared environmentally critical project or area without first securing an Environmental Compliance Certificate issued by the President or his duly authorized representative". Hence, pursuant to PD No. 1586, the Mining Act of 1995 requires mining companies to secure an Environmental Compliance Certificate (ECC) in all phases of mining activities, except during the exploration stage.

RA 6969: Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990, approved on October 26, 1990

RA 6969 or the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 regulates the importation, manufacture, processing, distribution, use and disposal of chemical substances and mixtures.

RA 8749: Philippine Clean Air Act of 1999, approved on June 23, 1999

RA 8749 or the Philippine Clean Air Act of 1999 ("Clean Air Act") outlines the measures to reduce air pollution.

RA 9003: Ecological Solid Waste Management Act of 2000, approved on January 26, 2001

RA 8749 or the Philippine Clean Air Act of 1999 ("Clean Air Act") provides a systematic ecological solid waste management program.

EO 79 issued on July 6, 2012

Executive Order No. 79 was issued by President Benigno Aquino III creating the Mining Industry Coordinating Council (MICC) and instituting changes to ensure the practice of responsible mining in the country. EO No. 79 also provides that no new mineral agreements shall be entered into until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect. The DENR may nevertheless, continue to grant and issue Exploration Permits under existing laws, rules, and guidelines.

DAO No. 2015-07 issued on April 30, 2015

Department Administrative Order (DAO) No. 2015-07 institutionalizes an environmental management system that ensures the adherence of local mining operations to international standards, particularly the ISO 14001 Certification, as a measure of responsible mining in the country. It will ensure that appropriate measures are put in place to achieve minimal negative impacts of mining on the environment. As mandated under Executive Order No. 79, it will also guarantee the compliance of mining contractors with applicable mining and environmental laws, regulations, and requirements in mining operations while gearing towards growth.

DAO No. 2017-07 issued on March 10, 2017

DAO No. 2017-7, issued by the DENR, mandates mining contractors to participate in the Philippine Extractive Industries Transparency Initiative (PH-EITI). According to DAO No. 2017-07, all mining contractor shall comply with the disclosure requirements of PH-EITI as set by the Philippine Multi-stakeholders Group where the Government, the industry and civil society are represented. Failure of the mining contractor to comply with the disclosure requriements shall cause the suspension of the pertinent Environmental Compliance Certificate (ECC) and non-issuance of Ore-Transport and/or Mineral Export Permit until such time that said contractor has complied.

DAO No. 2017-10 issued on April 27, 2017

DAO No. 2017-10, issued by the DENR, prohibited the use of the open pit mining method in the extraction of copper, gold, silver and/or complex ores. According to DAO No. 2017-10, open pits allegedly bring adverse impacts to the environment due to the generation of acidic and/or heavy metal-laden water, erosion of mine waste dumps and/or vulnerability of tailings dams to geological hazards.

RA 10963: Tax Reform for Acceleration and Inclusion (TRAIN) approved on December 19, 2017

Republic Act No. 10963 increased the excise tax on gold, copper and other metallic minerals from 2% (under the National Internal Revenue Code) to 4% based on the actual market value of the minerals gross output.

Exploration and Development

Exploration and development (the equivalent of research and development for a mining company) are currently undertaken by the Company's in-house team, with or assisted by consultants and other service providers, like engineering and/or drilling contractors. Expenses related to exploration and development for 2019, 2018 and 2017 amounted to P673 million, P589 million and P691 million, respectively.

The Exploration Division conducted minimal mineral exploration activities in the Province of Benguet within MPSA-156-2000-CAR and MPSA-157-2000-CAR in 2019. Only one porphyry copper (Cu) prospect - Northeast Tapsan Project was concluded within the past year by completing drilling with a total meterage of 470.50m. Exploration and development for the past year was focused on supporting the Padcal Sto. Tomas II underground operations and providing technical support to the feasibility studies being completed for Silangan. Additionally, rehabilitation works were carried out within the rest of the Padcal Tenements.

In support of Padcal Operations, validation drilling was conducted during the first quarter of 2019 to increase data support on 2019 and 2020 mining blocks. For rehabilitation works, the Tapsan, North Midway, Northeast Tapsan and West Santo Tomas project areas were rehabilitated through planting endemic plant species and construction of slope protection, as well as, ground stabilization controls.

Note 13 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 is also incorporated hereto for reference.

Padcal Projects in Benguet

Padcal Sto. Tomas II Underground Validation Drilling

The Padcal Underground Validation Drilling Program was conducted to verify the grades and increase data support on 2019 and 2020 mining blocks with limited drilling information. A total of six (6) drill holes with an aggregate length of 640.3m were collared on four (4) stations within 908ML. Drilling was carried out by DrillCorp Philippines, Inc. (DCP). An update for the MRE of the Sto. Tomas II ore body was completed as of February 2019 which was used to compute the remaining resource and reserves. The contributions of the validation drillholes to the updated MRE resulted in an improvement of the variance between projected and mined values.

North Midway Project

North Midway is located approximately 3.0 aerial kilometers northeast of Sto. Tomas II orebody. After completetion of the drilling program in September 2018 which resulted in an total drilled meterage of 3,630.20m. Based on the results of drilling, the project did not advance into the next stage of exploration. Rehabilitation ensued in 2019 covering an area of 5,830m2. The disturbed areas were planted with various species of plants and construction of ground stabilization infrastructures such as rip-rap, retaining walls and slope protection was completed.

Northeast Tapsan Project

Northeast Tapsan prospect is located approximately 3.7 aerial kilometers southeast of Sto. Tomas II orebody. The prospect was identified based on soil geochemical data, aeromagnetic data, mapping of mineralized porphyry copper outcrops and intersecting major structures. One scout drill hole was started on November 24, 2018 and completed on January 6, 2019 with a depth of 470.50m. The indication of mineralization in the drill hole signify the need for surface exploration elsewhere in the vicinity of NE Tapsan to locate the center of the potential deposit. Due to changes in business priority, rehabilitation of the drilling area ensued in an area covering 1,689m^2 with the planting of various endemic plant species and construction of a retaining wall.

West Santo Tomas Project

The West Sto Tomas prospect is located 800 aerial meters west of Sto Tomas II orebody. The shift in the business priorities of the company in the mid-2018 resulted in the cancellation of the project despite initial ground works. Thus, rehabilitation was conducted in an area covering 6,408m^2 by planting an endemic species of plants and construction of retaining wall, drainage canal and water reservoir.

Tapsan Project

The Tapsan Project is a prospect for epithermal gold-silver mineralization with an upside of possible blind porphyry copper deposit located around 5 aerial kilometers south-southeast of Sto. Tomas II deposit. Drilling had generated 3,150.25m of drill cores from the 2017-2018 drilling program. The project did not proceed further due to limitations in access. Rehabilitation commenced in an area of 15,720.45m^2 after the demobilization with planting of indigenous plant species and construction of needed infrastructures for slope protection, silt dams and ripraps.

Support to Operations

The underground mapping and sampling was continuously undertaken as part of the geological data gathering of all newly developed openings. For the year 2019, the Mine Geology crew mapped an aggregate distance of 6,567m attaining about 99% of the actual total horizontal advance of the Mine Development. Within the mapped area, the team collected a total of 2,189 bags of rock samples. The active underground workings comprised the bulk of the development mapping and sampling, consisting of openings from level 760ML, 798ML, 814ML, and 840ML. Assay grades of the collected samples reflected a total average grade of 0.17 % Cu and 0.27 g Au/t. For the 745ML Drain Tunnel, sampling was also covered by the team on quarterly basis with a total of 52 samples collected.

Other technical works done by the department is the geological hazard mapping at the Subsidence Area which includes the assessment of the crest limit, pit floor and slope conditions. With restrictions imposed on entry within areas beyond the crest line by the surface claimants, work was limited only within the pit floor and benches at the down slopes of the crest boundary. Given this, the initial traversed distance was only 17.61kms. The geo-hazards and ground disturbances identified were mostly in the form of cracks, debris slides, slumps, rock falls and slope failures.

The geo-hazard monitoring team also continuously assessed and monitored all identified slides along Philex Kias Road and at the minesite area. Monitoring of projects related to slope protection was also included, with the latest completed project before the year-end being the 33 meter length retaining wall at the Nagawa Area, Ampucao.

Geotecnica Corporation (Geotecnica) is continuously engaged by Philex Mining Corporation to monitor the stability of TSF 1, 2 & 3. The company requires a site visit followed by the submission of a geotechnical report, every two (2) months. Last 2019, Geotecnica conducted

a validation of the liquefaction potential of TSF-3, focusing on the tailings of Dikes 3, 5, 6, 7, 8, 9, 10, 11, 12, Offset Dike, Offset Dike ("OSD") Extension and the beach of the land lake in Padcal, Benguet. These points are close to those that were earlier drilled by the firm GHD. The information Geotecnica collected from their study has been turned over to Coffey Services Australia Pty Ltd for the latter's perusal and interpretation.

The Company engaged the geotechnical services of Coffey Services Australia Pty Ltd (Coffey) for the design of TSF-3 Embankment Raising from 635mRL to 640mRL late 2018. All data that GHD has amassed from their engagements with Philex has been turned over to Coffey. Additional bore holes were initiated by Coffey and drilled by Geotecnica, and together with the data from GHD, Coffey completed the geotechnical analysis of the TSF-3 on November 2019. Coffey completed and submitted a geotechnical report that recommended, among others, for the construction of a buttress, increasing the elevation of the TSF-3 embankment, as well as that of the OSD Extension. Philex is committed to implement the recommendation of Coffey. The construction of the buttress is slated to start in Q2 2020, and will be implemented in phases with projected completion before the end of 2022. Philex will also install additional geotechnical instruments as part of the recommendations of Coffey in order to monitor the subsurface condition, including indications of prolonged liquefaction at TSF-3 in more detail.

Silangan Project

The Silangan Project, situated in Surigao del Norte, consists of the following deposits – Boyongan, Bayugo-Silangan and Bayugo-Kalayaan, with the latter representing a joint venture with Manila Mining Corporation. Individual deposit areas and proposed sites for waste and storage facilities will be built within tenement scopes covered by MPSA 149-99-XIII and EP 000013-XIII. All mineral rights held by SMMCI with respect to the Silangan Project area are valid and subsisting.

The Definitive feasibility study completed in July 2019 for the Boyongan ore body indicates a feasible mining project. The first phase of the project has a mineable ore reserve of 81 Million metric tons which will be mined for 22 years at a rate of 4 Million metric tons per year using Sub-level cave mining which is an underground mining method. A Pre-feasibility study for Bayugo ore body, which will come in as the project's second phase, is being undertaken with Ausenco's Brisbane Australia office as the lead technical consultant. The updated mineral resource estimates for all the deposits and mineable reserves estimate for Boyongan orebody, indicates a large high-grade gold and copper deposits within the tenement areas. To facilitate the search for investors, the Company has engaged JP Morgan Chase for equity partner search and business advisory and Mizuho for project financing.

SMMCI is registered with the Board of Investments (BOI) and has been granted a five-year income tax holiday, extendable by another two years subject to meeting some conditions, as a pioneer copper cathode producer, effective start of operations or March 2025, whichever comes first.

In July 2016, MPSA-149-99-XIII was reduced to 2,202 hectares after relinquishing 677 hectares that are outside the existing mine development and maintenance plan. It also relinquished 6,934 hectares from its EP-XIII-013 as part of government prescribed requirement for exploration permit renewal. EP-XIII-013 is now reduced to 5,000 hectares from the previous 11,934 hectares. These two tenements which are held by SMMCI are surrounded by other PMC tenements and applications within Surigao del Norte, as listed below:

Tenements	Operator / Contractor	Area (in Hectares)	MPSA Date of Expiration
MPSA-149-99-XIII	SMMCI	2,202	December 29, 2024
EP-XIII-013 Lot-A&B	SMMCI	5,000	
EPA-XIII-012	SMMCI	2,330	
EPA-000039-XIII	SMMCI	6,683	
Total		**16,215**	

The mineral resource estimate at 0.5% Copper equivalent cut-off grade for Boyongan and Bayugo as of August 1, 2019, are as follows:

	Tonnes *(millions)*	**Copper %**	**Gold g/t**	**Contained**	
				Copper	Gold
				(million lbs.)	(million ozs.)
BOYONGAN					
Measured	160	0.58	0.86	2,039	4.43
Indicated	119	0.44	0.48	1,151	1.84
Measured + Indicated	279	0.52	0.70	3,190	6.27
Inferred	218	0.36	0.49	1,735	3.42
Sub-Total BOYONGAN	**497**	**0.45**	**0.61**	**4,925**	**9.69**
BAYUGO-SILANGAN					
Measured	161	0.60	0.61	2,113	3.17
Indicated	12	0.29	0.39	73	0.15
Measured + Indicated	172	0.57	0.60	2,186	3.31
Inferred	4	0.27	0.42	22	0.05
Sub-Total BAYUGO-SILANGAN	**176**	**0.57**	**0.59**	**2,208**	**3.36,**
BAYUGO-KALAYAAN					
Measured	118	0.43	0.47	1124	1.79
Indicated	3	0.64	0.37	37	0.03
Measured + Indicated	120	0.44	0.47	1160	1.82
Inferred	2	0.81	0.40	28	0.02
Sub-Total BAYUGO-KALAYAAN	**122**	**0.44**	**0.47**	**1,189**	**1.84**
BOYONGAN AND BAYUGO					
Measured	438	0.55	0.67	5,276	9.39
Indicated	133	0.43	0.47	1260	2.01
Measured + Indicated	571	0.52	0.62	6,536	11.40
Inferred	224	0.36	0.48	1,786	3.49
Total BOYONGAN AND BAYUGO	**795**	**0.47**	**0.58**	**8,322**	**14.9**

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. The resource estimate is compliant with the rules and guidelines as set forth by the Philippine Mineral Reporting Code (PMRC). Mr. Oliveros has sufficient experience in resource evaluation relevant to the style of mineralization in the Surigao Mineral District. Mr. Oliveros is a Competent Person for Exploration and Mineral Resource Estimation under the definition of the PMRC. He has given his consent to the public reporting of this estimate following the PMRC guidelines concerning Mineral Resource Estimation.

The mineable reserve for Boyongan ore body using 0.80% Copper equivalent cut-off grade are as follows:

PROBABLE RESERVES As of December 31, 2019					
ORE SOURCES	**Tonnes** **MT**	**Cu** **%**	**Au** **Grams/Tonne**	**Recoverable Cu** **(Pounds)**	**Recoverable Au** **(Ounces)**
East Cave	33,707,628	0.75	1.38	450,814,000	1,417,895
West Cave	38,553,311	0.56	1.10	391,023,000	1,301,085
Deeps Cave	9,183,269	0.45	0.98	75,836,000	276,681
Total Reserves	**81,444,269**	**0.63**	**1.20**	**917,673,000**	**2,995,661**

Notes:

1. Geovia GEMS™ and PCBC™ software were used in the above estimate with the following parameters:

Metal Prices:	Cu:	3.2 US$/lb
	Au:	1,342 US$/oz
Metal Recoveries:	Cu:	83%
	Au:	95%
Forex (PhP to US$):		PhP 53.00

Conversion Factor for Gold grade to CuEq:	0.700
Operating Cost per Tonne:	Php 1,721
Break-even Grade (%CuEq):	0.548

2. The cost per MT of PhP 1,721 is the estimated operating cost based on the Feasibility study.

Mr. Eualio B. Austin Jr, President and Chief Executive Officer of Philex Mining Corporation and Silangan Mindanao Mining Company Inc., has given his consent to the release of this mineable ore reserves estimate. The mineable ore reserves estimate is compliant with the rules and guidelines as set forth by the Philippine Mineral Reporting Code (PMRC). Austin has sufficient experience in mineable ore reserve estimate evaluation relevant to copper and gold deposit. Austin is a Competent Person for Mining Copper and Gold Deposits under the definition of the PMRC. He has given his consent to the public reporting of this estimate following the PMRC guidelines concerning Mineable Ore Reserve Estimation.

Mr. Venancio Gel A. Romero, Corporate Technical Services and Business Development Division Manager of Philex Mining Corporation, has given his consent to the release of this mineable ore reserves estimate. The mineable ore reserves estimate is compliant with the rules and guidelines as set forth by the Philippine Mineral Reporting Code (PMRC). Mr. Romero has sufficient experience in mineable ore reserve estimate evaluation relevant to copper and gold deposit. Mr. Romero is a Competent Person for Mining Engineering under the definition of the PMRC. He has given his consent to the public reporting of this estimate following the PMRC guidelines concerning Mineable Ore Reserve Estimation.

Apart from the drilling activities conducted during the Feasibility study, the site is under care and maintenance. It was able to maintain its certification of its Environmental Management System (EMS) under the ISO 140001:2015 by Certification International Philippines Inc. (CIPI). Participative community relations and responsible environmental programs are being undertaken on a regular basis.

Permits

Because of the change in mining method from Open Pit to Sub-level caving, the company embarked on the amendment of its permits, particularly the Declaration of Mining Project Feasibility (DMPF) and its pre-conditions the Environmental Compliance Certificate (ECC), Environment Protection and Enhancement Program (EPEP), Final Mine Rehabilitation and Decommissioning Program (FMRDP) and Social Development and Management Program (SDMP).

Thru conscientious public consultations, constant coordination with the regulatory agencies and prompt updating of environmental baseline information, the Company has fulfilled all requirements culminating to the Mines and Geosciences Bureau approving its application for amendment of DMPF on October 2, 2019.

The total expenditure related to the project as of December 31, 2019 amounted to P18.334 billion, including the P1.438 billion incurred prior to 2009, when the project was under Anglo. The figure does not include the fair value adjustment amounting to P5.552 billion.

Kalayaan Project

In May 2011, PMC executed a Farm-In Agreement with Manila Mining Corporation (MMC), which involved the purchase of a 5% equity interest in Kalayaan Gold-Copper Resources Inc. (KGCRI), a subsidiary of MMC that assigns the right to explore the Kalayaan properties covering 286 hectares under EP-XIII-014B. This tenement is adjacent to the north of EP-XIII-013 and is containing part of the mineralized lithologies of the Bayugo deposit.

Under the agreement, PMC was to conduct exploration activities in the property for three (3) years but was extended for an additional three years. Exploration of the area is currently on hold pending the approval of the Third Renewal of the Exploration Period. In the event the Company declares commercial feasibility of the area within the period, it will have the right to increase its holdings in KGCRI to 60% by subscribing to an additional 55% of KGCRI's outstanding capital stock for a minimal amount and will become an integral part of the Silangan Project.

The Company commenced drilling in December 2011 after ground preparations, environmental mitigating measures and community-relations initiatives had been conducted. This transpired for about seven (7) months after the signing of the Farm-In Agreement. By September 2013, a total of 73,520 meters had been drilled, of which 66,486 meters were for resource definition and 7,034 meters for scout drilling.

In 2014, detailed logging of 57 definition drill holes of East and West Bayugo, totaling 26,104.64 meters, was completed. This activity increased the confidence in the understanding of the mineralization. In addition, magnetotellurics (MT) survey from the surface was conducted, which provided preliminary data on the hydrologic model of the Boyongan and Bayugo deposits. Data from the Kalayaan Exploration Program was utilized in the update of the MRE for the Silangan Project. The computed resource for the portion of the deposit from within the Kalayaan Tenement is shown below using the same parameters in the above-mentioned Silangan MRE:

Bayugo-Kalayaan MRE at 0.5%CuEq
(within EP-14B-XIII)

Classification	Mt	g/t Au	%Cu	Au Moz	Cu Mlb
Measured	118	0.47	0.43	1.79	1,123.8
Indicated	3	0.37	0.64	0.03	36.6
Total Measured + Indicated	**120**	**0.47**	**0.44**	**1.82**	**1,160.3**
Inferred	2	0.40	0.81	0.02	28.3
Total	**122**	**0.47**	**0.44**	**1.84**	**1,188.6**

Other Significant Projects

The Company focused on more advanced exploration projects such as the Silangan Project and continuous improvement of mining operations in Padcal. As a result, Exploration activities in each of the Company's various Mineral Production Sharing Agreements (MPSAs) located in Negros Occidental, Surigao del Norte and Zamboanga Del Norte were at a minimum, however, compliance with government requirements were all met.

Compliance with Environmental and Social Laws

The Company's Padcal mine was ISO14001 certified in 2002. In April 2015, the mine established its Integrated Management System with the inclusion of the International Standard on Occupational Health and Safety, BS OHSAS 18001:2007. Audited by TUV Rheinland, the certificates are valid until March 11, 2021. Similarly, Silangan Mindanao Mining Corporation (SMMCI), was certified ISO 14001:2004 in June 1, 2016. It maintained the International Environmental Management System Standard and successfully transitioned to ISO14001:15 in June 4, 2018.

With the Company's commitment to the protection and enhancement of its environment, it has spent P158 million in 2019, bringing the Company's expenditures from 1967 to date to P6.129 billion.

The Company and its subsidiaries have been consistent winners in national environmental programs and contests. Recent awards include: Padcal mine, 2019 and 2018 Best Mining Forest – Exploration Category, 2018 1st Runner up Best Mining Forest- Operating Mine Category, adding to its 10 best mining forest awards received in 2012, 2008, 2007, 2004, 2002, 2001, 2000, 1994 and 1991.SMMCI on the other hand was first runner-up in 2011 and 2015, second runner-up in 2014 and 2013, and third runner-up in 2010 on Best Mining Forest Contest (Exploration Category).

Likewise, SMMCI won the Platinum Achievement Award in 2016 and the Presidential Award, the highest award from the Presidential Mineral Industry Environmental Award for Mineral Exploration category in 2015 and 2014. The Bulawan and Sibutad projects that are currently under care and maintenance status, have been a consistent recipient of the Best Mining Forest Award from 1998 to 2004.

As a responsible mining company, PMC and its subsidiaries adhere to its corporate environmental stewardship by implementing rehabilitation and conservation of the areas affected by various mining and exploration operations.

Total Disturbed Areas Reforested and Maintained:

Name of Project	Area disturbed (hectares)	Project Status	Area reforested (hectares)	Type of reforestation	Type of species planted
PMC Padcal Mine	580	MPSA-276 Operation	2,935	Forest Plantation	Calliandra, Benguet Pine, Gmelina, Kupang, Alnus, Antsoan Dilau, Eucalyptus, Agoho, Narra, Teak, Ballete. Bishop Tree, Ficus nota, Oak tree, Dapdap, Falcata, Accacia Mangium, Molave, Banaba,

				Agro-forestry	Coffee, Mango, Avocado, Lanzones, Rambutan, Cacao, Bamboo, Guava, Jackfruit, etc.
PGPI-Bulawan	146	MLC-MRD510 under Care & Maintenance	823*	Forest Plantation Agro-forestry	Mangium, Auri, Mahogany, Gmelina, Rain tree Coffee
PGPI-Sibutad	38	MPSA-063 under Care & Maintenance	184 38	Forest Plantation Mangrove Plantation	Mangium and Auri Bakauan ((Rhizophora Mucrunata)
PMC-LMC Surigao	37	MPSA-148-Exploration	5	Forest and Agro-forestry	Falcata, narra, mangium, coffee
SMMCI Surigao	24.91	MPSA-149	179.24	Agro-forestry	Mahogany, Mangium, Falcata, Narra, Cacao, Coffee, Palawan Cherry, Lanzones, Marang, Rambutan, etc.
Kalayaan, Surigao	14		9	Agro-forestry	Falcata, coffee

** Areas on assisted natural regeneration (ANR) are included.*

Environmental Compliance to DENR Regulations

In compliance with environmental regulations, PMC and its subsidiaries are continuously implementing sound environmental management practices by conserving natural resources and by installing pollution control devices for both terrestrial and aquatic environs. The Environment Management System is regularly monitored by the Environment Management Bureau of the Department of Environment and Natural Resources.

The company consistently meets the requirements of these environmental laws:

PD 1586: Establishing an Environmental Impact Statement System including other environmental management related measures and for other purposes. No person, partnership or corporation shall undertake or operate any declared environmentally critical project or area without first securing an ECC.

RA 6969: Toxic, Hazardous and Nuclear Waste Act. Is the Act regulating the handling, treatment and disposal of generated chemical wastes and other toxic and hazardous substances.

RA 8749: Philippine Clean Air Act: Is the Act that provides for the management of point and non-point sources of air pollution and quarterly monitoring and testing of pollution source device or facility.

RA 9275: Philippine Clean Water Act: Is the environmental law regulating discharges of effluent from processing and other operation of the company.

Name of Project	Registration/Permit No.	Permit Type	Date Issued
PMC-Padcal Mine	ECC-CO-1612-0025	ECC for the Raising of the Tailings Storage Facility No. 3 from elevation 610 to 640 MASL	September 27, 2017
	CAR-0702-014-213	ECC for the Sanitary Landfill Facility-Category 1	March 09, 2007
	CAR-0411-107-120	ECC for the Tailings Storage Facility 3 Open Spillway	November 16, 2004
	CAR-0202-011-120	ECC for Alang Cut Silt Pond	April 02, 2002
	CAR-0108-053-208	ECC for the Access Road from the Cyclone Area to the Main Dam Embankment of Tailings Storage Facility 3	August 29, 2001
	CAR-0108-51-302	ECC for Quarry “G” for Tailings Storage Facility 3	August 29, 2001
	ECC-9901-002-120	ECC for Fuel and Lubrication Station	September 22, 2000
	CAR-1408-0127	ECC for New Banget Sludge and Used Oil Impounding Facility	August 26, 2014
	9901-002-120	ECC for Bumolo Fuel Station	August 29, 2001
	RIC-8604-012-301C	ECC for Nevada Group of mineral claims and other adjoining mineral claims	November 09, 1987
SMMCI	ECC-CO-1212-0028	Underground Block Caving Mining	May 24, 2013
	ECC-CO-1510-0026	Open Pit Mining	Mar. 15, 2016
	ECC-CO-1905-0013	Underground Sub-level Caving Mining	Jul. 23, 2019

	2007-DP-G-141112-079 / CNC CAR 1310-0010	Oil Water Separator at Compressed Air Plant	Sept.11, 2017
	2007-DP-141112-042 /CNC-CAR-1310-0011	Alang-Cut Silt Pond	April 25, 2016
	2007-DP-D-141112-043 / CNC-CAR-1310-0006	Oil Water Separator at 1015ML UG Equipment Wash Bay Area	April 25, 2016
	2007-DP-D-141112-039 / CNC-CAR-1310-0007	Oil Water Separator at Motor Pool Area	April 25, 2016
	2007-DP-D-141112-040 / CNC-CAR-1310-0009	Oil Water Separator at the Oil Yard of Banget Sludge Pond Area	April 25, 2016
	2015-DP-G-141112-081 / ECC CAR 1408-0127	One (1) Unit Oil Water Separator at the Sludge Pond / Used Oil Impounding Facility	June 29, 2017
	DP-CAR-19-04645	Tailings Storage Facility No. 3 (TSF No. 3) - Spillway	December 19, 2019
RA6969 – Chemical Control Order (CCO)	CCO-2010-003-CAR	CCO for PCB	September 23, 2010
	CCO-2010-001-CAR	CCO for Asbestos	May 28, 2010
	CCO-99-0002-M	CCO for Mercury	July 26, 1999
	CCO-2014-045Pb	CCO for Lead	May 12, 2016
	CCOr-CAR-Cn-2016-0001	CCO for Sodium Cyanide	March 28, 2016
	GR-CAR-11-00091	Hazwaste Generator DENR Registry ID	January 4, 2017
RA8749-Permit to Operate	2015-POA-I-141112-147	(Standby) Diesel Engine Generator Set	October 29, 2018
	2005-POA-G-141112-113	Banget Storage Area Used Oil Impounding System (New Site)	July 20, 2015
	2005-POA-D-141112-077	Assay Laboratory	April 04, 2015
	2005-POA-D-141112-052	Bumulo Fuel and Lubrication Station	April 04, 2015
	2005-POA-D-141112-056	Foundary/Machine Shop	April 04, 2015
	2014-POA-I-141112-146	Diesel Fuel Storage Tank-Main Bodega (for decommissioning)	September 15, 2014
	2016-POA-G-141112-398	Crushers, Pulverisers, Mill, and Dust Collector System at Assay Main Laboratory	July 4, 2017
	2011-POA-E-141112-434	Fume Scrubber with pH Dosing System at Assay Laboratory	May 8, 2017

	2014-POA-I-141112-1036	Diesel Fuel Storage Tank Motorpool (MB-17)	Sept 9, 2019
PMC-LMC	DENR I.D No. 16-67-0092	Hazwaste Generator DENR Registry ID	December 10, 2013
SMMCI	GR-R13-67-00008 Old -16-67-0079	Hazwaste Generator DENR Registry ID	May 17, 2016
	CCO-PCB-R13-SIL-49	CCO for PCB	June 19, 2015
	2015-POA-B-1367-020	Permit to Operate Air Equipment	Feb. 26, 2015
	2020- WDP-R13-20-01502	Wastewater Discharge Permit	March 13, 2020
PMC-Kalayaan	2013-POA-J-1367-315	Permit to Operate Air Pollution Installation Device/Facility	October 21, 2013
	2013-WDP-J-1367-154	Waste Water Discharge Permit	October 21 2013
	DENR I.D No. 16-67-0084	Hazwaste Generator DENR Registry ID	Feb. 13 2013
PGPI-Bulawan	06-45-0014	Hazwaste Generator DENR Registry ID	January 29, 1999
	DENR I.D No. 98-TPW-J-0645-161	Permit to Operate Air Pollution Installation Device/Facility	1998
	ECC # 0698-0203-034-120A	Environmental Compliance Certificate	February 04, 1998
PGPI-Sibutad	DENR ID. # 09-72-0003	Hazwaste Generator DENR Registry ID	January 04, 1999
	CCO Registry # 99-0016	Chemical Control Order Registry	January 19, 1999
	ECC # 9503-003-301	Environmental Compliance Certificate	January 23, 1997

DAO No. 2010-21 mandates the implementation of the Annual Environmental Protection and Enhancement Program (EPEP) which provides the link between mineral resource utilization and environmental protection and enhancement commitments. Pursuant to the R.A. 7942, the minimum required budget for the Annual EPEP ranges from 3-5% of the Direct Mining and Milling Costs of the company. In 2019, the Company spent 4.33% of the direct mining and milling costs as follows.

2019 Annual Environmental Protection and Enhancement Program (EPEP)	
	Amount *(in Php Millions)*
Land Resource Management	80.79
Water Resources Management	73.58
Hazardous and Toxic Waste Management	0.84
Air Quality Management	0.31
Conservation Values	1.35

MRFC Meetings and MMT Monitoring Activities	0.70
Total	157.57

The Company also invests heavily on the ongoing environmental care and maintenance activities at the Silangan, Bulawan, and Sibutad project sites. These investments cover the costs for ambient air and water monitoring, soil erosion control and prevention, the establishment of new tree plantations, as well as the maintenance and protection of established reforestation areas within the project sites. The environmental care and maintenance programs of these projects are submitted, approved, and monitored by the Mines and Geosciences Bureau (MGB) of the DENR.

Social Development and Management Program (SDMP) Compliance to DENR Regulations

Pursuant to R.A. 7942's Implementing Rules and Regulations (IRR), DAO 2010-21 Sec.134:

- The amount of SDMP should be equivalent to at least 1.5% of a mining company's total operating costs, with allocation on development of host and neighbouring communities (DHNC) Information Education Communication (IEC) and Development of Mining Technology and Geo-Sciences (DMTG)

- The SDMP shall be, in consultation and in partnership with the host and neighbouring communities, actively promoting and covering all social development plans, projects, and activities of the Contractor/Permit Holder/Lessee towards enhancing the development of the host and neighboring communities.

In 2019, the Company spent P95M for its mandated SDMP as shown in the table below.

2019 Social and Development Management Program (SDMP)	
	Amount *(in Php Millions)*
Human Resources and Capacity Development	0.7
Health	4.6
Education	26.5
Livelihood	12.4
Public Infrastructure	23.1
Socio-Cultural Development	4.6
Information, Education, Communication (IEC)	13.0
Development of Mining Technology & Geosciences (DMTG)	10.4
Total	95.3*

** Including carry-over project expenses from 2016-2018*

Philex-Padcal Mine's SDMP Implementation in 2019:

Philex's 2019 Social Development Management Program ("SDMP") has helped its host and neighbouring communities through its Health, Education, Livelihood, Public Infrastructure, and Socio-cultural programs or "HELPS". Our interventions brought quality health services closer to our host and neighbouring communities. The educational program significantly lessened expenditures in every household. The Philex scholars continue to be role models in their own communities. Livelihood projects and assistance led to better agroforestry production resulting to increase in income. Infrastructure development and the provision of various equipment lowered farm inputs resulting to increased savings at the household levels. The development and improvement of water systems on the other hand, ensured availability of water for the community's household, and farm needs.

Health and sanitation

1,276 patients and 232 individuals with chronic illnesses were treated at Padcal Mine's Sto. Niño Hospital. 217 indigent residents enjoyed PhilHealth benefits. Our host communities, Ampucao and Camp 3, were provided with new emergency vehicles allowing them to respond more quickly and effectively to health and safety emergencies

Education

23 scholars finished their college education for the school year 2018-2019. Families of these scholars have potentially increased their economic capacity due to employability of the graduates. 247 college scholars, 11 technical vocational scholars, 294 senior high school and 245 junior high school scholars received educational assistance for the year. 178 pupils from Philex Mines Elementary School and St. Louis High School-Philex enjoy subsidized education in these private schools. Philex shares the firm belief with our host and neighboring communities that education can help them transform their lives. The communities claim that even if Philex is long gone, the benefits and impacts of educated and employed community members will bring economic and social progress.

Livelihood and skills development

16 associations and cooperatives received seed capital as well as trainings for capability building and mentoring. More than 200 beneficiaries were trained with crop management, animal production, and marketing. Indigenous methods in soil management such as organic farming and crop rotation were encouraged and supported. Our livelihood interventions enabled our beneficiaries to further hone their entrepreneurial skills, access cheaper farm inputs, and generate income for their households.

Public infrastructure support

28 households received power line connections this year enabling them to enjoy social activities and engage in economic endeavours. 861 meters of dirt road were concreted, thus providing safer access to more than 4,500 residents and giving approximately 2,000 farmers faster and cheaper means to transport their produce. Moreover development of 10 water systems benefitted 170 farmers and 112 households by providing for domestic and agricultural use. The completion of 4 multipurpose buildings and the improvement of barangay halls have increased and improved the venues for social and cultural gatherings.

Silangan Project

In 2019, SMMCI implemented an Annual Corporate Social Responsibility Plan that focused on Education, Livelihood, Promotion of Socio-Cultural Activities and Information Education Communication Program within its host communities of 11 barangays and four municipalities in the province of Surigao del Norte.

Information, Education, Communication

SMMCI conducted an extensive and comprehensive information, education and communication (IEC) program within its host and neighboring communities and other stakeholders on a regular basis as part of the Environmental Impact Assessment process. DENR issued an Environmental Compliance Certificate for the Silangan Project on 23 July 2019.

The IEC provided a conduit to promote awareness and transparency of the plans, programs and activities that were implemented by SMMCI including the direction and latest site developments of the project.

Education

More than 50% of the CSR budget was invested in the Silangan ng Karunungan Program where school supply packages were distributed to over 5,200 students in the 11 elementary and 3 secondary level school institutions within its communities.

Livelihood

SMMCI continues to engage Bansiwag Corporation ("Bansiwag"), a community-based organization, to provide catering, laundry and housekeeping services in our project site. They also manage the Coconut Demo Farm Project in Sison, Surigao del Norte, a 13-hectare coconut plantation that was cross planted with over 6,000 cacao seedlings and 3,000 kilograms of turmeric. It serves as a pilot farm for future agricultural livelihood projects. The proceeds generated from these agricultural engagements are shared as dividends amongst Bansiwag's 972 resident members.

Promotion of socio-cultural awareness

SMMCI continues to participate in socio-cultural activities and festivities within its host communities. Silangan's participation in these occasions is a sincere manifestation of its social and moral responsibility to these communities.

Related Party Transactions

PMC has extended loans and advances to some of its subsidiaries that were presented under Part III, Item 12 of this report.

Major Business Risks

The current global threat of Covid-19 on human life and business posed as a major risk that could create significant negative impact to the operation of Philex. Exposure of Philex employees to Covid-19 would result to the slowing down of operations, delay in the performance of works and non-attainment of production targets that would put at risk the sustainability of cash flows. Other associated risks related to suppliers and business partners affected by Covid-19 were also identified. These are related to Philex ability to fulfil the shipment of copper concentrates to foreign buyers and the ability of our suppliers to deliver the needed materials, supplies and spare parts of equipment used in mine and mill operations. The occurrence of these risks would translate to additional costs to Philex and would lead to delay or inefficient production process. Considering the evolving nature of this pandemic, Philex cannot determine at this time the impact to its financial position, performance and cash flows. But as an initial and immediate response to the declaration made by the Philippine government on March 16, 2020, through the issuance of Presidential Proclamation No. 929, putting the entire area where the Philex workforce and business are located under Enhanced Community Quarantine, Philex has imposed guidelines and preventive measures against its employees' exposure to Covid-19 and programs to mitigate the other risks of Covid-19 to Philex operations.

<u>Regulatory</u>

Regulatory risks are changes in regulations, policies, and law that will affect the mining industry and Company in particular.

The local mining industry is undergoing a transformation under the current regime and several policy directions dictate the behaviour of mining operations and investments into the sector. Under the present administration, the Department of Environment and Natural Resources (DENR) ordered the audit of all operating mines in the country in August 2016. PMC's Padcal Mine was one of the companies not recommended for suspension. However, other standing orders from the DENR continue to pose risks as follows:

- Issuance of DENR show cause order for the cancellation of 75 MPSAs. In addition to the closure order on 23 operating mines, the DENR also issued a show cause order for the cancellation of 75 MPSAs across the country, which includes those that were awarded to PMC and its subsidiaries. As of this writing, the DENR has yet to respond to PMC's reply to the show cause letter dated 24 February 2017, stating the validity of the Company's MPSAs.

- Pending mining Bills in the Philippine Congress that could result to the imposition of new taxes in the mining industry, which can adversely impact the financial viability of upcoming new projects like Silangan project.

Strategic

Strategic risks are internal and external events and scenarios that could impede the organization's ability to achieve its strategic objectives and long-term growth targets.

Mining operations are constrained by an ore body's life of mine and sustainability depends largely on the pipeline of commercially viable mining deposits. There can be no assurance that the exploration of mining tenements, where the Company has legal and valid interests in, will result in the establishment of commercially viable mining operations.

- Failure to extend Padcal's life of mine. While exploration activities for new ore sources within surrounding areas of Padcal are on-going, PMC is contending with various issues in identifying potential sites causing unforeseen delays in exploration timelines.

- Delay in the launching of the SIlangan project due to the lukewarm investors' sentiment over the mining industry in the Philippines under the current regulatory environment.

Financial

Financial risks are events that could have an impact on the Company's financial performance, cash flows, and financial position.

- Ability of the Company to achieve both production and financial targets due to lower metal prices, higher operating costs related to ageing equipment, and pillar instability underground that can cause stoppage of mining operations.

- Delay in finding strategic and financial partners due to the lukewarm investors' sentiment over the mining industry. The Company have engaged the services of international financial and legal advisors for the Silangan project fund raising activity. The Company is constantly engaging concerned parties and educating the public on the real benefits of mining. Likewise, the Chamber of Mines of the Philippines, through the initial steps taken by Philex, has formally signed an agreement with the Mining Association of Canada to adopt the Towards Sustainable Mining (TSM) Initiative in the local setting.

- Possible write-off of mine and mining assets. The Company maintains critical mining equipment spare parts and supplies that may not be totally used at the end of mine life. In addition, the Company has a number of mining tenements in various areas nationwide. These assets are the subject of provisions, which can have material impact on the Company's financial position. PMC is constantly exploring joint ventures or farm-in/out agreements, with interested parties, to reflect their fair value in the balance sheet.

Operational

Operational risks are developments that could disrupt normal operations and affect the overall occupational health and safety performance at Padcal Mine, whether natural or man-made.

- Declining ore-grade situation and tonnage due to the mature state of the Padcal ore body continue to be a risk that will have a material impact on the ability of the Company to produce the metal targets. Marginal ore grades are inherent within the fringes of the mineral body contributing to lower overall metal output. Less valuable mineral concentrations are typically encountered when extracting ore away from the core of the deposit.

- Acts of terrorism and insurgency threats. An incident of terrorism transpired in 2017, which affected the transport of ore from the Padcal mine site to the Poro Port installation for shipment. The Company has since increased vigilance among residents within the camp and coordinated with various groups to identify and deter possible threats.

- Adverse underground conditions at Padcal mine. The unpredictable ground conditions in the current ore body, coupled with the presence of bouldery ore and risks of mud rush events, have impacted operations, resulting in lower tonnage and metal output in 2019. To improve operational flexibility, the Company is presently installing new equipment and commissioning other sub-mining levels

- The risk of operations stoppage can happen due to the failure of the ageing critical mine and mill equipment that may have no available replacements or spare parts. The Company is continuously implementing and adhering to strict process and maintenance procedures to ensure the efficient operations of the equipment.

Environmental, Natural and Social

Being in a natural resource operation, the Company is inherently subject to potential environmental, natural and social concerns. The Company is also subject to Philippine laws and regulations governing the environmental and social impact of its operations.

- Environmental incidents. To manage the risk, the Company puts a great amount of effort and invests a substantial amount of resources into environmental protection and rehabilitation through its Environmental Protection and Enhancement Program. This is in addition to ensuring compliance with all applicable environmental laws and regulations. As a manifestation of its commitment to responsible and sustainable mineral resource development, the Company has adopted an environmental policy statement, which is consistent with ISO 14001 Certification on Environmental Management Systems. The Company is currently negotiating for pollution liability insurance coverage in case of environmental pollution-related events.

- Natural calamities. In addition, natural disasters, such as earthquakes, floods and landslides, could also hamper Company operations. Such natural disasters could, among other things, damage Company facilities and surrounding infrastructure, block access to its mining assets, injure personnel and result in a suspension of its operations for an undeterminable period of time, all of which could materially and adversely affect its business, financial condition, results of operations and prospects. The Company is covered by a comprehensive insurance policy, with a business interruption clause, to respond to such eventualities and disruptions.

- Social License to Operate. The Company ensures strict compliance with all the applicable social laws, rules, and regulations covering it as a mining company. In addition, the Company strongly adheres to its Social Development Management Program, and oftentimes exceeds the requirements set by the government, through the provision of health, educational, livelihood, and public infrastructure services to its host and neighbouring communities, to constantly secure community endorsement and public approval for its operations. In addition, the Company is aligning with ISO 26000

which is not yet a standard on Guidance on Social Responsibility standards to assess and address corporate social responsibility concerns and effectively strengthen its social license to operate.

Item 2. Properties

The Company's mineral properties are discussed in the sections for Mining Properties / Royalty Agreements, and Exploration and Development.

The Company owns real estate and support facilities in its Padcal mine site, a copper concentrate loading bay in Poro Point, San Fernando, La Union and various titled lands situated in Barangay Tuding, Itogon, Benguet, covering a total area of 129 hectares. PGPI similarly owns real properties and support facilities in its Bulawan and Sibutad Projects, which are currently under care and maintenance.

SMMCI has been acquiring real properties in Surigao del Norte, through direct purchase or land lease agreements, for the Silangan Project. The lease agreements are typically for a period of 25 years, with a right of first refusal and first option in favor of SMMCI in the event the leased properties are to be disposed, ceded or sold by the lessors. SMMCI has been in possession of these properties, where components of the Silangan Project will be established.

The Company does not lease any significant real property nor has the intention at present to acquire any significant real property other than necessary for corporate purposes in the next 12 months. Machinery and equipment are routinely acquired month to month as part of routine operations either through direct purchase or through letters of credit, if imported, under supplier's or bank's credit terms.

Item 3. Legal Proceedings

A table that identifies material legal proceedings as of December 31, 2019 involving the Company, including its subsidiaries, is set out below:

	CASE TITLE / SUBJECT MATTER	VENUE	NATURE	AMOUNT INVOLVED	STATUS
1	Butan Mining Exploration Company v. Philex Mining Corporation	Mines Adjudication Board	Claim for rental fees for the 745 ML tunnel traversing Butan claims	₱375 million	Company's appeal from MGB Panel of Arbitrators' Decision pending resolution
2	Heirs of Bucal Gavino v. Philex Mining Corporation	Mines Adjudication Board	Opposition to Company's Application for Mineral Production Sharing Agreement No. (APSA) 28 (now Mineral Production Sharing Agreement No. (MPSA) 156; Claim for alleged damaged improvements	₱19.5 million	Parties' Motions for Reconsideration of MAB's Decision pending resolution
3	Heirs of Antonio Nicolas v. Philex Mining	Mines Adjudication Board	Overlapping of mining claims	₱105 million	Awaiting finality of denial of Petitioners' Motion for

	Corporation, et al.				Reconsideration of MAB's Decision
4	Philex Mining Corporation v. The Province of Benguet & Provincial Treasurer	La Trinidad, Benguet Regional Trial Court (RTC)	Assessment of sand and gravel taxes	₱14.2 million	Company's Petition against the assessment pending resolution
5	Pilando Fernandez, et al. v. Philex Mining Corporation	La Trinidad, Benguet RTC	Enforcement of contract	₱618,306.55	Pending trial
6	NAMAWU v. Philex Mining Corporation	National Conciliation and Mediation Board (NCMB)	Payment of separation differential	₱216,015.80 per complainant employee	Company's Motion for Reconsideration of Voluntary Arbitrator's Decision pending resolution
7	Sales Alipio, et al. v. Philex Mining Corporation	National Commission on Indigenous Peoples (NCIP) En Banc	Injunction against construction of access roads	N/A	Company's appeal from Resolution sustaining Writ of Preliminary Injunction pending resolution
8	Heirs of Jose Marino v. Philex Mining Corporation	NCIP – Cordillera Administrative Region (NCIP-CAR)	Claim for enforcement of alleged ancestral rights, damages with prayer for injunction	N/A	Archived
9	Heirs of Aritao v. Philex Mining Corporation	NCIP – CAR	Damages	P60 / per square meter (₱600,000 up); injunction against the construction of the spillway	Archived
10	Basilio, et al. v. Philex Mining Corporation, et al.	NCIP – CAR	Damages	₱36 million	Archived
11	In Re: Joint Assessment Visit of Philex Mining Corporation, etc.	DOLE Bureau of Working Conditions	Declaration that Work Appreciation Program (WAP) trainees, project employees, and personnel of two (2) contractors are regular employees of Philex	N/A	Company's appeal from DOLE-CAR Order pending resolution
12	In Re: Voluntary Arbitration between PRFEU-ALU-TUCP v. Philex Mining Corporation	DOLE Office of Voluntary Arbitrators	Salary increase and grant of additional benefits	₱215 million	Awaiting approval of settlement.

13	Cecilia Agbanlog et al. v. Philex Mining Corporation	Court of Appeals	Declaration that complainants as school teachers are regular employees of Philex	N/A	Awaiting finality of denial of Complainants' Motion for Reconsideration of Court of Appeal's Decision
14	Various civil and labor cases	various	Various civil and labor cases in the ordinary course of business	N/A	Pending. Company is a party to a number of cases in the ordinary course of business involving small amounts of claims which are disputed by the Company on various grounds

The Parent Company may be subject of lawsuits and claims arising out of the ordinary course of its business, which are either pending decision by the courts or are being contested, and the outcomes of which are not presently determinable. The Company expects that the resolution and/or decision of such lawsuits and claims would have no material effect to the Company.

Item 4. Submission of Matters to a Vote of the Security Holders

There were no matters submitted to security holders for a vote in the 4th quarter of 2019 covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market Information

The registrant's common equity, which was initially classified into Class A and Class B common stock until it was declassified into a single class in 2006, is traded in the Philippine Stock Exchange under the ticker symbol "PX". The Company's public float as of December 31, 2019 is 33.58%.

The average quarterly stock prices for the Company's common shares for the last two fiscal years and the first quarter of 2020 are as follows:

Year	Period	High	Low
2018	1st Quarter 2018	7.21	5.81
	2nd Quarter 2018	6.16	4.48
	3rd Quarter 2018	4.99	3.32
	4th Quarter 2018	3.75	2.50
2019	1st Quarter 2019	4.46	3.15
	2nd Quarter 2019	3.84	2.86
	3rd Quarter 2019	4.22	3.38
	4th Quarter 2019	3.76	2.65
2020	1st Quarter 2020	3.31	1.85

The Company's stock was traded at P2.34 per share as of May 11, 2020.

Holders

The Company has 43,986 shareholders as of December 31, 2019, with total issued and outstanding shares at 4,940,399,068 of which 38.31% are held by foreign nationals and entities.

The Top 20 shareholders of the Company as of December 31, 2019 are listed below:

Name	Nationality	No. of Shares Held	Ownership
Asia Link B.V.	Dutch	1,023,275,990	20.71%
PCD Nominee Corp.	Filipino/Other Alien	1.043,290,232	23.24%
Social Security System	Filipino	992,679,659	20.09%
Two Rivers Pacific Holdings Corp.	Filipino	738,871,510	14.96%
Kirtman Limited	British	242,011,062	4.90%
Maxella Limited	British	239,479,900	4.85%
Artino Limited	British	37,822,400	0.77%
The First National Investment Co. Inc.	Filipino	12,195,042	0.25%
Makati Supermarket Corp.	Filipino	8,353,226	0.17%
Estate of Eudaldo Boix	American	5,025,422	0.10%
Philippine Remnants Co., Inc.	Filipino	4,875,000	0.10%
Manuel V. Pangilinan	Filipino	4,655,000	0.09%
Frank Pao	Foreign	3,639,260	0.07%
Estate of Edualdo Boix and Petra Hernando	American	3,093,203	0.06%
Paulino De Ugarte and/or Elena E. De Ugarte	Filipino	3,068,143	0.06%
Carol Joan Reif	American	2,974,086	0.06%
Robin John Pettyfer	Canadian	2,644,747	0.05%
Estate of Jose Tan Yan Doo	Filipino	2,569,251	0.05%
Victor Sy	Filipino	2,437,500	0.05%
Lucio W. Yan and/or Clara Yan	Filipino	2,437,500	0.05%

Dividends

Beginning 2010, the Company has adopted a policy to declare cash dividends of up to 25% of core net income should the circumstances allow for its declaration. Below shows the Company's dividend payout history since 2015:

Declaration Date	Record Date	Payment Date	Amount Per Share
February 28, 2017	March 14, 2017	March 27, 2017	P0.04
November 07, 2017	November 24, 2017	December 06, 2017	P0.04
February 27, 2018	March 13, 2018	March 26, 2018	P0.04
July 25, 2018	August 08, 2018	August 24, 2018	P0.035
February 27, 2020	March 13, 2020	March 27, 2020	P0.01

Recent Sales of Unregistered Securities

No securities were sold by the Company within the past three years which were not registered under the Code.

On June 29, 2011, the Company's stockholders approved a stock option plan covering up to 246,334,118 shares equivalent to 5% of the Company's outstanding shares of 4,926,682,368 as of June 29, 2011. This plan was approved by the SEC on February 22, 2013, which approval was received by the Company on March 5, 2013.

As of December 31, 2019, the total option shares granted under the 2011 SOP totalled to 46,660,000 (with 30,200,000 option shares forfeited), of which 16,460,000 options shares have vested and are outstanding but none have been exercised.

Item 6. Management Discussion and Analysis of Financial Position and Results of Operations

For the Years Ended December 31, 2019, 2018 and 2017

Information on the Company's results of operations and financial condition presented in the 2019 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements are incorporated herein by reference.

Operations Overview

	2019	2018	2017	2019 vs 2018 (%)	2018 vs 2017 (%)
Tonnes Milled	8,112,791	8,516,915	8,673,474	(5)	(2)
Copper Concentrates	55,962	57,779	64,710	(3)	(11)
Gold:					
Ounces	53,064	61,977	84,638	(14)	(27)
Head Grade (g/t)	0.264	0.298	0.377	(11)	(21)
Recovery	77%	76%	81%	2	(5)
Copper:					
Pounds	25,737,207	26,574,686	30,118,206	(3)	(12)
Head Grade (%)	0.177	0.181	0.192	(2)	(6)
Recovery	81%	78%	82%	4	(4)

The Company milled a total of 8,112,791 tonnes in 2019 lower by 5% than that of 2018 at 8,516,915 tonnes .Total tonnes milled in 2018 was likewise slightly lower by 2% than that of 2017 at 8,673,474 tonnes. The operations performance in 2019 was affected by numerous internal and external factors. Internal factors include both unscheduled maintenance of critical mining equipment as well as programmed maintenance and repair works of the aging mine and mill equipments. Externally, numerous forest fire incidents near the mine camp caused power outages as well as diversion of operations personnel to help the local fire department contain the forest fires, and uncontrollable power outages that resulted to lesser operating days

Likewise, metal production was affected by declining ore grades as the Company continue to extract ores from the fringes of the ore body. Less valuable mineral concentrations are a natural episode when extracting ore away from the core of the deposit. The Company also mine ores from various active and previously mined mining levels to improve ore grades blend.

Notwithstanding these challenges, Management implemented enhance operational productivity programs in both mine and mill activities. These include, among others, the construction additional rock breaking stations in key strategic areas underground to shorten hauling distance from active drawpoints to the conveyor belts, and the acquisition of two units of Load Haul Dump LHD trucks to further augment Padcal's existing fleet and loading capacity. The impact of these programs was felt starting midyear as manifested by the improving metal recovery rates, resulting in increasing production output beginning the third quarter of 2019.

Review of Financial Results

(in Php Millions except for metrics, units and prices)	2019	2018	2017	2019 vs 2018 (%)	2018 vs 2017 (%)

Gold:					
Revenues	3,740	4,200	5,432	(11)	(23)
Ounces Produced	53,064	61,977	84,638	(14)	(27)
Realized Price	$1,388	$1,294	$1,273	7	2
Copper:					
Revenues	3,592	4,051	4,475	(11)	(9)
Pounds Produced	25,737,207	26,574,686	30,118,206	(3)	(12)
Realized Price	$2.72	$2.92	$2.96	(7)	(1)
Silver Revenues	67	63	77	7	(27)
Gross Revenues	7,399	8,314	9,985	(11)	(17)

Gross Revenues totalled P7.399 billion in 2019, lower than revenues of P8.314 billion in 2018 and lower than that of 2017 amounting to P9.985 billion.This is mainly due to the declining metal production since 2017 as the Company nears its mine life. Higher gold prices prevailed much of 2019 but this was offset by the declining copper prices and unfavourable foreign exchange rates during the same period of 2019.

Generated gold revenues, representing 51% of total, amounted to P3.740 billion in 2019 from P4.200 billion in 2018 and P5.432 billion in 2017. The declining revenues was attributable to the lower gold output that was partly cushioned by higher gold prices. Realized gold prices per ounce for the years 2019, 2018 and 2017 were at $1,388, $1,294 and $1,273, respectively. Gold production reached 53,064 ounces in 2019 from 61,977 ounces in 2018 and 84,638 ounces in 2017. With declining ore grades from the remaining producing blocks at the 782 ML and 908 ML, gold production was 14% lower than 2018 production level.

Copper revenues amounted to P3.592 billion, lower than the P4.051 billion in 2018 and P4.475 billion in 2017. Copper revenues accounted for 48% of the total revenues. Copper production totalled 25,737,207 pounds in 2019 from 26,574,686 pounds in 2018 and 30,118,206 pounds in 2017. The declining copper output was attributable to the 5% reduction in tonnage milled and 2% decline in ore grades but with higher recovery. Efforts to improve metal recoveries were employed to cushion the unfavourable impact of low copper prices. Copper prices averaged at $2.72 per pound in 2019 from $2.92 in 2018 and $2.96 in 2017.

Revenues from silver, making the remaining 1% of total, amounted to P67 million in 2019 compared with P63 million in 2018 and P77 million in 2017, principally from lower metal output.

Following PFRS 15 which took effect in 2018, the revenues are presented in the Company's 2019 Financial Statements as net of smelting charges with comparative numbers in 2018 and 2017. Net Revenues amounted to P6.790 billion in 2019 from P7.640 billion in 2018 and P9.142 billion in 2017.

The Company enters into metal hedging contracts as measure to mitigate the impact of global metal price volatility in revenues. Taking a conservative position, and based on the Company's outlook of the behavior of gold prices for 2019, the Company entered into gold collar hedging contracts on 2,000 ounces of gold per month, in January,2019, and June,2019, covering the periods February to April 2019, and July to December 2019, respectively.

For 2019, the Company recognized a net hedging loss of P53 million on its gold hedge as provided in the table below:

2019 Gold Collar Hedge							
Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php Millions)*
		Put	Call	Settlement			
02/08/19	2,000	1,300	1,327	1,320	Feb. 2019	03/02/19	-
02/08/19	2,000	1,300	1,327	1,302	Mar. 2019	04/02/19	-

02/08/19	2,000	1,300	1,327	1,287	Apr. 2019	05/02/19	1
06/18/19	2,000	1,330	1,390	1,414	July 2019	08/02/19	(3)
06/18/19	2,000	1,330	1,390	1,498	Aug. 2019	09/03/19	(11)
06/18/19	2,000	1,330	1,390	1,511	Sept. 2019	10/02/19	(13)
06/18/19	2,000	1,330	1,390	1,495	Oct. 2019	11/04/19	(11)
06/18/19	2,000	1,330	1,390	1,471	Nov. 2019	12/02/19	(8)
06/18/19	2,000	1,330	1,390	1,478	Dec. 2019	01/03/20	(9)
							(53)

No contracts covering 2019 production remained outstanding as of December 31, 2019, thus nil unrealized MTM gain or loss.

For 2018, the Company entered into gold and copper hedges are as follows:

2018 Gold Collar Hedge							
Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php Millions)*
		Put	Call	Settlement			
01/10/18	2,200	1,300	1,349.50	1,332	Jan. 2018	02/02/18	-
01/10/18	2,200	1,300	1,349.50	1,333	Feb.2018	03/02/18	-
01/10/18	2,200	1,300	1,349.50	1,325	Mar. 2018	04/02/18	-
01/10/18	2,200	1,300	1,349.50	1,335	Apr. 2018	05/02/18	-
01/10/18	2,200	1,300	1,349.50	1,303	May 2018	06/02/18	-
01/10/18	2,200	1,300	1,349.50	1,282	June 2018	07/03/18	2
04/19/18	3,000	1,330	1,400	1,238	July 2018	08/02/18	15
04/19/18	3,000	1,330	1,400	1,202	Aug. 2018	09/02/18	21
04/19/18	3,000	1,330	1,400	1,199	Sep. 2018	10/02/18	21
							59

2018 Copper Collar Hedge							
Date	Quantity (Pounds)	Copper Prices (US$ Per Pound)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php Millions)*
		Put	Call	Settlement			
01/08/18	793,663	3.00	3.40	3.18	Jan. 2018	02/02/18	-
01/08/18	793,663	3.00	3.40	3.08	Feb. 2018	03/02/18	-
01/08/18	793,663	3.00	3.40	3.10	Mar. 2018	04/02/18	-
01/08/18	793,663	3.00	3.40	3.09	May. 2018	06/04/18	-
01/08/18	793,663	3.00	3.40	3.15	June 2018	07/03/18	-
01/08/18	793,663	3.00	3.40	2.83	July 2018	08/02/18	7
							7

The Company recognized a gain of P59 million in 2018 on its gold hedges and P7 million on its copper hedges that matured within the period. No contracts remained outstanding as of December 31, 2018, thus nil unrealized MTM gain or loss.

The Company entered into copper and gold collar hedging contracts in 2017 are as follows:

2017 Gold Collar Hedge							
Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php Millions)*
		Put	Call	Settlement			
09/06/17	2,300	1,300	1,395	1,316	09/17	10/02/17	2
09/06/17	2,300	1,300	1,395	1,280	10/17	11/02/17	2
09/06/17	2,300	1,300	1,395	1,283	11/17	12/02/17	4
09/06/17	2,300	1,300	1,395	1,263	12/17	01/02/18	-
	9,200						9

2017 Copper Collar Hedge							
Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php Millions)*
		Put	Call	Settlement			
10/20/17	727,525	3.00	3.40	3.10	11/17	12/05/17	-
10/20/17	727,525	3.00	3.40	3.03	12/17	01/05/18	-
10/20/17	727,525	3.00	3.40		01/18	02/05/18	-

The net realized MTM gain on these gold hedges amounted to P9 million while no gains nor losses were realized on the copper hedges that matured within 2017. For the outstanding copper hedge as of December 31, 2017, no unrealized gain or loss was also recorded.

Operating Costs and Expenses

Operating Costs and Expenses (Opex) were at P6.917 billion in 2019 from P6.821 billion in 2018 and P6.778 billion in 2017. Opex increased in 2019 on account of higher non-charges related to asset depreciation in the first quarter. Costs beginning the second quarter bear the impact of lower tonnage and the continuous implementation of cost saving programs which included manpower rationalization both at head office and at the Padcal Mine. For 2018, operating costs and expenses were largely maintained from the prior year as a result of cost management initiatives that were implemented across the business.

Production Costs decreased to P4.388 billion in 2019 from P4.408 billion in 2018 and P4.412 billion in 2017. The reduction was attributable mainly to lower power costs and the manpower rationalization program the full impact of which was felt mid-2019. For 2018, production costs were similarly maintained from 2017 driven by lower renegotiated electricity rates and fewer purchased contracts.

Depletion, Amortization and Depreciation amounted to P1.814 billion in 2019 from P1.601 billion in 2018 and P1.551 billion in 2017 related mainly to additional asset depreciation in the first quarter, with partial offset from the reduction of block amortization as an effect of the 2018 impairment of block development costs.

With the continuous efforts of the Company to lower costs and expenses by implementing cost management programs, downward trend on General and Administrative Expenses (G&A) was seen for the past three years under discussion. In 2019, G&A decreased further to P287 million from to P306 million in 2018 and P363 million in 2017.

Excise Taxes and Royalties also decreased to P427 million from P506 million in 2018 and P452 million in 2017, with the reduction attributable to lower net revenues in 2019. While for 2018, newly-enacted legislations provisioned for the doubling of excise tax rate levied on mining products caused the increase in 2018.

Smelting Charges amounted to P610 million in 2019, lower than P674 million in 2018 and P842 million in 2017, due mainly to lower negotiated rates for treatment charges and refining charges (TCRC) on concentrate shipments. Lower copper concentrates and metal production also contributed to the lower smelting charges in 2019.

Costs Per Tonne/Per Ounce/Per Pound

(in Php Millions except for unit costs)	**2019**	**2018**	**2017**	**2019 vs 2018 (%)**	**2018 vs 2017 (%)**
Cash Production Cost	4,388	4,408	4,412	(0.5)	0.1
Depletion, Amortization and Depreciation*	1,814	1,601	1,551	13	3
Total Production Cost	6,202	6,009	5,963	3	1
Excise Tax and Royalties	427	506	452	(16)	12
Smelting Charges	610	674	842	(9)	(20)
Total Operating Cost	7,239	7,189	7,257	0.7	(1)
Breakeven Costs:					
Production Cost Per Tonne	P724	P705	P687		3
Operating Cost Per Tonne	P852	P844	P837		1
Operating Cost Per Ounce of Gold	$1,296	$1,112	$929	17	20
Operating Cost Per Pound of Copper	$2.54	$2.50	$2.16	2	16

*Included depreciation of assets written-off in 2019 amounting to P329 million that was not included in the breakeven costs computation

Production cost per tonne, consisting of cash and non-cash, increased to P724 in 2019 from P705 in 2018 and P687 in 2017, despite lower total production cost of P5.873 billion (excluding asset impairment of P329 million) compared with P6.009 billion in 2018 and P5.963 billion in 2017. The higher production cost per tonne was caused by lower tonnage production in 2019 compared to previous years.

Similarly, Operating Cost per tonne went up to P852 in 2019 as against P844 per tonne in 2018 and P837 per tonne in 2017 on account of lower tonnage in 2019, despite lower operating costs before the asset write-off of P329 million.

Break-even Operating Cost (using a co-production method) per ounce of gold and per pound of copper were higher at $1,296 per ounce and $2.54 per pound in 2019, compared with $1,112 per ounce and $2.50 per pound in 2018 and $929 per ounce and $2.16 per pound in 2017. The higher operating cost per ounce and per pound were primarily due to lower metal output in 2019 of 14% in gold and 3% in copper brought about mainly by declining ore grades. The higher breakeven costs reflect that producing gold and copper in 2019 was more expensive than in the previous years.

Net Other Income (Charges)

(in Php Millions)	**2019**	**2018**	**2017**
Share in Net Losses of Associates	(118)	(41)	(40)
Foreign Exchange Gain (Losses) – Net	93	(121)	(39)
Interest Income	2	2	2
Gain on Disposal of AFS Financial Assets	-	-	22
Provisions for Impairment Losses – Net of Reversal	(849)	(67)	-
Others	(4)	91	58
Total	(877)	(136)	2

As a regular exercise, the Company continues to assess the viability of its operating mine, recoverability of costs on existing mine exploration projects and other investments. Following this exercise, the Company, in 2019, recorded Net Provisions for Impairment Losses of P849 million consisting mainly of the non-cash impairment provisions of P1.457 billion on mining assets and P129 million on investment, with partial offset from recording a non-recurring gain from the reversal of P738 million in receivables previously written-off. The Company also recorded higher share in net losses of associates primarily from additional impairment provision taken up by PXP Energy, an associate of Philex.

In 2018, Net Provisions for Impairment Losses amounted to P67 million which consisted of a P1.379 billion provision for impairment losses on mining assets and deferred exploration costs, and a P1.312 billion gain on the reversal of Provision for Expected Credit Losses on PXP Energy advances. There were no impairments booked in 2017 upon determining that prior impairments were adequate to comply with the required annual impairment test.

The overall Net Other Charges in 2019 amounted to P877 million versus P136 million in 2018 and compared to a net gain of P2 million in 2017. The Company realized a net foreign exchange (forex) gain on short-term loans of P93 million on account of lower exchange rate of peso to dollar as against a net forex loss of P121 million in 2018 and P39 million in 2017.

Core and Reported Net Income

After recording the non-cash net impairment provisions in 2019, the Company ended reporting a Net Loss of P648 million, compared to a Net Income of P608 million in 2018 and P1.658 billion in 2017. Production challenges experienced at Padcal Mine deterred improvement in the Company's profitability level.

Excluding extra-ordinary and non-recurring transactions, Core Net Income which reflects the Company's operational performance amounted to P156 million in 2019 compared to P600 million in 2018 and a high of P1.686 billion in 2017. The overall profitability of the Company was significantly affected by the impact of lower tonnage and ore grades that was partially cushioned by favorable gold prices in 2019.

Reconciliation of Core Net Income to Consolidated Net Income

(in Php Millions)	**2019**	**2018**	**2017**
Core Net Income	156	600	1,686
Non-Recurring Gains (Losses):			
Foreign Exchange Gain (Losses)	93	(121)	(39)
Write-off of Fixed Assets	(329)		
Net Provisions for Impairment of Assets	(849)	93	-
Others	(80)	-	-
Net Tax Effect of Aforementioned Adjustments	361	36	12
Net Income Attributable to Equity Holders	(648)	608	1,658
Net Income Attributable to Non-Controlling Interest	-	-	-
Consolidated Net Income	(648)	608	1,658

Financial Condition Summary

(in Php Millions except ratios)	**2019**	**2018**	**2017**
Cash and Cash Equivalents	796	871	584
Current Assets (excluding cash)	2,125	3,582	5,683
Non-Current Assets	34,977	36,258	33,412
Total Assets	37,899	40,712	39,679
Short-Term Loans	2,532	2,156	2,447
Current Liabilities (excluding short-term loans)	2,397	4,655	2,410
Non-Current Liabilities	10,001	10,202	10,090

Equity Attributable to Equity Holders of Parent Company	22,969	23,699	24,732
Non-Controlling Interests	(0.3)	(0.3)	(0.3)
Total Equity	22,969	23,699	24,372
Liquidity Ratios:			
Current Ratio	0.59	0.65	1.29
Quick Ratio	0.25	0.17	0.32
Solvency and Debt to Equity Ratios:			
Debt-to-Equity Ratio	0.65	0.72	0.60
Solvency Ratio	0.08	0.13	0.22
Financial Leverage Ratios:			
Asset-to-Equity Ratio	1.65	1.72	1.60
Profitability Ratios:			
Return on Assets	(1.65)	1.51%	4.23%
Return on Equity	(2.78)	2.51%	6.89%
Net Profit Margin	(9.54)	7.96%	18.14%

Current Assets

As of December 31, 2019, Current Assets was significantly lower at P2.921 billion from P4.453 billion in 2018 and P6.267 billion in 2017. The reduction in amount was mainly due to the collection of remaining advances from PXP Energy and subsequent payment of subscription payable to PXP Energy for the additional subscription of shares of stock that brought Philex's ownership interest in PXP Energy from 19.8% to 30.4%.

Cash and Cash Equivalents

The Cash and Cash Equivalents amounted to P796 million as of end-2019 from P871 million in 2018 and P584 million in 2017. The cash generated from operations was primarily used for the day to day operating expenses and capital expenditures for the mine development and mill operations. The minimal cash surplus generated during the year was utilized to augment the cash requirements for the completion of the Definitive Feasibility Study (DFS) of the Silangan Project.The monthly main source of cash is dependent on the timing of shipments of the copper concentrates to its customers overseas.

Current Assets Excluding Cash and Cash Equivalents

Accounts Receivable

The Company's Accounts Receivables are largely composed of Trade Receivables from sales of the Company's copper concentrates or bullion and Other Receivables that include advances to employees for conduct of transactions in the ordinary course of business. As of December 31, 2019, Accounts Receivables amounted to P416 million, consisting of Trade Receivables of P338 million and Other Receivables of P78 million, from P300 million in 2018 and P991 million in 2017.

Under the existing sales agreement with the two major Company's Customers ("Offtakers"), the Company receives 90% of the total US$ value of the copper concentrates within a few days after the shipment date, with the balance payable upon final pricing determination based on agreed quotational shipment prices. (QP). QP is determined either Month of Shipment Schedule (MOSS) or Month After Month of Arrival (MAMA) in destination. As of December 31, 2019, the outstanding receivables from copper concentrates consisted period of the remaining value of four shipments in the fourth quarter of 2019 awaiting final pricing, of which three were with IXM SA, and the one with Pan Pacific Copper Co., Ltd (PPC). The QP for the PPC shipments is 3MAMA for copper and 1MAMA for gold and silver, while for IXM SA, the QP is MOSS for copper and MOSS or 3MAMA for gold.

For end-2018, the receivable balance was for the uncollected proceeds equivalent to 10% of the value of six shipments made in the fourth quarter of 2018 for final pricing then, while for

end-2017, the balance pertained to 100% of the value of one shipment to IXM SA and the remaining 10% of four other shipments in 2017.

Inventories

Inventories are comprised of materials and supplies representing about 88% of total value in 2019, and mine products for the balance of 12%. Total Inventories amounted to P1.044 billion in 2019 from P1.138 billion in 2018 and P1.517 billion in 2017, with Materials and supplies amounting P915 million, down from P1.082 billion in 2018 and P1.127 billion in 2017. Mine Products inventory which is valued at net realizable value amounted to P129 million in 2019 from P56 million in 2018 and P390 million in 2017.

Advances to a Related Party

In 2018, Advances to a Related Party totalled to P1.387 billion in 2018 from P2.169 billion in 2017. These represent non-interest bearing advances to affiliate PXP Energy Corporation and are secured by a pledge agreement between the Company and PXP Energy Corporation (PXP Energy). The significant reduction in the 2018 balance was from the payment made by PXP Energy amounting to P782 million which substantially came from the proceeds of the Company's additional subscription of PXP Energy shares. The remaining PXP Energy advances of P1.387 billion in 2018 and the additional advances of P738 million from the transfer of advances from Brixton Mining & Energy Corporation to PXP Energy were collected in 2019 thus the nil amount as at end-2019.

Other Current Assets

Other Current Assets, composed primarily of input Value-Added Tax (VAT) claims on purchases of materials, supplies and equipment, decreased further to P666 million in 2019 from P757 million in 2018 and from P1.007 billion in 2017. The decrease is on account of receipt of actual refund of VAT claims from the BIR in the form of either cash or Tax Credit Certificates ('TCC"). During 2019, the Company received P93 million in actual refunds in the form of cash and TCC, as compared to actual VAT refund of VAT amounting to P127 million 2018. In 2017, P172 million was refunded in the form of Tax Credit Certificates..

Non-Current Assets

Non-Current Assets amounted to P34.977 billion as of December 31, 2019 from P36.258 billion in 2018 and P33.412 billion in 2017, which comprised mainly of Property, Plant and Equipment, Investment in Associates and Deferred Exploration Costs. PPE and Deferred Exploration Costs represent 79% of total assets, signifying the capital intensive nature of the business.

Property, Plant and Equipment

As of December 31, 2019, Property, Plant and Equipment decreased to P3.185 billion from P5.404 billion in 2018 and P6.721 billion in 2017. In 2019, additional impairments were recorded amounting to P1,457 billion on top of the impairment of P1.332 billion in 2018. The annual impairments recorded in the financial statement are attributable to Padcal mine and mining properties as it is nearing the end of mine life.

Financial Assets Measured at FVOCI

Financial Assets Measured at FVOCI, consisting mainly of shares in gold and country clubs, amounted to P121 million as at end 2019 from P118 million in 2018. Following new accounting rule in 2018, the Company's financial assets amounting to P118 million were reclassified to Financial Assets Measured at FVOCI from Available-for-Sale (AFS) Financial Assets in the previous years. The AFS Financial Assets in 2017 amounted to P76 million, respectively.

Investment in Associates

Investment in Associates decreased to P4.208 billion as of December 31, 2019 from P4.456 billion in 2018 and P1.416 billion in 2017, mainly from the Company's share in the net losses of associates in 2019, which included impairment provision. For 2018, the significant increase was from the additional equity subscription by the Company in upstream oil and gas affiliate PXP Energy Corporation. This transaction increased the Company's stake in PXP Energy from 19.8% to 30.4% as of December 31,2019.

Deferred Exploration Costs

As of December 31, 2019, Deferred Exploration Costs increased to P26.616 billion in 2019 from P25.448 billion in 2018 and P24.361 billion in 2017. The Company continues to actively explore potential new ore sources within surrounding areas of Padcal and Silangan.

(in Php Millions)	**2019**	**2018**	**2017**
Silangan Project	24,349	23,212	23,234
Kalayaan Project	2,746	2,743	2,742
Bulawan and Vista Alegre Projects	633	633	632
Lascogon Project	289	289	289
Sibutad Project	235	235	235
Bumolo Project	210	210	209
Clifton Project	135	135	134
Southwest Project	110	109	100
Sanfran/Tambis Project	92	92	92
Tapsan Project	148	143	78
Other Exploration Costs	1,495	1,472	394
Total	30,442	29,273	28,139
Less: Impairment Losses	(3,825)	(3,825)	(3,778)
Total Deferred Exploration Costs	26,616	25,448	24,361

Pension Asset

As at end 2019, Pension Asset decreased to P224 million from P360 million in 2018 and P374 million in 2017. Pension Asset represents the excess of the fair value of plan assets against the present value of defined benefit obligations under the Company's retirement plan, net of SMMCI pension obligation.

Other Non-Current Assets

Other Non-Current Assets increased to P623 million from P473 million in 2018 and P464 million in 2017. This consisted mainly of the non-current portion of SMMCI input Value-Added Tax amounting to P433 million in 2019 from P410 million in 2018 and P400 million in 2017.

Total Assets

Total Assets of the Company amounted to P37.899 billion, slightly lower than the P40.712 billion in 2018 and P39.679 billion in 2017, primarily from the collection of PXP Energy advances and additional impairment provisions on mining assets.

Current Liabilities

As of December 31, 2019, Current Liabilities decreased to P4.929 billion from P6.811 billion in 2018 and P4.857 billion in 2017, due to the additional payment of subscription payable to PXP Energy for the additional subscription of shares of stock in 2018 that brought Philex's ownership interest in PXP Energy from 19.8% to 30.4%.

Loans Payable

The balance of Loans Payable increased to P2.532 billion (US$50 million) from P2.156 billion (US$41 million) in 2018 and P2.447 billion (US$49 million) in 2017. The 2019 loan balance consisted of US$44 million directly under Philex and US$6 million under SMMCI. These loans were used for the cash requirement of SMMCI.

Current Liabilities Excluding Loans Payable

Current Liabilities, excluding Loans Payable, decreased significantly to P2.397 billion from P4.654 billion in 2018 and 2.410 billion in 2017, due to the payment of the subscription payable with PXP Energy.

Accounts Payable and Accrued Liabilities

As of December 31, 2019, Accounts Payable and Accrued Liabilities amounted to P1.608 billion, lower than P1.791 billion in 2018 and P1.649 billion in 2017. This composed primarily of payables to suppliers and contractors of which no material amount has been left unpaid within terms acceptable and agreed upon with suppliers and contractors.

Subscription Payable

Subscription Payable significantly decreased to P187 million as of December 31, 2019 from P2.313 billion in 2018 and P2 million in 2017 on account of the additional and final payment made by the Company for its 2018 subscription in PXP Energy which increased the Company's interest in PXP Energy from 19.8% to 30.4% as of December 31,2019..

Income Tax Payable

Income Tax Payable amounted to P53 million from P18 thousand in 2018 and P230 million in 2017. The tax amount is due and payable no later than April 15, 2020.

Dividends Payable

As of December 31, 2019, Dividends Payable amounted to P550 million, not far from the levels in 2018 and 2017 of P551 million and P529 million, respectively. At the February 27, 2020 Philex Board meeting, the Philex Board of Directors approved the declaration of regular cash dividend of one centavo for shareholders on record as of March 13, 2020 payable March 27,2020.

For 2018, the Company declared regular cash dividends amounting to four centavos per share to shareholders on record as of 13 March 2018. Moreover, the Company again declared regular cash dividends amounting to three and a half centavos per share to shareholders on record as of 08 August 2018.

In November 2017, the Company also declared cash dividend of four centavos per share (equivalent to ₱198.0 million) to shareholders as of record date of November 24, 2017, with payment date of December 6, 2017, representing 17% of the Company's core net income for the nine months ended September 30, 2017.

Non-Current Liabilities

Non-Current Liabilities stood at P10.001 billion from P10.202 billion in 2018 and P10.090 billion in 2017, comprising mainly of Deferred Tax Liabilities and Bonds Payable.

Deferred Income Tax Liabilities

Deferred Income Tax Liabilities, mainly consisting of P1.665 billion arising from the acquisition of Anglo's 50% stake in the Silangan companies and P554 million for accelerated deductions, decreased significantly to P2.219 billion from P2.790 billion in 2018 and P3.005 billion in 2017.

Bonds Payable

As of December 31, 2019, Loans and Bonds Payable increased to P7.743 billion from P7.333 billion and P6.950 billion in 2017. The yearly changes in the amounts correspond to the amortization of deferred transaction costs, accretion of interest from the discounting of the face value of the CN and accrual of the 3% redemption premium. The bonds payable pertains to the 8-year convertible bonds issued by SMECI, with PMC as the co-issuer, on December 18, 2014, with a face value of P7.2 Billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at P18,000 per share 12 months after the issue date ("Standstill Period"). On the last day of Standstill Period, the Issuer shall have a one-time right to redeem the bonds from the holders in whole or in part. After the Standstill Period, the noteholders may exercise the conversion right, in whole but not in parts, at any time but no later than the maturity date. At redemption/maturity date, the bonds can be redeemed together with the principal or face value of the bonds at a premium, payable at a rate of 3% per annum compounded semi-annually based on the face value of the bonds and unpaid accrued interest (if there be any). The proceeds of the bonds were used to repay the SMECI's advances from PMC and fund further exploration works of SMMCI.

Provision for Losses and Mine Rehabilitation Costs

Provision for Losses and Mine Rehabilitation Costs decreased to P39 million from P79 million in 2018 and P135 million in 2017. The Company spent P43 million and P60 million in 2019 and 2018, respectively, for the requirement under the Company's approved Final Mine Rehabilitation and Development Program for a total of P137 million.

Total Liabilities

As of December 31, 2019, Total Liabilities amounted to P14.930 billion, a reduced amount from P17.012 billion in 2018 and P14.947 billion in 2017. The reduction in the 2019 balance was mainly due to the payment of subscription payable to PXP Energy and lower Deferred Tax Liabilities.

Shareholders' Equity

As of December 31, 2019, Total Equity amounted to P22.969 billion compared with P23.699 billion in 2018 and P24.732 billion in 2017.

	2019	2018	2017
Common Shares	4,940,399,068	4,940,399,068	4,940,399,068
Stock Options	16,460,000	18,020,000	18,020,000

Retained Earnings amounted to P13.971 billion, inclusive with the 2019 Net Loss of P648 million and cash dividend payment, compared with P14.704 billion in 2018 and P15.771 billion in 2017.

Net Unrealized Gain on Financial Assets Measured at FVOCI amounted to P38 million in 2019 and P35 million in 2018 upon adoption of PFRS 9 in 2018 from P1 million in 2017. Equity Conversion Options remained at P1.226 billion since 2014 corresponding to the carrying amount of the conversion options of the 8-year convertible bonds issued by SMECI, with PMC as the co-issuer, in December 2014 with a face value of P7.200 billion. Net Revaluation Surplus also remained at P1.572 billion from 2017 to 2019. The balances of Effect of Transactions with Non-Controlling Interests and the Non-Controlling Interests were insignificant for the past three years.

Liquidity and Capital Resources

The Company's existing liquidity position and capital resources are primarily used for the funding of its existing operations and new exploration projects within the Padcal Mine to further extend mine life and for potential expansion of new like the Silangan Project. Despite the risks inherent in the business associated with metal prices, foreign exchange rates, regulatory environment, and the changing economic and market conditions, the Company generated net cash flows from operating activities of P1.232 billion in 2019 compared to P3.288 billion in 2018 and P3.429 billion in 2017.

Internally generated funds remain as the Company's principal source of cash to finance the capital expenditures of the Padcal mine, the development of Silangan project and exploration initiatives of various mine sites, and to refinance existing loans.

Net cash used in investing activities, principally for capital expenditures and exploration costs, amounted to P1.784 billion in 2019 as against P2.241 billion in 2018 and P2.286 billion in 2017. Capital expenditures decreased to P1.071 billion in 2019 from P1.672 billion in 2018 and P1.747 billion in 2017. The Company focused exploration activities on previously activated areas.

Net cash from financing activities amounted to P473 million in 2019 compared to net cash used in financing activities of P764 million in 2018 and P1.020 billion in 2017. The Company availed additional P474 million (US$ 9 million) to finance the capital expenditures of Padcal Mine and initial development works in the Silangan Project.

Capital Expenditures and Exploration Costs

(in Php Millions)	**2019**	**2018**	**2017**
Padcal and Others:			
Mine Development	552	1,095	694
Tailings Pond Structures	165	292	320
Machinery and Equipment	366	389	735
Total	1,083	1,776	1,749
Silangan Project:			
Deferred Exploration Costs	641	433	497
Machinery and Equipment	(12)	(104)	(3)
Total	629	329	495
Mine Exploration Projects	32	156	194
Total	1,745	2,261	2,438
By Recording:			
Deferred Exploration Costs	673	589	691
Property, Plant and Equipment	1,071	1,672	1,747
Total	1,745	2,261	2,438

Capital Expenditures totalled to P1.745 billion, P2.261 billion and P2.438 billion for 2019, 2018 and 2017, respectively. In 2019, the Company funded the completion of Silangan DFS and land banking activities in preparation for the commencement of the Silangan Project development phase . In addition, the Company purchased additional mine and mill equipment to augment Padcal's aging machinery and equipment and funded the on-going improvement of its existing tailings facilities.

Padcal operations accounted for 62% of total programmed spending at P1.083 billion in 2019 as compared to P1.776 billion in 2018 and P1.749 billion in 2017.

Silangan Project utilized 36% of the capital budget amounting to P629 million in 2019 versus P329 million in 2018 and P495 million in 2017 to fast-track its pre-mine development phase. The Company is set to launch its Silangan project by 2022.

Other mining exploration projects constituted a total amount of P32 million in 2019 compared to P156 million in 2018 and P194 million in 2017. These activities centered on surrounding areas of Padcal to extend the mine life of Padcal and to take advantage of its existing Mill facilities.

Top Five Key Financial and Non-Financial Performance Indicators

Safety Performance

Personnel health and safety is of paramount concern and regarded with utmost priority. In 2019, the Company reported for its Padcal mine five Lost Time Accident-Fatal incidents compared to two incidents in 2018 and a single occurrence in 2017. Meanwhile, in terms of Lost Time Accident Non-Fatal events, there were five recorded in 2019 versus six in 2018 and nine in 2017.

The Company is targeting a "zero-harm" record through constant reviews of safety policies and procedures. Various initiatives are being implemented to minimize the occurrence of accidents and injuries in the workplace. Third-party experts are likewise engaged to assess existing safety performance and identify risk areas.

Earnings Per Share

Earnings Per Share (EPS) represents the net income attributable to equity holders of the Company, expressed in the amount per share of the Company's average outstanding capital stock. Assuming a constant outstanding number of shares, the earnings per share correspondingly rises as the Company's earnings increase. The EPS ultimately reflects the Company's financial and operational growth as a result of its performance in cost management, technical efficiency and productivity.

	2019	**2018**	**2017**
Earnings (Loss) Per Share	(P0.131)	P0.123	P0.336
Total Outstanding Shares	4,940,399,068	4,940,399,068	4,940,399,068

There were outstanding stock options for the period that could have resulted in additional common shares had the exercise price been higher than market. However, for the years 2019, 2018 and 2017, the outstanding stock options were considered anti-dilutive based on the lower market price of the Company's shares compared to the exercise price, thus the diluted earnings per share in 2019, 2018 and 2017 were the same as the basic earnings per share of the Company in the said periods.

Tonnes Milled and Metals Produced

Tonnes milled and ore grade determine the volume of concentrates produced and sold. Tonnes milled totalled to 8,112,791 in 2019, compared to 8,516,915 in 2018 and 8,673,474 in 2017. Copper production reached 25,737,207 pounds in 2019 versus 26,574,686 pounds in 2018 and 30,118,207 pounds in 2017. Gold production totalled 53,064 ounces in 2019 compared to 61,977 ounces in 2018 and 84,638 ounces in 2017.

Total Production Cost Per Tonne and Operating Cost Per Tonne of Ore Milled, and Per Ounce Gold and Per Pound Copper Produced

The Company's average cost per tonne is a key measure of the Company's operating performance. At the same cost level, the higher the production volume, the lower the cost per tonne becomes, which will also be similar if the same production volume incurs a lower operating cost. Thus, a lower cost per tonne would generally reflect an improvement in operating efficiency.

The same essentially applies to cost expressed in per unit of metal, which incorporates the metal grade, as it affects metal production, and the exchange rate, as it affects the conversion from peso to dollar.

In 2019, the total production cost (mine site cost and expenses excluding smelting charges, excise tax and royalties) per tonne of ore milled was P724, with total production cost of P5.873 billion over ore milled of 8,112,791 tonnes. This was 3% higher than the cost per tonne of P705 from the total production cost of P6.009 billion over ore milled of 8,516,915 tonnes in 2018 primarily due to the lower tonnage milled, despite lower production costs in 2019. Total production cost per tonne in 2017 was P687 from the total production cost of P5.963 billion over 8,673,474 tonnes milled.

The operating costs and expenses (all cost and expenses excluding G&A) per tonne of ore milled in 2019 was P852 from the total operating cost and expenses of P6.190 billion, slightly higher than the P844 from the operating costs and expenses of P7.189 billion in 2018 and P837 per tonne in 2017 from P7,257 billion costs. Despite lower total operating costs for 2019 on account of lower cash production costs, smelting charges, excise tax and royalties as well as lower non-cash production costs, the cost per tonne was higher as a result of lower tonnage.

Using co-production method, the operating cost applicable to gold produced amounted to US$1,296 per ounce in 2019 compared with US$1,112 per ounce in 2018 and US$929 per ounce in 2017, while operating cost applicable to copper produced amounted to US$2.54 per pound in 2019 compared with US$2.50 per pound in 2018 and US$2.16 per pound in 2017. Under co-production method, the total cost is allocated proportionately based on the revenue contribution of each product considering there is no physical basis that can be used in allocating costs between the two metals.

Exploration Activities

The Company is cognizant that exploration in itself is a speculative endeavor, and mineral exploration and mining operations can be hampered by force majeure and other unforeseen circumstances beyond the Company's control. To mitigate the impact of these external factors and other contingencies, the Company banks on its ability to successfully explore and/or acquire reserves, design and construct efficient processing facilities, operate and manage its projects, and provide effective financial controls and management. To ensure the optimization of value from its natural resource properties and the long-term sustainability of operations, the Company pursues and invests in viable exploration activities and operational enhancements on a constant basis.

In 2019, the Company spent P673 million for exploration activities versus P589 million in 2018 and P691 million in 2017. As of end-2019, total deferred exploration costs amounted to P26,616 billion compared to P25.448 billion in 2018 and P24.361 billion in 2017.

Subsidiaries and Related Party Transactions

Philex Mining Corporation has extended loans and advances to some of its subsidiaries, as described under Part III, Item 12 of this Report.

Furthermore, Note 2 of the Notes to the Consolidated Financial Statements is likewise incorporated hereto by reference for discussions on the new and revised accounting standards that the Company adopted in 2019.

Known Trends, Events, or Uncertainties

There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked, although the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business, which contingencies are not presently determinable.

Other than as discussed above, there are no known significant trends, demands, commitments, or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way. There are no material commitments for capital expenditures not reflected in the Company's financial statements.

There is likewise no significant seasonality or cyclicality in its business operation that would have material effect on the Company's financial condition or results of operation. There were no other significant elements of income or loss that did not arise from the Company's continuing operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period. There are no line items in the Company's financial statements not already explained for causes either above or in the Notes to the Consolidated Financial Statements other than due to the usual period-to-period fluctuations in amounts natural in every business operations.

Item 7. Financial Statements

The audited financial statements are presented in Part V, Exhibits and Schedules.

Item 8. Information on Independent Accountants and Other Related Matters

External Audit Fees and Services

Audit and Audit-Related Fees

For the past three fiscal years, the Company's external auditors were engaged primarily to express an opinion on the financial statements of the Company and its subsidiaries. The audit, however, included the auditors providing assistance to the Company in the review of its income tax return in as far as ensuring the agreement of the reported income and costs and expenses in the return with the recorded amounts in the books. The procedures conducted for this engagement included those that are necessary under auditing standards generally accepted in the Philippines but did not include detailed verification of the accuracy and completeness of the reported income and costs and expenses. The audit fees for these services for the entire Philex Group (excluding PXP Energy group) P3.800 million in 2019, P5.04 million for 2018 and P5.04 million for 2017.

Tax Fees

The Company has not engaged the external auditors for any tax-related services for 2019 as well as in the two prior years.

All Other Fees

The external auditors were not engaged as well to do other engagements in 2019 and in the two prior years.

All audit and non-audit engagements were approved by the Company's Audit Committee.

Audit Committee's Approval of Policies and Procedures

Prior to the commencement of this year-end audit work, the external auditors presented their program and schedule to the Company's Audit Committee, which included discussion of issues and concerns regarding the audit work to be done. At the completion of this audit works, the Company's audited financial statements for the year were likewise presented by the external auditors to the Audit Committee for committee approval and endorsement to the full Board for final approval.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There was no change in the Company's independent auditors during the two most recent calendar years or in any subsequent interim period. Since 2018 audit, the Company's audit engagement partner was Mr. Alexis C. Zaragoza, previously was Mr. Jose Pepito E. Zabat III.

There has been no disagreement with the independent accountants on accounting and financial disclosure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The following individuals served as Directors and Executive Officers of Philex Mining Corporation for the year 2019.

Directors

MANUEL V. PANGILINAN, Chairman, Non-Executive Director

Age: 73
Date of First Appointment: November 28, 2008

Academic Background:
Mr. Pangilinan graduated Cum Laude from the Ateneo de Manila University with a Bachelor of Arts degree in Economics. He received his Masters of Business Administration degree from Wharton School of the University of Pennsylvania in 1968.

Business and Professional Background/ Experience:
Mr. Pangilinan founded First Pacific Company Limited, a corporation listed on the Hong Kong Stock Exchange, in May 1981. He served as Managing Director of First Pacific Company Limited since its founding in 1981 until 1999. He was appointed Executive Chairman until June 2003, after which he was named Managing Director and Chief Executive Officer. In May 2006, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula, rank of Komandante, in recognition of his contributions to the country. He was named Management Man of the Year 2005 by the Management Association of the Philippines.

Mr. Pangilinan was awarded Honorary Doctorates in Science by Far Eastern University in 2010; in Humanities by Holy Angel University in 2008; by Xavier University in 2007; and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School. He is a member of the ASEAN Business Advisory Council. Mr. Pangilinan has been a Director of PMC and Philex Gold Philippines, Inc. (PGPI) since November 2008. He is also Managing Director and Chief Executive Officer of First Pacific Company Limited, and Chairman of the PLDT Inc. (PLDT) since 2004, after serving as its President and Chief Executive Officer (CEO) since 1998. He reassumed the position of President and CEO of PLDT effective December 2015. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Silangan Mindanao Mining Co., Inc., Landco Pacific Corporation, Medical Doctors Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Asian Hospital, Inc., Davao Doctors, Inc., Riverside Medical Center Inc., Our Lady of Lourdes Hospital, Central Luzon Doctors' Hospital, Inc., Maynilad Water Services Corporation, Mediaquest, Inc., Associated Broadcasting Corporation (TV5) and Manila North Tollways Corporation. Mr. Pangilinan is also Chairman of the Manila Electric Company (MERALCO), after serving as its President and Chief Executive Officer from July 2010 to May 2012. In December 2013, Roxas Holdings, Inc., Incorporated, the largest sugar producer in the Philippines, announced the election of Mr. Pangilinan as Vice Chairman.

EULALIO B. AUSTIN, JR. President and Chief Executive Officer**,** Executive Director

Age: 58
Date of First Appointment: June 29, 2011

Academic Background:

Mr. Austin graduated from Saint Louis University-Baguio City, with a Bachelor of Science degree in Mining Engineering and placed eight at the 1982 Professional Board Examination for mining engineers. He took his Management Development Program at the Asian Institute of Management in 2005 and his Advance Management Program at Harvard Business School in 2013.

Business and Professional Background/ Experience:
Mr. Austin has been a Director of PMC and PGPI since June 29, 2011 and was re-elected on June 28, 2017. He became President and Chief Operating Officer on January 1, 2012 and President and CEO of the Company on April 3, 2013.

He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998. Mr. Austin concurrently serves as Director of PXP Energy Corporation and Silangan Mindanao Mining Co., Inc.

Outside of Philex Mining, he is a member of the Chamber of Mines of the Philippines' Board of Trustees. Mr. Austin also sits as a member of the Executive Committee of the Board of Trustees and serves as the Chairman of the Membership Committee as well as the Towards Sustainable Mining Initiative Committee. He is a Competent Person on Mining. He was awarded Most Outstanding Engineer of the Philippine Society of Mining Engineers (PSEM) in 2016, aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last December 14, 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

OSCAR J. HILADO, Independent Director

Age: 82
Date of First Appointment: December 7, 2009

Academic Background:
Mr. Hilado, a Certified Public Accountant, completed his undergraduate studies at the De La Salle College-Bacolod in 1958 and obtained his Master's in Business Administration from the Harvard School of Business Administration (Smith Mundt/Fulbright Scholar) in 1962. He received a Doctorate in Business Management, Honoris Causa, from the De La Salle University and a Doctorate of Laws, Honoris Causa, from the University of St. La Salle in 1992.

Business and Professional Background/ Experience:
Mr. Hilado has been an Independent Director of PMC since December 7, 2009. Mr. Hilado holds the following positions: Chairman of Philippine Investment Management (PHINMA), Inc., Phinma Corporation, Phinma Property Holdings Corporation. Vice-Chairman of Union Galvasteel Corporation. Chairman of the Executive Committee of Phinma Corporation. Director of Philex Mining Corporation, Rockwell Land Corporation, A. Soriano Corporation, Roxas Holdings, Inc. Smart Communications, Inc., Phinma Solar Energy Corporation, Philippine Cement Corporation, Phinma Education Holdings, Inc., Araullo University, Inc., Cagayan de Oro College, Inc., University of Iloilo, Inc., University of Pangasinan, Inc., Southwestern University, St. Jude College, Manila, Phinma Hospitality, Inc., United Pulp and Paper Company, Inc., Digital Telecommunications Philippines, Inc., Seven Seas Resorts and Leisure, Inc., Beacon Property Ventures, Inc., Cebu Light Industrial Park, Inc., Pueblo de Oro Development Corporation and Manila Cordage Company.

MARILYN A. VICTORIO-AQUINO, Non-Executive Director

Age: 64
Date of First Appointment: December 7, 2009

Academic Background:
Ms. Aquino was educated at the University of Santo Tomas (A.B.) and University of the Philippines (LL.B., cum laude). and qualified as a barrister in the Philippines in 1981.

Business and Professional Background/ Experience:
Ms. Aquino joined Sycip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989. Ms. Aquino's practice focused on banking, finance and securities, construction and infrastructure, investments, mergers and acquisitions, and mining and natural resources. Ms. Aquino is a Director of Philex Mining Corporation, Philex Gold Philippines, Inc., PXP Energy Corporation, Silangan Mindanao Mining Company, Inc., Lepanto Consolidated Mining Company and Maynilad Water Services, Inc. She was also appointed as Chief Legal Counsel of PLDT in December 2018.

BARBARA ANNE C. MIGALLOS Corporate Secretary**,** Executive Director

Age: 65
Date of First Appointment: June 26, 2013

Academic Background:
Ms. Migallos graduated Cum Laude from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as Cum Laude (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

Business and Professional Background/ Experience:
Ms. Migallos was elected to the Board of Directors of PMC and PGPI on June 27, 2018. She is also the Company's Corporate Secretary since July 1998. She is also Director and Corporate Secretary of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos is also a Director of Mabuhay Vinyl Corporation since 2000 and Philippine Resins Industries since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005 and Nickel Asia Corporation since 2010. She is a professorial lecturer in Corporations Law, Insurance and Credit Transactions at the De La Salle University College of Law. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006.

WILFREDO A. PARAS, Independent Director

Age: 73

Date of First Appointment: June 29, 2011

Academic Background:

Mr. Paras completed his undergraduate studies at the University of the Philippines in 1969 with Bachelor of Science, Industrial Pharmacy and his Master in Business Administration at the De La Salle University in 1991. He also completed an Executive Program at the University of Michigan at Ann Arbor, Michigan, USA.

Business and Professional Background/ Experience:

Mr. Paras has been an Independent Director of PMC since June 29, 2011 and was re-elected on June 26, 2019. He is currently an Independent Director of GT Capital Holdings, Inc. since May 2013 and President of WAP Holdings, Inc. He is also a member of the Board of Trustees of Dualtech Training Foundation Inc. Mr. Paras was previously the Executive Vice-President, Chief Operating Officer and Director of JG Summit Petrochemical Corporation, President and Director of PT Union Carbide Indonesia, Managing Director of Union Carbide Singapore, Business Director, Union Carbide Asia Pacific, and President of Union Carbide Philippines

MICHAEL G. REGINO, Non-Executive Director

Age: 58
Date of First Appointment: February 28, 2017

Academic Background:
Michael G. Regino graduated Cum Laude and Salutatorian from the Ateneo de Zamboanga University in 1981, with a degree of Bachelor of Science, Major in Economics. He later obtained his Master in Business Administration in 1985 from the Ateneo de Manila University.

Business and Professional Background/ Experience:
Mr. Regino was appointed last October 27, 2016 as Member of the Board of the Social Security Commission (SSC) and since February 28, 2017, a Director of Philex Mining Corporation. Last March 07, 2018, he was duly appointed as Director of Unionbank of the Philippines. Prior to these current positions, he engaged in multifarious activities which marked the significant milestones in his career.

He served as the President and member of the Board of Directors of San Agustin Services, Inc., Agata Mining Ventures, Inc. and Exploration Drilling Corp.; as the Senior Vice President and Chief Operating Officer of St. Augustine Gold and Copper Ltd.; and, as the Executive Director of TVI Resources Development Phils., Inc. He also became one of the members of the Board of Directors of Nationwide Development Corporation and KingKing Mining Corp., where he took charge of the Davao operations.

He also gained expertise in the field of real estate development and property management when he served as the President of Camella Homes, Golden Haven Memorial Parks, Inc., and MGS Group of Companies. He also once shared his competence in other industries such as Northern Foods, Corp., Kilusang Kabuhayan at Kaunlaran, and the Ateneo de Zamboanga University, where he served as Finance and Treasury Manager, Chief Financial Specialist, and Instructor in Economics, respectively.

ANITA B. QUITAIN, Non-Executive Director

Age: 73
Date of First Appointment: February 28, 2017

Academic Background:
Ms. Quitain has a Bachelor of Science Degree in Elementary Education from the University of Mindanao. She also completed two (2) years of Masters in Public Administration (37 units) for Career Civil Service Eligibility.

Business and Professional Background/ Experience:
Ms. Quitain is currently a Commissioner of the Social Security System (SSS). She previously held the following SSS positions: Section Head of Membership, Real Estate, Operations, Accounting, Membership Assistance Center and Sickness, Maternity and Disability in Region 9. She also headed the SSS Representative Office in Digos, Davao del Sur. Ms. Quitain officially retired from the SSS in 2009 after thirty-one (31) years of continuous and dedicated service.

DIANA V. PARDO-AGUILAR* Non-Executive Director

Age: 55
Date of First Appointment: November 13, 2019

Academic Background
Ms. Pardo-Aguilar holds a Master degree in Business Administration major in International Business and Finance from Pepperdine University, California (1988) and a Bachelor of Science in Computer Studies from De La Salle University (1985).

Business and Professional Background/Experience
Ms. Pardo-Aguilar was appointed as Commissioner of the state-run Social Security System in August 2010 and was reappointed by President Rodrigo Duterte in 2016. She is Chairperson of the Investment Oversight Committee and Vice Chairperson of the Information Technology Committee; and a Member of the Risk Management and Audit Committees. She was appointed as Director of Security Bank Corporation since April 2017 and Chairs the Trust Committee. She was also appointed as Chairperson of SB Capital Investment Corporation since August 2016. She was appointed as an Independent Director of Medical Doctor's Inc., of Makati Medical Center since July 2018 and also appointed as Chairperson of the Audit Committee since September 2018. She is a Member of the Investment Committee of De La Salle Philippines since July 2018. She was re-elected as one of the members of the Board of Governors of the Employers Confederation of the Phils. in December 2018. She is a Member of the Board of Directors of Ionics Inc., since December 2016, a Consultant Advisor to the Board of Phil. Seven Corporation since January 2015, a Member of the Philippine Stock Exchange's Capital Markets Development Board since 2013, a Director of Electronic Commerce Payment Networks, Inc., since 2004 and a Director of Wenphil Corporation since 1998.

JOSEPH H.P. NG Non-Executive Director

Age: 57
Date of First Appointment: January 30, 2019

Academic Background:
Mr. Ng received an MBA and a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales.

Business and Professional Background/ Experience:
Mr. Ng. joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. He was appointed as Associate Director in April 2019. Prior to that, he was Executive Vice President of Group Finance and served in several senior positions within First Pacific Group ("the Group"), including as the Head of Finance of the Group's regional telecom division and a director of a number of the Group's telecom joint ventures in India, Indonesia and China. Mr. Ng is a Commissioner of PT Indofood Sukses Makmur Tbk and a Non-Executive Director of Philex Mining Corporation and PXP Energy Corporation, which are First Pacific Group subsidiary and associate.

RICHARD P.C. CHAN Non-Executive Director

Age: 50
Date of First Appointment: January 30, 2019

Academic Background:
Mr. Chan received a BBA (Hons) degree from Hong Kong Baptist University and an MBA from the Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a CFA Charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has experience in auditing, accounting, finance and management spanning a diverse range of business activities. He serves as a Non-executive Director of Philex Mining Corporation since January 2019, which is First Pacific Group associate.

Business and Professional Background/ Experience:
Mr. Chan joined First Pacific in 1996 from KPMG. Prior to his appointment as Executive Vice President, Group Financial Controller in April 2019, Mr. Chan was Vice President, Group Financial Controller.

Directorships in Other Publicly-Listed Companies

Name	Listed Company	Type of Directorship
Manuel V. Pangilinan	PLDT, Inc. Metro Pacific Investments Corp. Roxas Holdings, Inc. Manila Electric Company PXP Energy Corp.	Executive Non-Executive Non-Executive Non-Executive Non-Executive
Michael G. Regino	Union Bank of the Philippines	Non-Executive
Wilfredo A. Paras	GT Capital Holdings, Inc.	Non-Executive
Barbara Anne C. Migallos	Mabuhay Vinyl Corp.	Non-Executive
Marilyn A. Victorio-Aquino	PXP Energy Corp. Lepanto Consolidated Mining Company	Non-Executive Non-Executive
Oscar J. Hilado	PHINMA Corp. Rockwell Land Corp. Roxas Holdings, Inc. A. Soriano Corp.	Non-Executive Independent Independent Independent
Eulalio B. Austin, Jr.	PXP Energy Corp.	Non-Executive
Diana Pardo Aguilar	Security Bank Corporation IONICS, Inc. PXP Energy Corp	Non-Executive Non-Executive Non-Executive

*Mr. Gonzalo T. Duque resigned July 31, 2019 and was replaced by Ms. Diana Pardo-Aguilar on November 13, 2019

Executive Officers

The following persons are the present Executive Officers of the Company:

EULALIO B. AUSTIN, JR. – 58, Filipino citizen. Mr. Austin has been a Director of PMC and PGPI since June 29, 2011 and was re-elected on June 24, 2015. He became President and Chief Operating Officer on January 1, 2012 and President and Chief Executive Officer of the Company on April 3, 2013. He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998.

Mr. Austin concurrently serves as Director of PXP Energy Corporation and Silangan Mindanao Mining Co., Inc. Outside of Philex Mining, he is a member of the Chamber of Mines of the Philippines' Board of Trustees. Mr. Austin also sits as a member of the Executive Committee of the Board of Trustees and serves as the Chairman of the Membership Committee as well as the Towards Sustainable Mining Initiative Committee. Mr. Austin is a Competent Person on Mining. He was awarded Most Outstanding Engineer in Mine Management by the Philippine Society of Mining Engineers (PSEM) in 2016, aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last December 14, 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

BARBARA ANNE C. MIGALLOS – 65, Filipino citizen. Ms. Migallos has been a Director of the Company and PGPI since June 26, 2013 and was re-elected on June 24, 2015. She is also the Company's Corporate Secretary since July 1998. Ms. Migallos is also Director and Corporate Secretary of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. and Lascogon Mining Corporation. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos has also been a Director of Mabuhay Vinyl Corporation since 2000 and the Philippine Resins Industries since 2001, and Corporate Secretary of Eastern

Telecommunications Philippines, Inc. since 2005 and Nickel Asia Corporation since 2010. She is also a professorial lecturer in insurance law and securities regulation law at the De La Salle University College of Law. Ms. Migallos graduated cum laude from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as cum laude (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

ROMEO B. BACHOCO - 59, Filipino Citizen. Mr. Bachoco has been appointed as the Company's Senior Vice President for Finance, Chief Finance Officer and Treasurer since August 2019. He is a seasoned corporate professional with a diverse background in finance and commercial operations. He previously held the following senior management positions namely as Chief Operating Officer of XRC Mall Developer, Inc. (XentroMalls), Executive Vice-President and Head of Retail and Business Development of Seaoil Philippines, Inc., Executive Vice-President and Chief Operating Officer of Double Dragon Properties Corp., Executive Vice-President and Chief Finance Officer of Golden Arches Development Corp. (McDonalds Philippines) and Eastern Telecommunications Philippines. Mr. Bachoco graduated Cum Laude with a Bachelor of Science Degree in Business Administration, Major in Accounting, from the University of the Philippines Visayas and is a licensed Certified Public Accountant. He also obtained his Master in Business Administration from the Ateneo Graduate School of Business under the Ateneo-Regis Program. He is also a visiting professional lecturer in financial management at the Ateneo Graduate School of Business.

MICHAEL T. TOLEDO – 59, Filipino citizen. Mr. Toledo has been Senior Vice President for Public and Regulatory Affairs since February 15, 2012. He is the Chief Operating Officer of Silangan Mindanao Mining Company, Inc. and is also the Managing Director of the Media Bureau of the MVP group of companies. He currently sits as a Member of the Executive Council and Chairman of the Standing Committee on Legal Information of the ASEAN Law Association of the Philippines (ALA); Chairman of the Committee on Public Relations and Publicity and Co-Chair of the Committee on Business Law Reforms of the Philippine Bar Association (PBA); Chairman of the Sub-Committee on Natural Resources Development and Member of the National Issues Committee and Women Empowerment Committee of the Management Association of the Philippines (MAP); Member of the Board of Trustees of the UP College of Law Alumni Foundation (UPLAF);and member of the Board of Trustees of the Philippine Disaster Resiliency Foundation (PDRF). He is also a print journalist and writes a fortnightly column in The Philippine Star. Mr. Toledo was named 2014 CEO (Communication Excellence in Organizations) Excel Awardee by the International Association of Business Communicators (IABC) and was conferred the Lifetime Achievement Award by the British Government and the British Alumni Association. Before joining the Company, he was President and Chief Executive Officer of the Weber Shandwick Manila office since 2006.

Mr. Toledo was also Press Secretary and Presidential Spokesperson for former President Joseph Ejercito Estrada and was Director and/or Legal and Financial Consultant for various government owned and controlled corporations such as the Government Service Insurance System (GSIS), Department of Transportation and Communications (DOTC), and the Cagayan Economic Zone Authority (CEZA). Mr. Toledo finished a Bachelor of Arts Degree in Philosophy in 1981 and completed a Bachelor of Laws Degree at University of the Philippines in 1985. In 1994, he obtained a Master of Laws degree at the London School of Economics and Political Science as a Chevening Scholar and was accepted at the Fletcher School of Law and Diplomacy at Tufts University.

VICTOR A. FRANCISCO – 55, Filipino citizen. Mr. Francisco has been Vice President for Environment and Community Relations since January 2, 2009. He was previously Group Manager for Corporate Environment and Community Relations in 2007, Department Manager–Corporate Environment and Community Relations in 1999 and Assistant Manager –Corporate Environmental Affairs in 1997. Mr. Francisco completed a Bachelor of Science Degree in Community Development at the University of the Philippines in 1987. He also obtained a Master's in Environmental Science and Management degree at the University of the Philippines campus in Los Banos, Laguna in 1995.

VIC MORRIS A. YODONG - 65, Filipino citizen. Mr. Yodong was appointed and assumed the position of Vice President and Padcal Resident Manager on March 11, 2019. Mr. Yodong is licensed mining engineer with over forty years of industry experience from both local and international mining companies. He graduated with a Bachelor of Science in Mining Engineering Degree from Adamson University.

JONAS EMANUEL S. SANTOS, 42, Filipino citizen. Mr. Santos was appointed and assumed the position as Vice President and General Counsel of Philex Mining Corporation on April 01, 2019. Mr. Santos was formerly the Corporate Counsel of Chevron Philippines, Inc. and Senior Associate at Sycip Salazar Hernandez & Gatmaitan. He graduated with a Bachelor of Science in Management Engineering Degree from the Ateneo de Manila University and obtained his Bachelor of Laws from the University of the Philippines Diliman.

Mr. Danny Y. Yu served as the Company' Senior Vice President for Finance, Chief Finance Officer And Treasurer up to July 31, 2019 followed by his early retirement on August 01, 2019.

Ms. Joan de Venecia-Fabul served as the Company's Vice President and General Counsel up to March 31, 2019.

While all employees are expected to make a significant contribution to the Company, there is no one particular employee, not an executive officer, expected to make a significant contribution to the business of the Company on his own.

The Company is not aware of any adverse events or legal proceedings during the past five (5) years that are material to the evaluation of the ability or integrity of its directors or executive officers. Note 31 of the Notes to the Consolidated Financial Statements of the Exhibits in Part V, Item 14 is also hereto incorporated by reference.

There are no family relationships up to the fourth civil degree of consanguinity among any of the directors and executive officers.

No director has resigned or declined to stand for re-election because of disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 10. Executive Compensation

There are no arrangements for additional compensation of directors other than that provided in the Company's By-Laws which provides compensation to the directors, at the Board's discretion to determine and apportion as it may deem proper, an amount up to 1.5% percent of the Company's net income before tax of the preceding year. Payments made in 2019, 2018 and 2017 amounted to P1.3 million, P16.3 million and P16.9 million, respectively.

Effective March 2015, the Directors' per diem increased to P40,000 per Board meeting attended and P30,000 per Board committee participation, and are deductible from the annual directors' compensation provided under Section 7 of the Company's By-laws. Previously, the rate per attendance for both Board and Board committee meeting was at P8,000. In the event that financial results warrant the payment of the annual directors' compensation under the Company's by-laws, such directors' compensation shall be inclusive of the annual total per diem paid to directors. The total amount of per diem paid in 2019, 2018 and 2017 were P7.0 million, P5.5 million and P6.6 million, accordingly.

There is no executive officer with contracts or with compensatory plan or arrangement having terms or compensation significantly dissimilar to the regular compensation package, or separation benefits under the Company's group retirement plan, for the managerial employees of the Company.

On June 29, 2011, the Company's stockholders approved a new stock option plan covering up to 246,334,118 shares equivalent to 5% of the Company's outstanding shares of 4,926,682,368 as of June 29, 2011. This plan was approved by the SEC on February 22, 2013, which approval was received by the Company on March 5, 2013. Note 29 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on the Company's Stock Option Plan is hereby incorporated for reference.

The following table shows the summary compensation of the directors and officers for the past two completed fiscal years and estimated to be paid in the ensuing fiscal year. Starting 2008, stock option exercises of the Company's non-management directors, consisting of the difference between the market and exercise prices at the time of option exercise, are considered as director's fee for purposes of the table.

SUMMARY COMPENSATION TABLE

(in Php thousands)

a) Aggregate Compensation of All Directors

	Year	Director's Fee	Bonus	Others
All Directors as a Group (excluding Mr. Austin whose Director's Fees were reported under compensation of Executive Officers)	2020 Estimate	P7,300	-	
	2019	P7,610	-	
	2018	P19,885	-	

b) Chief Executive Officer and Four Most Highly Compensated Executive Officers

Name and Principal Position	Year	Salary	Bonus	Others
Eulalio B. Austin, Jr. Romeo B. Bachoco Michael T. Toledo Victor A. Francisco Vic Morris A. Yodong Jonas Emanuel S. Santos **All executive officers, comprising of 6, were included to avoid indirectly disclosing the salary of one officer if excluded*	2020 Estimate	P63,155	P5,263	
	2019	P56,444	P9,815	
Eulalio B. Austin, Jr. Danny Y. Yu Michael T. Toledo Redempta P. Baluda Joan A. De Venecia-Fabul	2018	P59,085	11,067	

c) Aggregate Compensation of All Executive Officers

	Year	Salary	Bonus	Others
All Executive Officers as a Group	2020 Estimate	P63,155	P5,263	
	2019	P56,444	P9,815	
	2018	P63,158	P12,307	

d) Aggregate Compensation of all Directors and Executive Officers

	Year	Director's Fees and Salary	Bonus	Others
All Directors and Executive Officers	2020 Estimate	P64,522	P4,768	
	2019	P64,054	P9,815	
	2018	P83,403	P12,307	

Individual Director Remuneration

In 2019, a total of P8.291 million was paid to all executive and non-executive directors, details of which are as follows:

Name	Position	Amount *(Php Millions)*
Manuel V. Pangilinan	Chairman	P0.621
Eulalio B. Austin, Jr.*	President & Chief Executive Officer	0.681
Marilyn A. Victorio-Aquino	Non-Executive Director	0.891
Pin Cheung Chan	Non-Executive Director	0.531
Oscar J. Hilado	Independent Director	0.801
Barbara Anne C. Migallos	Executive Director	0.921
Joseph Ng	Non-Executive Director	0.860
Wilfredo A. Paras	Independent Director	0.831
Diana Pardo-Aguilar	Non-Executive Director	0.080
Michael G. Regino	Non-Executive Director	0.641
Anita B. Quitain	Non-Executive Director	0.681
Gonzalo T. Duque**	Non-Executive Director	0.511
Robert C. Nicholson**	Non-Executive Director	0.121
Edward A. Tortorici**	Non-Executive Director	0.121
Total		**8.291**

*The amount paid to Mr. Eulalio B. Austin, Jr. is included in his compensation as President and Chief Executive Officer as stated in the summary compensation table above

**Mr. Gonzalo T. Duque resigned as Director of Philex Mining Corporation effective on July 31, 2019 while Messrs. Robert C. Nicholson and Edward A. Tortorici were no longer Directors starting 2019.

A total of P1.9 million was remitted and made payable directly to SSS, which covers the director fees paid to SSS nominee directors.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

The list of registered stockholders owning five (5%) percent or more of the Company's stock as of December 31, 2019 are as follows:

Title of Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	%
Common	Asia Link B.V. Prins Bernhardplein 200, 1097 JB	Asia Link B.V. (See Note 1)	Non-Filipino	1,023,275,990	20.7

	Amsterdam, The Netherlands				
Common	Social Security System c/o Loans and Investment Office, 7/F SSS Building, Diliman, Quezon City	Social Security System (See Note 2)	Filipino	992,679,729	20.1
Common	PCD Nominee Corp. 37/F Tower 1, The Enterprise Center, 6766 Ayala Avenue, Makati City	(See Note 3)	Filipino/Non-Filipino	1,043,290,232	23.2
Common	Two Rivers Pacific Holdings Corp. 10/F Net One Center, 26th Street corner 3rd Avenue, Bonifacio Global City, Taguig	Two Rivers Pacific Holdings Corp. (See Note 4)	Filipino	738,871,510	15.0

[1] Asia Link B.V., is a wholly-owned subsidiary of First Pacific Company Limited (FPC).

[2] Total shares held by the Social Security System (SSS) is inclusive of 25,646,960 shares lodged under PCD Nominee Corporation as of December 31, 2019.

[3] PCD Nominee Corporation (PCD) is a nominee of the Philippine Depository & Trust Corporation and the registered owner of the shares recorded in the books of the Company's stock transfer agent. A total of 1,043,290,232 shares as shown above as of December 31, 2019 are exclusive of the 25,646,960 shares owned by SSS which are included as part of the total shareholdings of SSS as indicated. PCD is private entity organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions. Other than SSS whose shares lodged with PCD were excluded and presented separately, there are no participants under the PCD account owning more than 5% of the voting securities of the Company.

[4] Two Rivers Pacific Holdings Corporation is a local entity represented by Ms. Marilyn A. Victorio-Aquino and Mr. Eulalio B. Austin, Jr. in its Board of Directors.

Security Ownership of Management

The beneficial ownership of the Company's directors and executive officers as of December 31, 2019 follows:

Title of Class	Beneficial Owner	Nature of Ownership	Citizenship	Number of Shares	%
Directors					
Common	Manuel V. Pangilinan	Direct	Filipino	4,655,000	0.09
Common	Eulalio B. Austin Jr.	Direct	Filipino	1,360,937	0.03
Common	Barbara Anne C. Migallos	Direct	Filipino	203,875	-
Common	Michael G. Regino	Direct	Filipino	1	-
Common	Diana Pardo Aguilar	Direct	Filipino	1	-
Common	Anita B. Quitain	Direct	Filipino	1	-
Common	Marilyn A. Victorio-Aquino	Direct	Filipino	500,100	0.01

Common	Oscar J. Hilado	Direct	Filipino	173	-
Common	Joseph Ng	Direct	British	1	-
Common	Ping Cheung "Richard " Chan	Direct	Chinese	1	
Common	Wilfredo A. Paras	Direct	Filipino	1	-
	Key Officers				
Common	Romeo B. Bachoco	Direct	Filipino	-	-
Common	Jonas Emanuel S. Santos	Direct	Filipino	-	-
Common	Vic Morris A. Yodong	Direct	Filipino	-	-
Common	Victor A. Francisco	Direct	Filipino	50,000	-
Common	Michael T. Toledo	Direct	Filipino	-	-
	Directors and Key Officers as a Group			6,810,091	0.13

The above directors and executive officers have no indirectly owned shares other than the above.

Voting Trust/Changes in Control

There is no voting trust holder of 5% or more of the Company's stock. There are no arrangements which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company's significant related party transactions as of December 31, 2019, 2018 and 2017, which are under terms that are no less favorable than those arranged with third parties, and account balances are as follows:

a) Advances from PMC to SMMCI and SMECI

PMC, owning directly and indirectly 100% of SMMCI and SMECI, provides the funds to SMMCI, through SMECI since 2011 and directly thereafter, for the Silangan project's expenditures since the Company's acquisition of Anglo American's interest in the Silangan Project in 2009. These advances, which were intended to be converted into equity, amounted to P2.144 billion, P1.654 billion and P1.295 billion as of December 31, 2019, 2018 and 2017, respectively. In February 2015, the Company infused all outstanding advances amounting to P7.208 billion as equity.

b) Advances from PMC to PXP Energy

PMC made cash advances to PXP Energy Corporation (PXP Energy) for its additional working capital requirements, and for the acquisition of equity in FEP, PERC and Pitkin. These advances were covered by a pledge agreement between PMC and PXP Energy wherein certain shares of stocks owned by PXP Energy were pledged to secure the advances. On October 26, 2018, PMC and PXP Energy signed a subscription agreement wherein PMC will subscribe to 260 million common shares of PXP Energy for a total consideration of P3.081 billion. PXP Energy's proceeds from the subscription agreement will be utilized by PXP Energy for the repayment of its advances from PMC. On August 5, 2019, a deed of assignment was entered into by Brixton Energy and Mining Corporation (BEMC, a subsidiary of PXP Energy) transferring Brixton receivables from PMC to PXP Energy amounting to P738 million. As of December 31, 2019, PXP Energy paid P2.897 billion to PMC to settle all PXP Energy advances, including the Brixton receivables which reduced the advances to nil from ₱1.387 billion as at end 2018 and ₱2.169 billion as of December 31, 2017.

As of December 31, 2019, the Company has an outstanding subscription payable to PXP Energy amounting to P185 million after settling P2.896 million of the total

subscription of P3.081 billion that brought PMC's interest in PXP Energy from 19.8% to 30.4%.

c) Issuance of Convertible Bonds to FPC and SSS by SMECI

In December 2014, SMECI and PMC, as the co-issuer, issued 8-year convertible bonds with a face value of P7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at P18,000 per share one year after the issue date. The carrying value of loans payable amounted to P7.743 billion, P7.333 billion and P6.950 billion as of December 31, 2019, 2018 and 2017, respectively.

Note 12 and 26 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on Related Party Transactions, is incorporated hereto by reference.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Philex Mining Corporation is principally committed to the highest standards of corporate governance and transparency in the conduct of its business. Through the years, the Company has reinforced its governance framework by broadening its scope to include initiatives associated with social responsibility and environmental stewardship. To ensure constant improvement, PMC regularly benchmarks its procedures against internationally-recognized and globally-accepted best corporate practices. Since 2015, PMC has constantly maintained its top-tier standing among local peers in the annual ASEAN Corporate Governance Scorecard rankings. For 2018, the Company formalized new policies on Succession Planning, Board Diversity, Information Technology Governance and assessment forms for Key Officers to further strengthen its overall governance structure.

The Company has adopted a Manual of Corporate Governance and is generally compliant with the Code of Corporate Governance of the Securities and Exchange Commission and Corporate Governance Guidelines of the Philippine Stock Exchange, including all other pertinent regulations for publicly-listed entities.

The Company's 2019 Integrated Annual Corporate Governance Report will be submitted on or before July 30, 2020.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits and Schedules

Exhibits	Statement of Management's Responsibility for Financial Statements Report of Independent Auditors Audited Consolidated Financial Statements and Noted for the Year Ended December 31, 2019
Schedules	
Schedule I:	Reconciliation of Retained Earnings Available for Dividends Declaration
Schedule II:	Schedule of Financial Soundness Indicators
Schedule III:	Chart Showing Ownership and Relationship Between the Parent Company and Subsidiaries

Schedule IV:	Schedules as Required by SRC Rule 68, As Amended
Schedule: A.	Financial Assets
Schedule B.	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C.	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
Schedule D.	Intangible Assets – Other Assets
Schedule E.	Long-Term Debt
Schedule F.	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule G.	Guarantees of Securities of Other Issuers
Schedule H.	Capital Stock

Reports on SEC Form 17-C

Date	Subject of Report
January 03, 2019	Retirement of Senior Officer
January 31, 2019	Retirement and Appointment of New Directors
February 12, 2019	Payment of Share Subscription to PXP Energy Corporation
March 12, 2019	Resignation and Appointment of New Senior Officers
March 18, 2019	Notice of Analysts' Briefing
March 22, 2019	Press Release: 2018 Financial and Operating Results
March 26, 2019	Notice of Annual Stockholders' Meeting
April 11, 2019	Summary of Estimated Mineral Reserves and Resources for Padcal Mine as of December 31, 2018
April 30, 2019	Notice of Analysts' Briefing
May 7, 2019	Press Release for Q12019 Earnings Results
June 26, 2019	Results of Organizational Meeting 2019-AGM-Result
July 25, 2019	Notice of Analysts' Briefing
July 31, 2019	Resignation of Director
July 31, 2019	Appointment of New Officer Press Release: Silangan PMRC Mineral Resource Estimates Statement Press Release: Silangan PMRC Mineral Reserve Estimate Statement Press Release: Silangan DFS and 1H2019 Financial Results
October 7, 2019	Clarification on News Report Change in Phone and Fax Numbers
October 9, 2019	Approval of Silangan DMPF
November 11, 2019	Notice of Analysts' Briefing
November 13, 2019	Appointment of New Director Press Release: Silangan commences early works and Q3 Results
November 25, 2019	Clarification on News Report
February 27, 2020	Press Release: 2019 Results Notice of Cash Dividend Notice of Annual Stockholders Meeting Notice of Analysts and Investors Briefing
February 28, 2020	Philex Mining Audited Financial Statement
March 3, 2020	Padcal Remaining Mineral Resources as of Dec 31 2019

	Padcal Remaining Proved Reserves as of Dec 31 2019
March 13, 2020	Report on the Risks, Mitigating Measures and Impact of the COVID-19 on Business Operations.
March 24, 2020	Update on the Dividends Payable March 27, 2020
April 13, 2020	Postponement of Philex Annual General Stockholders' Meeting to July 15, 2020
April 13, 2020	Notice of Philex Annual General Stockholders' Meeting

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on May __, 2020.

EULALIO B. AUSTIN, JR.
President & Chief Executive Officer

BARBARA ANNE C. MIGALLOS
Corporate Secretary

ROMEO B. BACHOCO
Chief Finance Officer

PARALUMAN M. NAVARRO
Assistant Vice-President
Corporate Finance

SUBSCRIBED AND SWORN TO before me this _____day of May 2020 at Mandaluyong City. Affiants exhibiting to me their Competent Evidence of Identity indicated opposite their names.

Name	Competent Evidence of Identity
Eulalio B. Austin, Jr.	Passport No. P9041046A; valid until October 04, 2028
Romeo B. Bachoco	Passport No. P0404617B; valid until January 24, 2029
Barbara Anne C. Migallos	Passport No. P7148981A; valid until May 10, 2028
Paraluman M. Navarro	Passport No. P1430237B; valid until April 10, 2029

Doc. No. _____
Page No. _____
Book No. _____
Series of 2020

PHILEX MINING
CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
Roxas Boulevard, Pasay City

The management of Philex Mining Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

MANUEL V. PANGILINAN
Chairman of the Board

EULALIO B. AUSTIN, JR.
President & Chief Executive Officer

ROMEO B. BACHOCO
Chief Finance Officer

Subscribed and sworn to before me this _____ at _____,
affiants exhibiting to me their respective ID No. indicated opposite their names:

Name	
Manuel V. Pangilinan	SSS No. 03-1881608-3
Eulalio B. Austin, Jr.	SSS No. 01-0618335-5
Romeo B. Bachoco	CRN-0003-7188232-6

Doc. No. _____
Page No. _____
Book No. _____
Series of 2020

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	0	0	4	4						

COMPANY NAME

P	H	I	L	E	X		M	I	N	I	N	G		C	O	R	P	O	R	A	T	I	O	N		A	N	D	
S	U	B	S	I	D	I	A	R	I	E	S																		

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

2	n	d		f	l	o	o	r			L	a	u	n	c	h	P	a	d	,		R	e	l	i	a	n	c	e
S	t	r	e	e	t		c	o	r	n	e	r		S	h	e	r	i	d	a	n		S	t	r	e	e	t	,
M	a	n	d	a	l	u	y	o	n	g		C	i	t	y	,		M	e	t	r	o		M	a	n	i	l	a

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - A	N / A	N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
philex@philexmining.com	(632) 631-1381	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
43,990	06/26	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Romeo B. Bachoco	rbbachoco@philexmining.com	(632) 8631-1381	

CONTACT PERSON's ADDRESS

2nd floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philex Mining Corporation
2nd floor LaunchPad,
Reliance Street corner Sheridan Street
Mandaluyong City, Metro Manila

Opinion

We have audited the consolidated financial statements of Philex Mining Corporation and its Subsidiaries (the Group) which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019, in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the consolidated financial statements.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Deferred Exploration Costs

As at December 31, 2019, the carrying value of the Group's deferred exploration costs amounted to ₱26.62 billion. Under PFRS 6, Exploration for and Evaluation of Mineral Resources, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceeds the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment.

The Group's disclosures about deferred exploration costs are included in Note 13 to the consolidated financial statements.

Audit response
We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We reviewed the summary of the status of each exploration project as of December 31, 2019. We reviewed the contracts and agreements, and the budget for exploration and development costs. We inspected the licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Recoverability of the carrying value of property, plant and equipment

The carrying value of the Group's property, plant and equipment amounted to ₱3.19 billion after recognizing an allowance for impairment amounting to ₱1.46 billion during 2019. The impairment mainly relates to mine and mining properties. Under PAS 36, an entity is required to assess whether indicators for impairment exist and if they exist, an impairment test is required. The assessment of the recoverability of the carrying value of property, plant and equipment requires judgment in assessing whether there is an indication that an asset should be impaired and in measuring any such impairment. The principal risk relates to Group's estimates of future cash flows and discount rates, which are used to project the recoverability of property, plant and equipment.

The Group's disclosures about property, plant and equipment are included in Note 10 to the consolidated financial statements.

Audit response

We reviewed management's assessment of the recoverability of the carrying value of mine and mining properties by evaluating whether indicators for potential impairment exist. We evaluated management's assessment of the existence of the impairment indicators. We have compared the assumptions used within the future cash flows model to budget business plans, forecasted metal prices, foreign exchange rates and historical production costs. We have compared the production quantities in the future cash flows model against the estimated ore reserves declared by the competent person's report. We have involved our valuation specialists to assist us in the analysis of the discount rate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

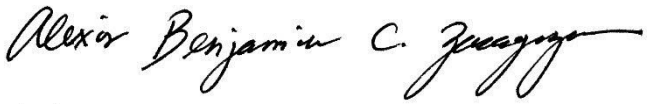
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alexis Benjamin C. Zaragoza III.

SYCIP GORRES VELAYO & CO.



Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
SEC Accreditation No. 1627-A (Group A),
April 4, 2017, valid until April 3, 2020
Tax Identification No. 246-663-780
BIR Accreditation No. 08-001998-129-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8125326, January 7, 2020, Makati City

February 27, 2020

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands, Except Par Value Per Share)

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱795,709**	₱870,967
Accounts receivable - net (Note 7)	**416,154**	300,016
Inventories - net (Note 8)	**1,043,748**	1,137,581
Advances to a related party (Notes 2 and 26)	**–**	1,387,370
Other current assets - net (Note 9)	**665,768**	757,292
Total Current Assets	**2,921,379**	4,453,226
Noncurrent Assets		
Property, plant and equipment - net (Note 10)	**3,185,283**	5,404,049
Financial asses measured at FVOCI (Note 11)	**120,898**	118,033
Investment in associates - net (Notes 12 and 34)	**4,208,339**	4,455,668
Deferred exploration costs (Notes 1, 13, 20 and 32)	**26,616,343**	25,447,772
Pension asset - net (Note 21)	**223,775**	359,888
Other noncurrent assets (Note 14)	**622,710**	472,898
Total Noncurrent Assets	**34,977,348**	36,258,308
TOTAL ASSETS	**₱37,898,727**	₱40,711,534
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 15)	**₱2,531,750**	₱2,155,780
Accounts payable and accrued liabilities (Notes 16 and 32)	**1,608,003**	1,790,939
Subscription payable (Note 12)	**186,531**	2,312,981
Income tax payable	**53,284**	18
Dividends payable (Note 28)	**549,632**	550,995
Total Current Liabilities	**4,929,200**	6,810,713
Noncurrent Liabilities		
Deferred tax liabilities - net (Notes 3 and 27)	**2,218,550**	2,789,813
Loans and bonds payable (Note 15)	**7,743,020**	7,333,096
Provision for losses and mine rehabilitation costs (Notes 10 and 32)	**39,029**	78,707
Total Noncurrent Liabilities	**10,000,599**	10,201,616
Total Liabilities	**14,929,799**	17,012,329
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1 par value (Note 28)	**4,940,399**	4,940,399
Additional paid-in capital	**1,143,981**	1,143,981
Retained earnings (Note 28)		
Unappropriated	**3,471,281**	4,203,947
Appropriated	**10,500,000**	10,500,000
Net unrealized gain on financial assets measured at FVOCI (Note 11)	**37,745**	35,341
Equity conversion option (Note 15)	**1,225,518**	1,225,518
Net revaluation surplus (Note 4)	**1,572,385**	1,572,385
Effect of transactions with non-controlling interests	**77,892**	77,892
	22,969,201	23,699,463
Non-controlling interests (Note 28)	**(273)**	(258)
Total Equity	**22,968,928**	23,699,205
TOTAL LIABILITIES AND EQUITY	**₱37,898,727**	₱40,711,534

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2019	2018	2017
REVENUES (Note 17)	**₱6,789,566**	₱7,640,306	₱9,142,460
COSTS AND EXPENSES (Note 18)			
Production costs	**4,387,787**	4,407,889	4,411,694
Depletion, amortization and depreciation	**1,814,331**	1,600,521	1,550,530
Excise taxes and royalties	**427,211**	506,490	452,407
General and administrative expenses	**287,334**	305,631	363,071
	6,916,663	6,820,531	6,777,702
OTHER (CHARGES) INCOME			
Share in net losses of associates (Note 12)	**(118,335)**	(40,936)	(40,272)
Foreign exchange gain (losses) - net (Note 23)	**93,072**	(121,176)	(39,451)
Interest income (Note 6)	**1,571**	2,275	1,861
Gain on disposal of AFS financial assets (Note 11)	**–**	–	21,773
Provisions for impairment losses - net of reversal (Notes 10, 12, and 26)	**(848,560)**	(67,033)	–
Others - net	**(4,266)**	91,160	58,117
	(876,518)	(135,710)	2,028
(LOSS) INCOME BEFORE INCOME TAX	**(1,003,615)**	684,065	2,366,786
(BENEFIT FROM) PROVISION FOR INCOME TAX (Note 27)			
Current	**143,019**	275,408	664,806
Deferred	**(498,841)**	(199,799)	43,894
	(355,822)	75,609	708,700
NET (LOSS) INCOME	**(₱647,793)**	₱608,456	₱1,658,086
Net (Loss) Income Attributable to:			
Equity holders of the Parent Company	**(₱647,778)**	₱608,456	₱1,658,087
Non-controlling interests (Note 28)	**(15)**	–	(1)
	(₱647,793)	₱608,456	₱1,658,086
Basic/Diluted (Loss) Earnings Per Share (Note 30)	**(₱0.131)**	₱0.123	₱0.336

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2019	2018	2017
NET (LOSS) INCOME	**(₱647,793)**	₱608,456	₱1,658,086
OTHER COMPREHENSIVE (LOSS) INCOME			
Item to be reclassified to profit or loss in subsequent periods:			
Unrealized gain on AFS financial assets - net of related deferred income tax (Note 11)	**–**	–	3,652
	–	–	3,652
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement (losses) gains on pension obligation plans (Note 21)	**(121,270)**	9,946	94,301
Unrealized gain on financial assets measured at FVOCI (Note 11)	**2,404**	40,872	–
Income tax effect	**36,382**	(9,073)	(28,290)
	(82,484)	41,745	66,011
OTHER COMPREHENSIVE (LOSS) INCOME	**(82,484)**	41,745	69,663
TOTAL COMPREHENSIVE (LOSS) INCOME	**(₱730,277)**	₱650,201	₱1,727,749
Total Comprehensive (Loss) Income Attributable to:			
Equity holders of the Parent Company	**(₱730,262)**	₱650,201	₱1,727,750
Non-controlling interests (Note 28)	**(15)**	–	(1)
	(₱730,277)	₱650,201	₱1,727,749

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 28)	Additional Paid-In Capital	Retained Earnings (Note 28)		Net Unrealized Gain (Loss) on AFS Financial Assets (Notes 11)	Equity Conversion Option (Note 15)	Net Revaluation Surplus (Note 4)	Effect of Transactions with Non-controlling Interests	Subtotal	Non-controlling Interests (Note 28)	Total
			Unappropriated	Appropriated							
BALANCES AT DECEMBER 31, 2016	₱4,940,399	₱ 1,143,981	₱ 4,442,436	₱10,000,000	(₱3,094)	₱1,225,518	₱1,572,385	₱77,892	₱23,399,517	(₱257)	₱23,399,260
Net income (loss)	–	–	1,658,087	–	–	–	–	–	1,658,087	(1)	1,658,086
Other comprehensive income:											
Items to be reclassified to profit or loss in subsequent periods:											
Unrealized gain on AFS financial assets - net of related deferred income tax	–	–	–	–	3,652	–	–	–	3,652	–	3,652
Items not to be reclassified to profit or loss in subsequent periods:											
Remeasurements of pension obligation, net of tax (Note 21)	–	–	66,011	–	–	–	–	–	66,011	–	66,011
Total comprehensive income (loss)	–	–	1,724,098	–	3,652	–	–	–	1,727,750	(1)	1,727,749
Appropriation of retained earnings (Note 28)	–	–	(500,000)	500,000	–	–	–	–	–	–	–
Declaration of dividends (Note 28)	–	–	(395,232)	–	–	–	–	–	(395,232)	–	(395,232)
BALANCES AT DECEMBER 31, 2017	₱4,940,399	₱1,143,981	₱5,271,302	₱10,500,000	₱558	₱1,225,518	₱1,572,385	₱77,892	₱24,732,035	(₱258)	₱24,731,777

	Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 28)	Additional Paid-In Capital	Retained Earnings (Note 28) Unappropriated	Retained Earnings (Note 28) Appropriated	Net Unrealized Gain (Loss) on AFS Financial Assets (Notes 11)	Net Unrealized Gain on financial asset measured at FVOCI	Equity Conversion Option (Note 15)	Net Revaluation Surplus (Note 4)	Effect of Transactions with Non-controlling Interests	Subtotal	Non-controlling Interests (Note 28)	Total
BALANCES AT DECEMBER 31, 2017	₱4,940,399	₱ 1,143,981	₱ 5,271,302	₱10,500,000	₱558	₱–	₱1,225,518	₱1,572,385	₱77,892	₱24,732,035	(₱258)	₱24,731,777
Effect of adoption of PFRS 9 - provision for expected credit losses	–	–	(1,312,243)	–	–	–	–	–	–	(1,312,243)	–	(1,312,243)
Reclassification of AFS financial assets to financial assets measured at FVOCI	–	–	–	–	(558)	558	–	–	–	–	–	–
Balances at January 1, 2018	4,940,399	1,143,981	3,959,059	10,500,000	–	558	1,225,518	1,572,385	77,892	23,419,792	(258)	23,419,534
Net income	–	–	608,456	–	–	–	–	–	–	608,456		608,456
Items not to be reclassified to profit or loss in subsequent periods:												
Remeasurements of pension obligation, net of tax (Note 21)	–	–	6,962	–	–	–	–	–	–	6,962	–	6,962
Unrealized gain on financial assets measured at FVOCI - net of related deferred income tax (Note 11)	–	–	–	–	–	34,783	–	–	–	34,783	–	34,783
Total comprehensive income	–	–	615,418	–	–	34,783	–	–	–	650,201	–	650,201
Declaration of dividends (Note 28)	–	–	(370,530)	–	–	–	–	–	–	(370,530)	–	(370,530)
BALANCES AT DECEMBER 31, 2018	**₱4,940,399**	**₱1,143,981**	**₱4,203,947**	**₱10,500,000**	**₱–**	**₱35,341**	**₱1,225,518**	**₱1,572,385**	**₱77,892**	**₱23,699,463**	**(₱258)**	**₱23,699,205**
Net loss	–	–	(647,778)	–	–	–	–	–	–	(647,778)	(15)	(647,793)
Items not to be reclassified to profit or loss in subsequent periods:												
Remeasurements of pension obligation, net of tax (Note 21)	–	–	(84,888)	–	–	–	–	–	–	(84,888)	–	(84,888)
Unrealized gain on financial assets measured at FVOCI - net of related deferred income tax (Note 11)	–	–	–	–	–	2,404	–	–	–	2,404	–	2,404
Total comprehensive loss	–	–	(732,666)	–	–	2,404	–	–	–	(730,262)	(15)	(730,277)
BALANCES AT DECEMBER 31, 2019	**₱4,940,399**	**₱1,143,981**	**₱3,471,281**	**₱10,500,000**	**₱–**	**₱37,745**	**₱1,225,518**	**₱1,572,385**	**₱77,892**	**₱22,969,201**	**(₱273)**	**₱22,968,928**

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**(₱1,003,615)**	₱684,065	₱2,366,786
Adjustments for:			
Depletion, amortization and depreciation (Note 20)	**1,832,801**	1,622,566	1,572,311
Impairment losses on deferred exploration costs, property, plant and equipment and other assets - net (Notes 10, 12, and 13)	**1,586,375**	1,379,276	–
Gain on reversal of advances to a related party previously written off (Note 26)	**(737,815)**	–	
Unrealized foreign exchange (gains) losses and others - net	**(133,433)**	106,831	107,584
Share in net losses of associates (Note 12)	**118,335**	40,936	40,272
Movement in pension assets - net	**14,842**	13,961	(61,279)
Interest income (Note 6)	**(1,571)**	(2,275)	(1,861)
Gain on disposal of AFS financial assets (Note 11)	**–**	–	(21,773)
Reversal of provision for expected credit losses on PXP receivables (Notes 2, 3 and 22)	–	(1,312,243)	–
Operating income before working capital changes	**1,675,919**	2,533,117	4,002,040
Decrease (increase) in:			
Accounts receivable - net	**(116,138)**	690,588	(504,107)
Inventories - net	**93,833**	379,516	801,753
Other current assets - net	**91,524**	249,708	28,718
(Decrease) increase in accounts payable and accrued liabilities	**(182,936)**	141,460	(180,951)
Cash generated from operations	**1,562,202**	3,994,389	4,147,453
Interest paid	**(242,096)**	(204,091)	(121,341)
Income taxes paid	**(89,753)**	(505,069)	(599,392)
Interest received	**1,571**	2,275	1,861
Net cash flows generated from operating activities	**1,231,924**	3,287,504	3,428,581
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment of subscription payable to PXP (Notes 12 and 26)	**(2,126,450)**	–	–
Collections of advances to a related party (Note 26)	**2,125,185**	781,262	25,197
Additions to property, plant and equipment (Note 10)	**(1,105,797)**	(1,914,032)	(1,746,712)
Increase in deferred exploration costs and other noncurrent assets	**(633,818)**	(437,610)	(608,430)
Payment of mine rehabilitation costs	**(42,895)**	(59,889)	–
Decrease (increase) in financial assets measured at FVOCI	**66**	(1,125)	–
Additional investment in associate (Note 12)	**–**	(770,250)	–
Net proceeds from sale of:			
AFS financial assets	**–**	–	32,231
Property, plant and equipment	**–**	160,354	12,089
Net cash flows used in investing activities	**(1,783,709)**	(2,241,290)	(2,285,625)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of short-term loans (Note 33)	**₱3,681,384**	₱1,033,790	₱50,240
Payments of:			
Short-term bank loans (Note 33)	**(3,206,711)**	(1,449,290)	(705,230)
Dividends (Note 28)	**(1,363)**	(348,371)	(364,525)
Net cash flows used in financing activities	**473,310**	(763,871)	(1,019,515)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,217**	5,086	2,160
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(75,258)**	287,429	125,601
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**870,967**	583,538	457,937
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱795,709**	₱870,967	₱583,538

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information, Business Operations and Authorization for Issuance of the Consolidated Financial Statements

Corporate Information

Philex Mining Corporation (PMC; the Ultimate Parent Company) was incorporated on July 19, 1955 in the Philippines and is listed in the Philippine Stock Exchange on November 23, 1956. Having reached the end of its 50 years corporate life, the Parent Company's Philippine Securities and Exchange Commission (SEC) registration was renewed on July 23, 2004. The Parent Company, Philex Gold Philippines, Inc. (PGPI, a wholly-owned subsidiary incorporated in the Philippines), Lascogon Mining Corporation (LMC, a subsidiary of PGPI and incorporated in the Philippines), and Silangan Mindanao Exploration Co., Inc. (SMECI, a wholly-owned subsidiary by the Parent Company and incorporated in the Philippines) and its subsidiary, Silangan Mindanao Mining Co. Inc. (SMMCI, a wholly-owned subsidiary by the Parent Company through SMECI, and incorporated in the Philippines) are all primarily engaged in large-scale exploration, development and utilization of mineral resources. The Parent Company operates the Padcal Mine in Benguet. PGPI operated the Bulawan Mine in Negros Occidental until the second quarter of 2002. Because of low metal prices prevailing at the time, Bulawan Mine was decommissioned and has since been kept under care and maintenance. LMC conducted exploration work in Taganaan, Surigao del Norte. SMMCI owns the Silangan Project covering the Boyongan and Bayugo deposits.

The Parent Company's registered business address is 2nd floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila.

Status of Business Operations

Padcal Mine Operations

The Parent Company has the Padcal Mine as its main source of revenue from its mining business segment. The Padcal Mine produces copper concentrates containing gold, gold bullion, copper and silver.

The Parent Company continues to explore various globally-accepted mining practices and employ engineering interventions as well as operational efficiency improvements as the challenges of operating the mature Padcal Mine persist.

The Group continues to look for sources of funding to finance its exploration activities and working capital requirements. On December 18, 2014, SMECI and PMC (co-issuer) has issued convertible bonds amounting to ₱7,200,000. The proceeds of the bonds were intended primarily to finance SMMCI's exploration activities and payment of its advances from the Parent Company (see Note 15).

PGPI

PGPI operated the Bulawan Mine in Negros Occidental from 1996 to 2002, when it was decommissioned due to unfavorable metal prices. Exploration projects in the Vista Alegre area include the Nagtalay project and the Laburan/Skid 9 project. The geological modeling and preliminary resource estimation were completed. PGPI currently holds 98.9% of LMC.

SMMCI
SMMCI finalized the definitive feasibility study (DFS) for an underground sub-level cave mining method for the Silangan Project. The DFS that was approved at the Group's Board meeting on July 31, 2019 cover 81 million tonnes (Mt) of mineable ore reserves out of 279 Mt of mineral resource estimates for the Boyongan deposit carrying high-quality copper and gold grades from a total mineral resource of 571 Mt covering the Boyongan deposit and Bayugo deposit (consisting of Bayugo-Silangan and Bayugo-Kalayaan). J.P Morgan (S.E.A.) Limited and Mizuho Bank Ltd. were appointed as financial advisors to secure funding for the project to proceed with its development plan.

Also, in July 2019, the Silangan Copper-Gold Project was granted an Environmental Compliance Certificate (ECC) for underground sub-level cave mining method. Following the grant of ECC, the Department of Environment and Natural Resources (DENR), through the Mines and Geosciences Bureau (MGB), in a letter dated September 26, 2019, has approved the underground sub-level cave mining method in connection with the previously issued Order dated April 10, 2015 approving the Declaration of Mining Project Feasibility (DMPF) of the Silangan Copper-Gold Project under MPSA No. 149-99-XII.

The approval of the underground sub-level cave mining method under the DMPF included the Three Year Development and/or Utilization Work (3YD/UWP) Program for years second-half (2H) of 2019 to first-half (1H) of 2020, the Environmental Protection and Enhancement Program (EPEP), Final Mine Rehabilitation and Decommissioning Plan (FMRDP) and Social Development and Management Program (SDMP).

Recovery of Deferred Exploration Costs
The Group's ability to realize its deferred exploration costs with carrying value amounting to ₱26,616,343 and ₱25,447,772 as at December 31, 2019 and 2018, respectively (see Note 13), depends on the success of exploration and development work in proving the viability of its mining properties to produce minerals in commercial quantities, and the success of converting the Group's Exploration Permits (EPs) or Application for Production Sharing Agreements to new mineral agreements, which cannot be determined at this time. The consolidated financial statements do not include any adjustment that might result from these uncertainties.

Authorization for Issuance of the Consolidated Financial Statements
The consolidated financial statements are authorized for issuance by the Parent Company's Board of Directors (BOD) on February 27, 2020.

2. Basis of Preparation, Statement of Compliance, Changes in Accounting Policies and Disclosures and Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for mine products inventories that are measured at net realizable value (NRV), and for financial assets measured at fair value through other comprehensive income (FVOCI) and derivative financial instruments that are measured at fair value through profit or loss (FVTPL). The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency, rounded off to the nearest thousands, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines. The Group prepared its consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRSs), except for the Parent Company's mine product inventories that are measured at NRV which was permitted by the Philippine SEC. The significant accounting policies followed by the Group are disclosed below.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
    - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
    - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. The adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expenses in two statements: a statement displaying components of profit or loss in the consolidated statements of income and a second statement beginning with profit or loss and displaying components of other comprehensive income (OCI) in the consolidated statements of comprehensive income.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2019 and 2018. The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure or rights to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiary
Subsidiary is an entity over which the Group has control.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss

- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Parent Company's subsidiaries and their respective natures of businesses are as follows:

Subsidiaries	Nature of Business
PGPI	Incorporated in the Philippines on August 9, 1996 as a wholly-owned subsidiary of PGI and became a wholly-owned subsidiary of PGHI on April 27, 2010. In 2015, PGPI was acquired and 100% owned by the Parent Company. PGPI was primarily engaged in the operation of the Bulawan mine and the development of the Sibutad Project both on care and maintenance status since 2002. PGPI currently owns 98.9% of the outstanding shares of LMC.
LMC	Incorporated in the Philippines on October 20, 2005 to engage in exploration, development and utilization of mineral resources, particularly the Lascogon Project in Surigao.
SMECI	Incorporated in the Philippines on October 12, 1999 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources; currently the holding company of SMMCI.
SMMCI	Incorporated in the Philippines on January 4, 2000 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources, principally the Silangan Project.
Fidelity Stock Transfers, Inc. (FSTI)	Incorporated in the Philippines on December 28, 1981 to act as a stock transfer agent and/or registrar of client corporations. The company is currently in dormant status.
Philex Land, Inc. (PLI)	Incorporated in the Philippines on February 26, 2007 to own, use, develop, subdivide, sell, exchange, lease, and hold for investment or otherwise, real estate of all kinds including buildings, houses, apartments and other structures. The company is currently in dormant status.
Philex Insurance Agency, Inc. (PIAI)	Incorporated in the Philippines on May 20, 1987 to act as a general agent for and in behalf of any domestic and/or foreign non-life insurance company or companies authorized to do business in the Philippines. On January 31, 2017, the Board of Directors approved to shorten the corporate term of PIAI to be until June 30, 2018.
Philex Gold Holdings, Inc. (PGHI)	Incorporated in the Philippines on August 28, 1996 to serve as an intermediary holding company through which its subsidiaries and the Parent Company conduct large-scale exploration, development and utilization of mineral resources. PGHI owned 100% of the outstanding shares of PGPI effective April 27, 2010. In 2015, PGHI sold 100% of its ownership in PGPI to the Parent Company.

The ownership of the Parent Company and subsidiaries over the foregoing companies in 2019 and 2018 are summarized as follows:

	Percentages of Ownership			
	2019		2018	
	Direct	**Indirect**	Direct	Indirect
PGHI	**100.0**	–	100.0	–
PGPI	**100.0**	–	100.0	–
LMC	**–**	**98.9**	–	98.9
SMECI	**100.0**	–	100.0	–
SMMCI	–	**100.0**	–	100.0

	Percentages of Ownership			
	2019		2018	
	Direct	**Indirect**	Direct	Indirect
FSTI	**100.0**	–	100.0	–
PLI	**100.0**	–	100.0	–
PXP	**30.4**	–	30.4	–

NCI
NCI represents the interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company. Profit or loss and each component of OCI (loss) are attributed to the equity holders of the Parent Company and to the NCI. Total comprehensive income (loss) is attributed to the equity holders of the Parent Company and to the NCI even if this results in the NCI having a deficit balance.

NCI represents the portion of profit or loss and the net assets not held by the Group. Transactions with NCI are accounted for as an equity transaction.

Business Combination
Business combinations, except for business combinations between entities under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any gain or loss on remeasurement is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in the consolidated statement of income, or in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Foreign Currency Translation of Foreign Operations
The Group's consolidated financial statements are presented in Philippine Peso, which is also the Group's functional currency. Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statements of each subsidiary are measured using that functional currency. The Group has elected to recognize the translation adjustment that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation. Transactions in foreign currencies are initially recorded in the functional currency rate on the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the end of the reporting period. All exchange differences are recognized in the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Cash and Cash Equivalents
Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to insignificant risk of change in value.

Financial Instruments - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9)
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition and classification of financial instruments
Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVTPL), includes transaction cost.

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities, on the other hand, are classified into the following categories: financial liabilities at FVTPL and other financial liabilities, as appropriate. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Determination of fair value
The Group measures financial instruments, such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Derivatives and Hedging

The Group uses currency and commodity derivatives such as forwards, swaps and option contracts to economically hedge its exposure to fluctuations in gold and copper prices. For accounting purposes, such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are accounted for as at FVTPL, where any gains or losses arising from changes in fair value on derivatives are taken directly to consolidated statement of income, unless hedge accounting is applied.

For the purpose of hedge accounting, hedges are classified as:

a. fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability; or
b. cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or
c. hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized in the consolidated statement of comprehensive income, while the ineffective portion is recognized in the consolidated statement of income.

Amounts taken to equity are transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs. If the related transaction is not expected to occur, the amount is taken to the consolidated statement of income.

Embedded derivatives
An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVTPL.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Parent Company has embedded derivatives, which is represented by price exposure relative to its provisionally priced commodity sales contracts. Bifurcated embedded derivatives are measured at fair value. Mark-to-market gains and losses from open or provisionally priced sales are recognized through adjustments to revenue in the consolidated statements of income and to trade receivables in the consolidated statements of financial position. The Parent Company determines mark-to-market prices using the forward price for quotational periods after the consolidated statements of financial position date stipulated in the contract.

Subsequent Measurement
The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the EIR and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within twelve (12) months from the consolidated statement of financial position date. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents, accounts receivable and advances to a related party are included under loans and receivables.

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. The Group designates financial instruments as AFS financial assets if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the consolidated statements of comprehensive income as "Net unrealized gain (loss) on AFS financial assets."

When the investment is disposed of, the cumulative gains or losses previously recorded in equity are recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the EIR method. Dividends earned on investments are recognized in the consolidated statements of income as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve (12) months from the consolidated statements of financial position date.

Other Financial Liabilities
Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

The Group's other financial liabilities are accounts payable and accrued liabilities, dividends payable, and loans and bonds payable.

Financial Instruments - Initial Recognition and Subsequent Measurement (upon adoption of PFRS 9)
Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Embedded Derivatives
Under PFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVTPL
Trade receivables subject to provisional pricing are measured at FVTPL, with subsequent changes in fair value recognized in the statements of income and other comprehensive income each period until final settlement.

Included under this category are the Group's trade receivables.

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below:

Business model assessment
The Group determined the business model at the level that best reflects how the Group manages its financial assets to achieve business objective.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from original expectations, the Group do not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test
The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group apply judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial assets is required to be measured at FVTPL.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash in banks, short-term deposits and advances to a related party.

Hedging

The Group applied hedge accounting prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Before the adoption of PFRS 9, the Group designated the change in fair value of the entire forward contracts in its cash flow hedge relationships. Upon adoption of the hedge accounting requirements of PFRS 9, the Group designates only the spot element of forward contracts as hedging instrument. The forward element is recognized in OCI. This change only applies prospectively from the date of initial application of PFRS 9 and has no impact on the presentation of comparative figures.

Under PAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under PFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of PFRS 9 and has no impact on the presentation of comparative figures.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

This category includes the Group's accounts payables and accrued liabilities.

Subsequent measurement

After initial recognition, payables are subsequently measured at amortized cost using the EIR method.

Impairment of Financial Assets (prior to adoption of PFRS 9)

The Group assesses at each consolidated statements of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties are/is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate

that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument, that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

Loans and receivables
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statements of income.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets
For AFS financial assets, the Group assesses at each consolidated statements of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income is removed from equity and recognized in the consolidated statements of income.

Impairment losses on equity investments are recognized in the consolidated statements of income. Increases in fair value after impairment are recognized directly in the consolidated statements of comprehensive income.

Impairment of Financial Assets (upon adoption of PFRS 9)
The Group recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance

with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For other receivables (not subject to provisional pricing) due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by PFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortized cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Derecognition of Financial Assets and Financial Liabilities (prior to and upon adoption of PFRS 9)

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over

the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of income.

Debt Issuance Costs
Debt issuance costs are amortized using EIR method and unamortized debt issuance costs are included in the measurement of the related carrying value of the debt in the consolidated statements of financial position. When loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged in the consolidated statements of income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability.

Inventories
Mine products inventory, which consist of copper concentrates containing copper, gold and silver, are stated at NRV. Materials and supplies are valued at the lower of cost and NRV.

NRV for mine products and coal inventory is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at the consolidated statements of financial position date.

Costs of materials and supplies comprise all costs of purchase and other costs incurred in bringing the materials and supplies to their present location and condition. The purchase cost is determined on a moving average basis.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Tax Credit Certificates (TCCs)
TCCs are input VAT that can be utilized as payment for income taxes provided they are approved by the Bureau of Internal Revenue and properly supported by certificates of creditable withholding tax withheld at source subject to the rules in Philippine income taxation. TCCs are expected to be utilized as payment for income taxes within 12 months and are classified as current assets.

Deferred Input VAT
Deferred input VAT represents input VAT on purchase of capital goods exceeding one (1) million pesos. The related input VAT is recognized over five (5) years or the useful life of the capital goods, whichever is shorter.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depletion and depreciation and accumulated impairment in value, if any.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property, plant and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation to that cost. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of income as incurred.

When assets are sold or retired, the cost and related accumulated depletion and depreciation, and accumulated impairment in value are removed from the accounts and any resulting gain or loss is recognized in the consolidated statements of income.

Depletion or amortization of mine and mining properties is calculated using the units-of-production method based on estimated recoverable reserves. Depreciation of other items of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets or mine life whichever is shorter as follows:

	No. of Years
Buildings	10 to 40
Building improvements	5 to 10
Machinery and equipment	2 to 20
Surface structures	10

Depreciation or depletion of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or depletion ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated recoverable reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depletion and depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

Property, plant and equipment also include the estimated costs of rehabilitating the Parent Company's Padcal Mine for which the Group is constructively liable. These costs, included under land, buildings and improvements, are amortized using the units-of-production method based on the estimated recoverable mine reserves until the Group actually incurs these costs in the future.

Level and block development (included as part of mine and mining properties) and construction in progress are stated at cost, which includes the cost of construction, plant and equipment, other direct costs and borrowing costs, if any. Block development and construction in progress are not depleted nor amortized until such time as these are completed and become available for use.

Deferred Exploration Costs

Expenditures for exploration works on mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resource) are deferred as incurred and included under "Deferred exploration costs" account in the consolidated statements of financial position. If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures, and subsequent mine development costs are capitalized as part of the mine and mining properties account classified under property, plant and equipment.

A valuation allowance is provided for unrecoverable deferred exploration costs based on the Group's assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or when the project is abandoned, the deferred exploration costs associated with the project and the related impairment provisions are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for intended use or sale are capitalized as part of the asset. Borrowing costs consist of interest on borrowed funds used to finance the construction of the asset and other financing costs that the Group incurs in connection with the borrowing of funds. The capitalization of borrowing costs: (i) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed.

Other borrowing costs are recognized as an expense in the period in which they are incurred.

Impairment of Noncurrent Non-financial Assets

The Group's noncurrent non-financial assets include property, plant and equipment, investment in associate and other noncurrent assets. The Group assesses at each reporting date whether there is indication that a noncurrent non-financial asset or CGU may be impaired. If any indication exists, or when an annual impairment testing for such items is required, the Group makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use (VIU), and is determined for an individual item, unless such item does not generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU. Impairment losses of continuing operations are recognized in the consolidated statements of income in the expense categories consistent with the function of the impaired asset.

An assessment is made at least on each consolidated statements of financial position date as to whether there is indication that previously recognized impairment losses may no longer exist or may have decreased. If any indication exists, the recoverable amount is estimated, and a previously recognized impairment loss is reversed only if there has been a change in the estimate in the asset's or CGU's recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the item is increased to its new recoverable amount which cannot exceed the impairment loss recognized in prior years. Such reversal is recognized in the consolidated statements of income unless the asset or CGU is carried at its revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value on a systematic basis over its remaining estimated useful life.

Mine Rehabilitation Costs

The Group records the present value of estimated costs of legal and constructive obligations required to restore the mine site upon termination of the mine operations. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and settling ponds, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed, or the ground or environment is disturbed at the mine site. When the liability is initially recognized, the present value of the estimated cost is capitalized as part of the carrying amount of the related mining assets.

Changes to estimated future costs are recognized in the consolidated statements of financial position by either increasing or decreasing the rehabilitation liability and asset to which it relates if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16, *Property, Plant and Equipment.* Any reduction in the rehabilitation liability and, therefore, any deduction from

the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to consolidated profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with PAS 36. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

For closed sites, changes to estimated costs are recognized immediately in consolidated profit or loss.

Capital Stock
Ordinary or common shares are classified as equity. The proceeds from the increase of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares and any excess of the proceeds over the par value or shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Dividends on Common Shares
Cash and property dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company. Stock dividends are treated as transfers from retained earnings to capital stock.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

Revenue recognition
Under PAS 18, revenue is recognized when it satisfies an identified performance obligation by transferring a promised good or service in exchange of the consideration in which the Group is entitled to receive. A good or service is considered transferred when the customer obtains the significant risk and rewards of ownership. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. Revenue includes only the transaction price of the good or service. Amounts collected on behalf of third parties, such as reimbursable transactions, are not economic benefits which flow to the Group and do not result in increase in equity; therefore, they are excluded from revenue. Under PFRS 15, revenue is recognized when control passes to the customer, which occurs at a point in time when the ore concentrates is physically transferred onto a shipping vessel. The revenue is measured at the amount to which the Group expects to be entitled, being estimate of the price expected using forward price, and a corresponding receivable is recognized. Details and changes upon adoption of PFRS 15 are mentioned below:

Revenue from sale of mine products
Revenue from sale of mine products is measured based on shipment value price, which is based on quoted metal prices in the London Metals Exchange (LME) and London Bullion Metal Association (LBMA) and weight and assay content, as adjusted for smelting charges to reflect the NRV of mine products inventory at the end of the financial reporting period. Contract terms for the Group's sale of

metals (i.e., gold, silver and copper) in concentrates and bullion allow for a price adjustment based on final assay results of the metal content by the customer.

Provisional pricing adjustments
The terms of metal in copper concentrates sales contracts with third parties contain provisional arrangements whereby the selling price for the metal is based on prevailing spot prices on a specified future date after shipment to the customer (the quotation period). Mark-to-market adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement, and such adjustments are recorded as part of revenue. The period between provisional invoicing and final settlement can be between one (1) and three (3) months. Depending on the arrangement with the buyer, initial payment could be ninety percent (90%) or hundred percent (100%) of the provisional shipment value is collected within a week from shipment date, while the remaining balance is collected upon determination of the final shipment value on final weight and assay for metal content and prices during the applicable quotational period less deduction for smelting charges. Under PAS 18, provisional price adjustments are included as part of revenue in the consolidated statements of income. However under PFRS 15, provisional price adjustments are mark-to-market adjustments and not part of revenue from contracts with customers but are presented as other revenues.

Smelting charges
Contract terms on the sale of copper, gold and silver includes smelting charges deducted on the invoice price. Under PAS 18, revenue is presented at gross amounts and the related smelting charges are also presented separately in the consolidated statements of income. Under PFRS 15, smelting charges are deducted from revenue to arrive at revenue from contracts with customers since smelting charges are considered as consideration payable to a customer in order to transform the unprocessed ore concentrates into its marketable form.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The Group does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are not recognized as the Group does not have advance payments from customer under contractual arrangements.

Interest income
Interest income is recognized as the interest accrues**,** taking into account the effective yield of the asset.

Cost and Expense Recognition
Costs and expenses are recognized in the consolidated statements of income in the year they are incurred. The following specific cost and expense recognition criteria must also be met before costs and expenses are recognized:

Production costs
Production costs, which include all direct materials, power and labor costs, handling, hauling and storage, and other costs related to the mining and milling operations, and all direct expenses incurred for logistics and store room costs for mine and mining inventories, are expensed as incurred.

Excise taxes and royalties
Excise taxes pertain to the taxes paid or accrued by the Parent Company for its legal obligation arising from the production of copper concentrates. Also, the Parent Company is paying for royalties which are due to the claim owners of the land where the mine site operations were located. These excise taxes and royalties are expensed as incurred.

General and administrative expenses
General and administrative expenses constitute the costs of administering the business and are expensed as incurred.

Retirement Costs
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in consolidated profit or loss. Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to

the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefits
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Share-based Payments
Certain officers and employees of the Group receive additional remuneration in the form of share-based payments of the Parent Company, whereby equity instruments (or "equity-settled transactions") are awarded in recognition of their services.

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation techniques. Further details are given in Note 29.

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date up to and until the vesting date reflects the extent to which the vesting period has expired, as well as the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statements of income charge or credit for the period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Foreign-Currency-Denominated Transactions and Translations

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the consolidated statements of financial position date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchanges rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the consolidated statements of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in the consolidated statements of income.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the consolidated statements of financial position date.

Current income tax relating to items recognized directly in the statement of changes in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits in the form of minimum corporate income tax (MCIT) and unused tax losses in the form of net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of deductible temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

In business combinations, the identifiable assets acquired and liabilities assumed are recognized at their fair values at acquisition date. Deferred tax liabilities are provided on temporary differences that arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination or are affected differently.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off the current income tax assets against the current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Basic Earnings Per Share

Basic earnings per share is computed by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted Earnings Per Share
Diluted earnings per share amounts are calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRSs.

Events After the Reporting Period
Events after the consolidated statement of financial position date that provide additional information about the Group's position at the consolidated statement of financial position date (adjusting events) are reflected in the consolidated financial statements. Events after the consolidated statement of financial position date that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the Philippines requires the management of the Group to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of any contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting assumptions, estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements:

Determination of the Functional Currency
The Parent Company and most of its local subsidiaries based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine peso. It is the currency of the primary economic environment in which the Parent Company and most of its local subsidiaries primarily operates.

Recognition of Deferred Tax Assets
The Group reviews the carrying amounts at each end of reporting period and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The sufficiency of future taxable profits requires the use of assumptions, judgments and estimates, including future prices of metals, volume of inventories produced and sold, and amount of costs and expenses that are subjectively determined like depreciation. As at December 31, 2019 and 2018, deferred income tax assets recognized in the consolidated statements of financial position amounted to ₱166,623 and

₱228,537, respectively (see Note 27). As at December 31, 2019 and 2018, no deferred income tax assets were recognized on deductible temporary differences amounting to about ₱3,376,191 and ₱2,838,318, respectively (see Note 27), because management believes that it is not probable that future taxable income will be available to allow all or part of the benefit of the deferred income tax assets to be utilized.

Classification of Financial Instruments
Under PFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under IFRS 9, financial assets are either classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Group's financial assets:

- Trade receivables (subject to provisional pricing) previously classified as loans and receivables are carried at amortized cost and the embedded derivative are closed to receivables. Under PFRS 9, the exposure of the trade receivable to future commodity price movements will cause the trade receivable to fail the SPPI test. Therefore, the entire receivable is now required to be measured at FVTPL, with subsequent changes in fair value recognized in the statements of comprehensive income each period until final settlement.

- Equity investments previously classified as AFS financial assets are now classified and measured as FVOCI. The Group elected to classify irrevocably its equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

The Group determines the classification at initial recognition and re-evaluates this classification, where allowed and appropriate, at every reporting date (see Note 22).

Accounting Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Measurement of Mine Products Revenue
Mine products revenue is provisionally priced until or unless these are settled at pre-agreed future or past dates referred to as "quotational period," the prevailing average prices at which time become the basis of the final price. Revenue on mine products is initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotational period. Total revenue from contracts with customers amounted to ₱6,789,566 and ₱7,640,306 in 2019 and 2018, respectively, while total mine products revenue, gross of smelting charges, amounted to ₱9,984,793 in 2017 (see note 17).

Impairment of Loans and Receivables (prior to adoption of PFRS 9)
The Group maintains an allowance for doubtful accounts at a level that management considers adequate to provide for potential uncollectability of its loans and receivables. The Group evaluates specific balances where management has information that certain amounts may not be collectible. In these

cases, the Group uses judgment, based on available facts and circumstances, and based on a review of the factors that affect the collectability of the accounts. The review is made by management on a continuing basis to identify accounts to be provided with allowance.

The Group did not assess its loans and receivables for collective impairment due to few counterparties that can be specifically identified. Outstanding trade receivables are mainly from the Parent Company's main customers. Other receivables of the Group are not material. The amount of loss is recognized in the consolidated statements of income with a corresponding reduction in the carrying value of the loans and receivables through an allowance account.

Under PFRS 9, trade receivables are classified as FVTPL and are not subject to impairment test.

Provision for expected credit losses on advances to a related party (upon adoption of PFRS 9)
The Group uses the general approach model as new impairment requirement of PFRS 9 based on ECL which replace PAS 39 incurred loss model. An assessment of the ECL relating to advances to a related party is undertaken upon initial recognition and each financial year by examining the financial position of the related party and the market in which the related party operates applying the general approach of the ECL impairment model of PFRS 9. The general approach of the ECL impairment model involves exercise of significant judgment. Key areas of judgment include: defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; debtor's capacity to pay and incorporating forward-looking information in calculating ECL. Total carrying value of other receivables and advances to a related party amounted to ₱78,279 and ₱1,483,143 as of December 31, 2019 and 2018, respectively (see notes 7 and 26).

Valuation of Financial Instruments
The Group carries certain financial assets and financial liabilities (i.e., quoted and unquoted shares) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (e.g., quoted equity prices), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities is recognized in the consolidated statements of income and in the consolidated statements of comprehensive income.

The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in Note 22.

Valuation of AFS Financial Assets (prior to adoption of PFRS 9)
Under PAS 39, any change in fair value of its AFS financial assets is recognized in the consolidated statements of comprehensive income with recycling to profit or loss upon disposal of the financial asset.

Impairment of AFS Equity Financial Assets
Under PAS 39, the Group treats AFS equity financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more and "prolonged" as greater than twelve (12) months for quoted equity securities. In addition, the Group evaluates other factors including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted securities.

Valuation of Financial Assets measured at FVOCI (upon adoption of PFRS 9)
Fair value measurement requires the use of accounting estimates and judgment. At initial recognition, the fair value of quoted financial assets measured at FVOCI is based on its quoted price in an active

market, while the fair value of unquoted financial assets measured at FVOCI is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology.

Under PFRS 9, any change in fair value of its financial assets measured at FVOCI is recognized in the consolidated statements of comprehensive income with no recycling to profit or loss, cumulative changes in the fair value of the financial asset is closed to retained earnings upon disposal. The Group has net cumulative unrealized gain or loss on its financial assets measured at FVOCI amounting to a gain of ₱37,745 and ₱35,341 in December 31, 2019 and 2018, respectively. The carrying value of the Group's financial assets measured at FVOCI amounted to ₱120,898 and ₱118,033 as at December 31, 2019 and 2018, respectively (see Note 11).

Measurement of NRV of Mine Products Inventory
The NRV of mine products inventory is the estimated sales value less costs to sell, which can be derived from such inventory based on its weight and assay for metal content, and the LME and LBMA for prices, which also represents an active market for the product. Changes in weight and assay for metal content as well as the applicable prices as the mine products inventory are eventually shipped and sold are accounted for and accordingly adjusted in revenue. The NRV of mine products inventory as at December 31, 2019 and 2018 amounted to ₱128,525 and ₱55,603, respectively, which were also reflected as part of mine products revenue for the years then ended (see Note 8).

Write-down of Carrying Values of Materials and Supplies Inventories
The Group carries material and supplies inventories at NRV when such value is lower than cost due to damage, physical deterioration, obsolescence or other causes. When it is evident that the NRV is lower than its cost based on physical appearance and condition of inventories, an allowance for inventory obsolescence is provided. The carrying value of materials and supplies inventories amounted to ₱915,223 and ₱1,081,978 as at December 31, 2019 and 2018, respectively (see Note 8). There were no provision for materials and supplies obsolescence in 2019 and 2018 (see Note 8).

Impairment of Mine and Mining Properties
The Group assesses, at each reporting date, whether there is an indication that mine and mining properties may be impaired. If any indication exists, or when annual impairment testing for mine and mining properties is required, the Group estimates the mine and mining and properties' recoverable amount. An asset's recoverable amount is the higher of asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Assessments require the use of estimates and assumptions such as future cash flows, discount rates, estimated ore reserves, forecasted metal prices, and production quantities. In assessing value in use, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment loss amounting to ₱1,457,381 and ₱1,331,776 was recognized in 2019 and 2018, respectively. The carrying value of mine and mining properties amounted to ₱1,204,545 and ₱2,821,416 as at December 31, 2019 and 2018, respectively (see Note 10).

Estimation of Useful Lives of Property, Plant and Equipment
The Group estimates the useful lives of depreciable property, plant and equipment, except for mine and mining properties, based on internal technical evaluation and experience. These estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence, and other limits on the use of the assets. For

mine and mining properties which were depreciated based on units-of production, the Group estimates and periodically reviews the remaining recoverable reserves to ensure that remaining reserves are reflective of the current condition of the mine and mining properties. The estimated useful lives of the Group's property, plant and equipment are disclosed in Note 2 to the consolidated financial statements.

As at December 31, 2019 and 2018, carrying value of property, plant and equipment amounted to ₱3,185,283 and ₱5,404,049, net of accumulated depreciation, depletion and impairment amounting to ₱20,596,840 and ₱19,819,746, respectively (see Note 10).

Estimation of Ore Reserves
Ore reserves were determined using various factors such as market price of metals and production costs among others. These are economically mineable reserves based on the current market condition and concentration of mineral resource. Reserves are key inputs to depletion, amortization and decommissioning provisions. On June 30, 2011, the Padcal Mine life had been extended from 2017 to 2020. On March 20, 2015, the Padcal Mine life has been extended from 2020 to 2022. The extension of mine life is due to the additional reserves from the mineral resources delineated below the current mining level.

As at December 31, 2019 and 2018, the carrying value of the mine and mining properties of the Parent Company amounted to ₱1,204,545 and ₱2,821,416, respectively, net of related accumulated depletion and impairment amounting to ₱14,747,552 and ₱12,569,395, respectively (see Note 10).

Estimation of Provision for Mine Rehabilitation Costs
The Group recognized a liability relating to the estimated costs of mine rehabilitation. The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates.

Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at each end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statements of financial position by adjusting the rehabilitation asset and liability. If the net rehabilitation provisions of revised mine assets for mature mines exceed the carrying value, that portion of the increase is charged directly to the consolidated statements of income. For closed sites, changes to estimated costs are recognized immediately in the consolidated statements of income. Provision for mine rehabilitation costs amounted to ₱36,687 and ₱76,365 as at December 31, 2019 and 2018, respectively (see Note 10).

Impairment of Deferred Exploration Costs
The Group reviews the carrying values of its deferred exploration costs whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves.

An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. Impairment loss amounting to nil, ₱47,500 and nil were recognized in 2019, 2018 and 2017, respectively. The carrying value of deferred exploration costs amounted to ₱26,616,343 and ₱25,447,772 as at December 31, 2019 and 2018, respectively, net of allowance of impairment loss amounting to ₱3,825,412 as at December 31, 2019 and 2018 (see Note 13).

Impairment of Non-financial Assets
The Group's non-financial assets include input tax recoverable, property, plant and equipment, other noncurrent asset and investment in associates. The Group assesses whether there are indications of impairment on its current and noncurrent non-financial assets, at least on an annual basis. If there is objective evidence, an impairment testing is performed. This requires an estimation of the value in use of the CGUs to which the assets belong. Assessments require the use of estimates and assumptions such as VAT disallowance rate, long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. In assessing value in use, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses amounting to ₱1,586,375, ₱1,331,776 and nil were recognized in 2019, 2018 and 2017, respectively. As at December 31, 2019 and 2018, the carrying value of non-financial assets amounted to ₱8,597,576 and ₱11,030,078, respectively (see Notes 9, 10, 12 and 14).

Convertible Bonds
The Group's convertible bonds, treated as a compound financial instrument, are separated into liability and equity components based on the terms of the contract. On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized (see Note 15).

Provisions for Losses
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle the said obligations. An estimate of the provision is based on known information at each end of the reporting period, net of any estimated amount that may be reimbursed to the Group. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information (see Note 31).

Estimation of Retirement Costs
The Group's net retirement costs are actuarially computed using certain assumptions with respect to future annual salary increases and discount rates per annum, among others. The Parent Company's net excess retirement plan asset amounted to ₱227,165 and ₱362,190 as at December 31, 2019 and 2018, respectively (see Note 21). SMMCI's retirement liability amounted to ₱3,390 and ₱2,302 as at December 31, 2019 and 2018, respectively (see Note 21).

4. Business Combinations

Acquisition of SMECI and SMMCI
On February 6, 2009, the Parent Company acquired control over SMECI and SMMCI from Anglo American Exploration (Philippines), Inc. which qualified as a step acquisition. Accordingly, a revaluation surplus amounting to ₱1,572,385 was recognized.

5. Segment Information

The Group is organized into business units on their products and activities and has two reportable business segments: the mining segment, and the energy and hydrocarbon segment until July 15, 2016, when the deconsolidation of the energy and hydrocarbon took place. The operating businesses are organized and managed separately through the Parent Company and its subsidiaries according to the nature of the products provided, with each segment representing a strategic business unit that offers different products to different markets.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net (loss) income for the year, earnings before interest, taxes, depreciation and depletion, and amortization (EBITDA), and core net (loss) income.

Net (loss) income for the year is measured consistent with consolidated net (loss) income in the consolidated statements of income. EBITDA is measured as net income excluding interest expense, interest income, (benefit from) provision for income tax, depreciation and depletion of property, plant and equipment and effects of non-recurring items.

EBITDA is not a uniform or legally defined financial measure. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. The Group relies primarily on the results in accordance with PFRSs and uses EBITDA only as supplementary information.

The Group uses using core net (loss) income in evaluating total performance. Core income is the performance of business segments based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company excluding the effects of non-recurring items, net of their tax effects. Non-recurring items represent (losses) gains that, through occurrence or size, are not considered usual operating items, such as foreign exchange (losses) gains, (losses) gains on derivative instruments, (losses) gains on disposal of investments, and other non-recurring (losses) gains.

The following table shows the Group's reconciliation of core net income to the consolidated net income for the years ended December 31, 2019, 2018 and 2017:

	2019	2018	2017
Core net income	**₱155,625**	₱600,100	₱1,685,703
Non-recurring (losses) gains:			
Foreign exchange gains (losses) and others	**93,072**	(121,176)	(39,451)
Retrenchment costs	**(17,590)**	–	–
Share in Provision for impairment of PXP assets	**(63,760)**		
Net tax effect of aforementioned adjustments	**362,820**	36,353	11,835
Provisions for impairment of assets - net	**(1,177,945)**	93,179	–
Net (loss) income attributable to equity holders of the Parent Company	**(647,778)**	608,456	1,658,087
Net income attributable to NCI (Note 28)	**(15)**	–	(1)
Consolidated net (loss) income	**(₱647,793)**	₱608,456	₱1,658,086

Core net (loss) income per share is computed as follows:

	2019	2018	2017
Core net (loss) income	**₱155,625**	₱600,100	₱1,685,703
Divided by weighted average number of common shares outstanding during year (Note 30)	**4,940,399,068**	4,940,399,068	4,940,399,068
Core net (loss) income per share	**₱0.032**	₱0.121	₱0.341

The Group's EBITDA amounted to ₱1,664,452 in 2019, ₱2,294,564 in 2018, and ₱3,976,687 in 2017.

Sales of the Parent Company are made to Pan Pacific Copper Co., Ltd. (Pan Pacific), which is covered by a Sales Agreement (signed on March 11, 2004), and to IXM Pte. Ltd. (IXM and formerly known as Louis Dreyfuss Commodities Metals Suisse SA) for the remaining copper concentrates. In addition, the Parent Company entered into a Sales Agreement with Transamine Trading SA (Transamine) (signed on July 1, 2018), whereby Transamine agreed to buy copper concentrates starting November 2018.

Gross revenue, including provisional pricing adjustments, from Pan Pacific, IXM and Transamine for the years ended December 31, 2019, 2018 and 2017 are presented below:

	2019	2018	2017
IXM	**₱4,019,407**	₱5,230,121	₱5,206,863
Pan Pacific	**1,393,017**	2,052,282	5,475,492
Transamine	**1,927,889**	1,321,053	–
	₱7,340,313	₱8,603,456	₱10,682,355

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2019	2018
Cash on hand	**₱1,453**	₱814
Cash with banks	**315,952**	221,476
Short-term deposits	**478,304**	648,677
	₱795,709	₱870,967

Cash with banks and short-term deposits earn interest at bank deposit rates. Short-term deposits are made for varying periods, usually of up to three months depending on the cash requirements of the Group. Interest income arising from cash with banks and short-term deposits amounted to ₱1,571, ₱2,275 and ₱1,861 in 2019, 2018 and 2017, respectively.

7. **Accounts Receivable -** net

Accounts receivable consist of:

	2019	2018
Trade	**₱337,875**	₱204,243
Others	**79,684**	97,178
	417,559	301,421
Less allowance for impairment losses	**1,405**	1,405
	₱416,154	₱300,016

The Group's trade receivables carried at FVTPL consist of the Parent Company's trade receivables arising from shipments of copper concentrates to Pan Pacific, IXM and Transamine.

Pan Pacific and IXM trade receivables are initially paid based on 90% of their provisional value, currently within one week from shipment date. The 10% final balance does not bear any interest until final settlement, which usually takes around three months from shipment date for Pan Pacific and IXM. Transamine's trade receivables are paid based on 100% of their provisional value, within one week before shipment date. Transamine is a new customer contracted by the Group starting in 2018. The Group has US dollar (US$) accounts receivable amounting to US$6,673 and US$3,884 as at December 31, 2019 and 2018, respectively (see Note 25).

Other receivables include advances to employees, and other non-trade receivables. These advances are noninterest-bearing cash advances for business-related expenditures that are subject to liquidation. Other non-trade receivables are noninterest-bearing and are generally collectible on demand.

As at December 31, 2019 and 2018, the Parent Company has embedded derivatives, which is represented by price exposure relative to its provisionally priced commodity sales contracts. Mark-to-market gains and losses from open or provisionally priced sales are recognized through adjustments to revenue in the consolidated statements of income and to trade receivables in the consolidated statements of financial position. The Parent Company determines mark-to-market prices using the forward price for quotational periods after the consolidated statements of financial position date stipulated in the contract. Open or provisionally priced commodity sales contract amounted to ₱3,244,778 and ₱3,735,334 as at December 31, 2019 and 2018, respectively. Fair value adjustments for these open or provisionally priced sales contract at yearend amounted to net gain of ₱15,189, ₱20,014, ₱8,433 in 2019, 2018 and 2017, respectively, which was included under revenue and adjusted against receivables.

8. **Inventories -** net

Inventories consist of:

	2019	2018
Mine products - at NRV	**₱128,525**	₱55,603
Materials and supplies:		
On hand - at cost	**895,281**	978,545
In transit - at cost	**19,942**	116,532
	1,043,748	1,150,680
Less allowance for impairment losses	–	13,099
	₱1,043,748	₱1,137,581

As at December 31, 2019 and 2018, the NRV of materials and supplies inventories amounted to ₱915,223 and ₱1,081,978 respectively.

The following table is a rollforward analysis of the allowance for impairment losses recognized on materials and supplies inventories:

	2019	2018
January 1	**₱13,099**	₱70,126
Write-off during the year	**(13,099)**	(57,027)
December 31	**₱–**	₱13,099

Materials and supplies recognized as expense amounted to ₱1,879,454, ₱1,841,444 and ₱1,767,494 in 2019, 2018 and 2017, respectively (see Note 18).

9. **Other Current Assets -** net

Other current assets consist of:

	2019	2018
Input tax recoverable - net	**₱581,244**	₱697,463
Prepaid expenses and others	**84,524**	59,829
	₱665,768	₱757,292

Allowance for impairment losses on input tax amounted to ₱9,045 as at December 31, 2019 and 2018.

10. **Property, Plant and Equipment -** net

Property, plant and equipment consist of:

	December 31, 2019						
	Mine, And Mining Properties	**Land, Buildings and Improvements**	**Machinery And Equipment**	**Surface Structures**	**Construction in Progress**	**Non-operating Property and Equipment at Bulawan Mine**	**Total**
Cost:							
January 1	**₱15,390,811**	**₱831,403**	**₱8,576,084**	**₱162,741**	**₱262,756**	**₱ –**	**₱25,223,795**
Additions	**551,727**	**–**	**321,701**	**–**	**232,369**	**–**	**1,105,797**
Disposals	**(204,623)**	**(36,407)**	**(2,285,183)**	**(21,256)**	**–**	**–**	**(2,547,469)**
Reclassifications	**214,182**	**–**	**136,626**	**7,934**	**(358,742)**	**–**	**–**
December 31	**15,952,097**	**794,996**	**6,749,228**	**149,419**	**136,383**	**–**	**23,782,123**
Accumulated Depletion and Depreciation:							
January 1	**12,569,395**	**395,400**	**6,705,628**	**149,323**	**–**	**–**	**19,819,746**
Depletion and depreciation for the year (Note 20)	**925,398**	**50,353**	**881,149**	**8,444**	**–**	**–**	**1,865,344**
Impairment	**1,457,381**	**–**	**–**	**–**	**–**	**–**	**1,457,381**
Disposals	**(204,622)**	**(36,407)**	**(2,283,346)**	**(21,256)**	**–**	**–**	**(2,545,631)**
December 31	**14,747,552**	**409,346**	**5,303,431**	**136,511**	**–**	**–**	**20,596,840**
Net Book Values	**₱1,204,545**	**₱385,650**	**₱1,445,797**	**₱ 12,908**	**₱136,383**	**₱–**	**₱3,185,283**

	December 31, 2018						
	Mine, And Mining Properties	Land, Buildings and Improvements	Machinery And Equipment	Surface Structures	Construction in Progress	Non-operating Property and Equipment at Bulawan Mine	Total
Cost:							
January 1	₱14,061,214	₱675,946	₱8,731,787	₱190,830	₱309,743	₱2,088,913	₱26,058,433
Additions	888,961	210,762	364,382	–	449,927	–	1,914,032
Disposals	–	(97,303)	(534,365)	(28,089)	–	(2,088,913)	(2,748,670)
Reclassifications	440,636	41,998	14,280	–	(496,914)	–	–
December 31	15,390,811	831,403	8,576,084	162,741	262,756	–	25,223,795
Accumulated Depletion and Depreciation:							
January 1	10,376,024	326,859	6,376,554	169,061	–	2,088,913	19,337,411
Depletion and depreciation for the year (Note 20)	861,595	138,432	730,497	8,351	–	–	1,738,875
Disposals		(69,891)	(401,423)	(28,089)	–	(2,088,913)	(2,588,316)
Impairment	1,331,776	–	–	–	–	–	1,331,776
December 31	12,569,395	395,400	6,705,628	149,323	–	–	19,819,746
Net Book Values	₱2,821,416	₱436,003	₱1,870,456	₱13,418	₱262,756	₱–	₱5,404,049

Mine and mining properties as at December 31, 2019 and 2018 include mine development costs of the 908 Meter Level (ML), 798 ML, 782 ML and 760 ML project amounting to ₱8,717,374 and ₱8,332,746, respectively. In 2015, with the discovery of additional resources, the estimated mine life of the Padcal Mine was extended until 2022, or an additional five years from the original estimated mine life of up to 2017. Correspondingly, the extensions in mine life were considered as a change in estimate and the effect on the amortization of the depletion costs was taken up prospectively.

The Parent Company recognized impairment loss amounting to ₱1,457,381 and ₱1,331,776 in 2019 and 2018, respectively attributable to Padcal mine and mining properties due to adverse effect of decline in ore grades. The impairment loss is presented under "Provision for impairment losses - net of reversal" in the consolidated statements of income.

Total depreciation cost of machinery and equipment used in exploration projects amounting to ₱32,543, ₱116,309 and ₱176,868 in 2019, 2018 and 2017, respectively, are capitalized under deferred exploration costs, which relate to projects that are currently ongoing for PMC, SMMCI and PGPI (see Note 20).

Land, buildings and improvements include the estimated costs of rehabilitating the Parent Company's Padcal Mine from 2023 up to 2030, discounted at a rate of 2.79%. Accretion of interest amounting to ₱3,217 were recorded in 2019, and ₱3,510 for 2018 and 2017.

The Group's provision for mine rehabilitation costs amounted to ₱36,687 and ₱76,365 as at December 31, 2019 and 2018, respectively.

Non-operating property and equipment in the Bulawan mine pertains to PGPI's fully-depreciated property and exploration equipment that are presently not in use. These assets do not qualify as assets held for sale under PFRS 5 and are thus retained as property, plant and equipment. On the first quarter of 2018 these property, plant and equipment were sold and as a result, derecognized.

11. Financial assets measured at FVOCI

The Group's financial assets measured at FVOCI as of December 31,2019 and 2018 consist of quoted and unquoted investment in share of stock as follows:

	2019	2018
Investments in quoted shares	**₱67,863**	₱64,944
Investments in unquoted shares of stock	**53,035**	53,089
	₱120,898	₱118,033

In 2017, the PMC sold portion of its share in investments in quoted shares which resulted in a gain amounting to ₱21,773 recorded under "Other income (charges)" on the consolidated statements of income.

The cumulative change in value of financial assets measured at FVOCI amounted to a ₱37,745 and ₱35,341 in December 31, 2019 and 2018, respectively. These changes in fair values have been recognized and shown as "Net unrealized gain on financial assets measured at FVOCI" account in the equity section of the consolidated statements of financial position and are also shown in the consolidated statements of comprehensive income.

The following table shows the movement of the "Net unrealized gain on financial assets measured at FVOCI" in 2019 and 2018 account:

	2019	2018
January 1	**₱35,341**	₱558
Increase in fair value of financial assets measured at FVOCI	**2,404**	34,783
December 31	**₱37,745**	₱35,341

12. Investment in Associates - net

Investment in associates consist of:

	2019	2018
Acquisition cost	**₱4,814,941**	₱1,733,941
Additions	**–**	3,081,000
	4,814,941	4,814,941
Forward		
Accumulated equity in net losses:		
Balances at January 1	**138,980**	98,044
Equity in net losses	**118,335**	40,936
Total	**257,315**	138,980
Balances at the end of the year	**4,557,626**	4,675,961
Less allowance for impairment loss	**349,287**	220,293
Investment in associates - net	**₱4,208,339**	₱4,455,668

The following table is a rollforward analysis of the allowance for impairment losses recognized on investment in associates:

	2019	2018
January 1	**₱220,293**	₱220,293
Provision during the year	**128,994**	–
December 31	**₱349,287**	₱220,293

Lepanto

The Parent Company entered into a Joint Voting Agreement (the Agreement) with another Lepanto shareholder to jointly vote their share on all matters affecting their right on Lepanto for five years from the effectivity of the Agreement. By virtue of the Agreement, the shareholding and board representation of the combined interest of PMC and the other Lepanto shareholder resulted in significant influence over Lepanto.

Lepanto is involved on the exploration and mining of gold, silver, copper, lead, zinc and all kinds of ores, metals, minerals, oil, gas and coal and their related by products. Lepanto is listed on the Philippine Stock Exchange (PSE). The Group's interest in Lepanto is accounted for using the equity method on the consolidated financial statements.

Allowance for impairment loss on investment in Lepanto amounted to ₱349,287 and ₱220,293 in 2019 and 2018, respectively. Impairment losses amounting to ₱128,994 in 2019, and nil in 2018 and 2017, is included "Provision for impairment losses - net of reversal" in the consolidated statements of income.

The following table summarizes the financial information of Lepanto:

	2019*	2018
Current assets	**₱1,740,757**	₱1,756,834
Non-current assets	**14,922,870**	15,289,148
Current liabilities	**(1,924,897)**	(1,624,970)
Non-current liabilities	**(7,501,176)**	(7,539,389)
Equity	**₱7,237,554**	₱7,881,623

**Balances are based on unaudited September 30, 2019 interim financial statements submitted by Lepanto to PSE.*

	2019*	2018	2017
Revenue	**₱1,565,881**	₱2,120,642	₱1,621,302
Cost and expenses	**(2,243,492)**	(2,810,737)	(2,418,019)
Finance costs	**(12,674)**	(107,731)	(103,874)
Other income (expenses)	**53,302**	11,115	(67,450)
Loss before income tax	**(636,983)**	(786,711)	(968,041)
Income tax benefit (expense)	**3,170**	11,741	19,428
Loss for the year	**₱633,813**	₱774,970	₱948,613
Total comprehensive loss	**₱641,745**	₱422,928	₱818,122
Group's share of loss for the year (annualized)	**₱27,980**	₱22,300	₱28,982

**Balances are based on unaudited September 30, 2019 interim financial statements submitted by Lepanto to PSE.*

PXP

The Parent Company declared its shares of stock in PXP as property dividends to its shareholders on March 15, 2016 record date at a ratio of 17 shares for every 100 shares held. The dividend declaration was approved by the Philippine Securities and Exchange Commission (SEC) on June 22, 2016. The Group ceased to have control over PXP on July 15, 2016 (see Note 26).

On October 26, 2018, PXP, PMC and Dennison Holdings Corp. (DHC), signed a subscription agreement wherein the PMC and DHC will subscribe to 260 million and 340 million common shares of PXP, for a total consideration of ₱3,081,000 and ₱4,029,000, respectively.

On December 27, 2018, PMC paid the 25% downpayment of ₱770,250 million. As a result of the transaction, PMC's total ownership interest in PXP increased from 19.76% to 30.40% as at December 31, 2018. The 75% balance of subscription payable to PXP amounting to ₱2,310,750 is included in the subscription payable of the Group totaling ₱2,312,981 as at December 31, 2018.

On January 7, 2019, DHC paid an initial downpayment of ₱40,290, with the remaining balance due on March 31, 2019. However, DHC failed to pay the remaining balance, thereby forfeiting its downpayment in favor of PXP.

In 2019, PMC paid subscription payable to PXP amounting to ₱1,386,450 and ₱740,000 on February 11, 2019 and December 31, 2019, respectively. The balance of subscription payable in relation to the subscription agreement with PXP amounted to ₱184,300 as at December 31, 2019.

The following table illustrates the summarized financial information of the Group's investment in PXP:

	2019	2018
Current assets	**₱302,571**	₱428,864
Non-current assets	**6,562,708**	6,818,490
Current liabilities	**(74,615)**	(2,159,574)
Non-current liabilities	**(1,274,103)**	(1,305,361)
Equity	**₱5,516,561**	₱3,782,419

	2019	2018	2017
Revenue	**₱72,499**	₱107,924	₱104,445
Cost and expenses	**(190,596)**	(221,390)	(158,227)
Other (expenses) income	**(180,279)**	21,405	(1,105))
Loss before income tax	**(298,376)**	(92,061)	(54,887)
Income tax benefit (expense)	**1,156**	(4,370)	(2,256)
Loss for the year	**(297,220)**	(96,431)	(₱57,143)
Total comprehensive loss	**(₱387,066)**	₱10,052	(₱46,551)
Group's share of loss for the year (annualized)	**₱90,355**	₱18,636	₱11,290

13. **Deferred Exploration Costs -** net

Deferred exploration costs consist of:

	2019	2018
Deferred exploration costs	**₱30,441,755**	₱29,273,184
Less allowance for impairment losses	**3,825,412**	3,825,412
	₱26,616,343	₱25,447,772

Deferred exploration costs attributable to the Group's Silangan Project amounted to ₱24,384,637 and ₱23,212,517 as of December 31, 2019 and 2018, respectively.

The following table is a rollforward analysis of the allowance for impairment losses recognized on deferred exploration costs:

	2019	2018
January 1	**₱3,825,412**	₱3,777,912
Provisions during the year	**-**	47,500
December 31	**₱3,825,412**	₱3,825,412

Deferred exploration costs relate to projects that are ongoing. The recovery of these costs depends upon the success of exploration activities and future development of the corresponding mining properties. Allowances have been provided for those deferred costs that are specifically identified to be unrecoverable. Allowances recognized are included under "Provision for impairment losses - net" in the consolidated statements of income amounted to nil, ₱47,500 and nil in 2019, 2018 and 2017, respectively.

14. **Other Noncurrent Assets**

Other noncurrent assets consist of:

	2019	2018
Input tax - noncurrent portion	**₱433,429**	₱409,696
Others	**189,281**	63,202
	₱622,710	₱472,898

Noncurrent portion of input VAT pertains to SMMCI's input VAT that cannot be realized within twelve (12) months after the date of the reporting period.

Others include bank accounts that the Parent Company and PGPI maintain with Land Bank of the Philippines to establish their respective Mine Rehabilitation Funds (MRF), pursuant to the requirements of Republic Act (RA) No. 7942, otherwise known as "The Philippine Mining Act of 1995." The MRF shall be used for the physical and social rehabilitation of areas and communities affected by the Padcal, Bulawan and Sibutad Mines, and for research in the social, technical and preventive aspects of their rehabilitation.

15. **Loans and Bonds Payable**

	2019	2018
Current Loans:		
Bank loans:		
Philippine National Bank	**₱1,316,510**	₱736,120
Banco de Oro (BDO)	**708,890**	999,020
Bank of the Philippine Islands	**506,350**	420,640
	2,531,750	2,155,780
Noncurrent Loans:		
Bonds payable	**7,743,020**	7,333,096
	₱10,274,770	₱9,488,876

The Group obtains short term, unsecured loans from various local banks. These loans have terms of thirty (30) days to ninety (90) days until maturity and are renewable subject to repricing of interest. Interest rates of these short term loans ranges from 3.85% to 4.50%.

Bonds Payable

On December 18, 2014, SMECI, with PMC as the co-issuer, issued 8-year convertible bonds with a face value of ₱7,200,000 at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at ₱18 per share 12 months after the issue date ("Standstill Period"). On the last day of the Standstill Period, the Issuer shall have a one-time right to redeem the bonds from the holders in whole or in part. After the Standstill Period, the noteholders may exercise the conversion right, in whole but not in parts, at any time but no later than the maturity date. At redemption/maturity date, the bonds can be redeemed together with the principal or face value of the bonds at a premium, payable at a rate of 3% per annum compounded semi-annually based on the face value of the bonds and unpaid accrued interest (if there be any). The proceeds of the bonds were used to repay the SMECI's advances from PMC and fund further exploration works of SMMCI.

At the date of issuance, the carrying amount of the bonds payable and equity conversion options amounted to ₱5,974,482 and ₱1,225,518, respectively. The carrying value of convertible bonds payable amounted to ₱7,743,020 and ₱7,333,096 as at December 31, 2019 and 2018, respectively.

Interest amortization amounted to ₱409,924 and ₱382,790 in 2019 and 2018, respectively while finance charges paid amounted to ₱121,341 and ₱121,342 in 2019 and 2018, respectively. Accrued interest amounting to ₱3,847 and ₱41,647 as at December 31, 2019 and 2018, respectively is presented in "Accounts payable and accrued liabilities" in the consolidated statements of financial position. Bonds amortization is calculated on the effective interest basis by applying EIR rate of 6.97% per annum (compounded semi-annually) for an equivalent nonconvertible bonds at the date of issue of the convertible bond to the liability component of the convertible bonds.

Finance expense pertaining to the convertible bonds amounting to ₱531,168 and ₱504,131 in 2019 and 2018, respectively, was capitalized as deferred exploration costs. The rate used to determine the amount of borrowing costs eligible for capitalization was 5.61%.

The Group's loans and bonds payable has no covenants imposed by banks and creditors as of December 31, 2019 and 2018.

16. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	2019	2018
Trade	**₱869,429**	₱915,084
Accrued expenses	**332,491**	346,331
Provisions (Note 32)	**151,713**	195,259
Accrued royalties and excise taxes	**112,955**	117,747
Withholding taxes	**17,364**	19,144
Other nontrade liabilities	**124,051**	197,374
	₱1,608,003	₱1,790,939

Trade payables are noninterest-bearing and are generally settled within 30 to 120 day terms. Accrued expenses consist of accrued operating and administrative expenses are settled monthly, while contracted and outside services are settled within the terms of their respective contracts. Other nontrade liabilities include payroll-related liabilities.

Accrued royalties are due to the claim owners of the land where the mine site operations were located while excise taxes pertain to the taxes paid or accrued by the Parent Company for its legal obligation arising from the production of copper concentrates. These excise taxes and royalties are expensed as incurred. Royalties are paid monthly while obligation to pay excise taxes are made quarterly.

Withholding taxes pertain to statutory deductions and withheld taxes by the Group from its employees for compensation and suppliers for expanded withholding taxes that are to be remitted to the BIR fourteen days following the end of month.

17. Revenues

	2019			**2018**			2017
	Revenue from contracts with customers*	**Other Revenue - Provisional pricing adjustment**	**Total revenue**	Revenue from contracts with customers*	Provisional pricing adjustment	Total revenue	Total revenue
Gold	**₱3,625,958**	**₱7,527**	**₱3,633,485**	₱4,125,531	(₱16,434)	₱4,109,097	₱5,432,429
Copper	**3,018,588**	**75,166**	**3,093,754**	3,540,981	(65,485)	3,475,496	4,475,177
Silver	**58,226**	**1,101**	**59,327**	59,538	(3,825)	55,713	77,187
			6,789,566			7,640,306	9,984,793
Less: Smelting charges			–			–	842,333
			₱6,789,566			₱7,640,306	₱9,142,460

**net of smelting charges.*

18. **Costs and Expenses**

Costs and expenses include the following:

	2019	2018	2017
Production costs			
Materials and supplies (Note 8)	**₱1,879,454**	₱1,841,444	₱1,767,494
Communications, light and water	**1,199,775**	1,245,549	1,290,747
Personnel (Note 19)	**862,634**	893,331	878,161
Contracted services	**272,074**	214,518	249,635
Hauling, handling and storage	**52,619**	61,453	63,697
Others	**121,231**	151,594	161,960
	₱4,387,787	₱4,407,889	₱4,411,694
Depletion, amortization and depreciation (Note 10 and 20)			
Depletion and amortization	**₱925,398**	₱861,595	₱896,415
Depreciation	**888,933**	738,926	654,115
	₱1,814,331	₱1,600,521	₱1,550,530
Excise taxes and royalties			
Excise taxes	**₱271,257**	₱302,117	₱183,463
Royalties	**155,954**	204,373	268,944
	₱427,211	₱506,490	₱452,407

	2019	2018	2017
General and administrative expenses			
Personnel (Note 19)	**₱184,804**	₱185,434	₱224,888
Depreciation (Notes 10 and 20)	**18,470**	22,045	21,781
Contracted services	**17,795**	20,015	21,221
Taxes and licenses	**16,693**	5,162	15,586
Communications, light and water	**7,820**	8,641	9,119
Travel and transportation	**5,315**	9,681	8,069
Office supplies	**2,073**	3,366	3,425
Repairs and maintenance	**2,033**	2,412	2,312
Others	**32,331**	48,875	56,670
	₱287,334	₱305,631	₱363,071

Other general and administrative expenses include security, janitorial and other outside services, and general miscellaneous expenses.

19. Personnel Cost

Details of personnel costs are as follows:

	2019	2018	2017
Production costs (Note 18)			
Salaries and wages	**₱473,525**	₱465,226	₱621,837
Employee benefits	**376,998**	408,634	232,573
Retirement costs (Note 21)	**12,111**	19,471	23,751
	₱862,634	₱893,331	₱878,161
General and administrative expenses (Note 18)			
Salaries and wages	**₱128,853**	₱135,501	₱154,392
Employee benefits	**53,980**	46,764	66,629
Retirement costs (Note 21)	**1,971**	3,169	3,867
	184,804	185,434	224,888
	₱1,047,438	₱1,078,765	₱1,103,049

The Parent Company recognized retirement costs amounting to ₱14,083, ₱22,641 and ₱27,618 in 2019, 2018 and 2017, respectively (see Note 21).

20. Depletion, Amortization and Depreciation

Details of depletion and depreciation expense are as follows:

	2019	2018	2017
Production costs (Note 18)	**₱1,814,331**	₱1,600,521	₱1,550,530
General and administrative (Note 18)	**18,470**	22,045	21,781
	₱1,832,801	₱1,622,566	₱1,572,311

Total depreciation cost of machinery and equipment used in exploration projects amounting to ₱32,543, ₱116,309 and ₱176,868 in 2019, 2018 and 2017, respectively, is capitalized under deferred exploration costs, which relate to projects that are currently ongoing for PMC, SMMCI and PGPI (see Note 10).

21. **Pension asset** - net

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employees retirement benefit under the collective bargaining and other agreements shall not be less than provided under the law. The law does not require minimum funding of the plan.

Parent Company Retirement Fund

The Parent Company has a funded, noncontributory, defined benefits retirement plan covering all of its regular employees. The pension funds are being administered and managed through the Retirement Gratuity Plan of Philex Mining Corporation, under trust accounts with BDO and Union Bank of the Philippines. The retirement plan provides for retirement, separation, disability and death benefits to its members.

Changes in the net defined benefit liability (asset) of funded funds of the Parent Company are as follows:

2019

	Net benefit cost in charged to consolidated statements of income				Remeasurements in other comprehensive income						
	January 1, 2019	**Current service cost**	**Net interest**	**Settlement/ Curtailment**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from changes in experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contribution by employer**	**December 31, 2019**
Present value of defined benefit obligation	**₱831,256**	**₱39,291**	**₱54,206**	**₱–**	**₱924,753**	**(₱150,686)**	**₱38,638**	**(₱2,309)**	**₱63,238**	**₱99,567**	**₱–**	**₱873,634**
Fair value of plan assets	**(1,193,446)**	**–**	**(79,415)**	**–**	**(1,272,861)**	**150,686**	**21,376**	**–**	**–**	**21,376**	**–**	**(1,100,799)**
	(₱362,190)				**(₱348,108)**	**₱–**	**₱60,014**	**(₱2,309)**	**₱63,238**	**₱120,943**	**₱–**	**(227,165)**

2018

	Net benefit cost in charged to consolidated statements of income				Remeasurements in other comprehensive income						
	January 1, 2018	Current service cost	Net interest	Settlement/ Curtailment	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2018
Present value of defined benefit obligation	₱ 874,111	₱40,889	₱42,307	₱–	₱957,307	(₱47,201)	₱–	(₱66,373)	(₱12,477)	(₱78,850)	₱–	₱831,256
Fair value of plan assets	(1,251,144)	–	(60,555)	–	(1,311,699)	47,201	71,052	–	–	71,052	–	(1,193,446)
	(₱377,033)				(₱354,392)	₱–	₱71,052	(₱66,373)	(₱12,477)	(₱7,798)	₱–	(₱362,190)

2017

	Net benefit cost in charged to consolidated statements of income				Remeasurements in other comprehensive income						
	January 1, 2017	Current service cost	Net interest	Settlement/ Curtailment	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2017
Present value of defined benefit obligation	₱872,953	₱42,843	₱39,161	₱–	₱954,957	(₱21,943)	₱–	(₱12,197)	(₱46,706)	(₱58,903)	₱–	₱874,111
Fair value of plan assets	(1,201,071)	–	(54,386)	–	(1,255,457)	21,943	(17,630)	–	–	(17,630)	–	(1,251,144)
	(₱328,118)				(₱300,500)	₱–	(₱17,630)	(₱12,197)	(₱46,706)	(₱76,533)	₱–	(₱377,033)

The fair value of net plan assets of the Parent Company by each class as at the end of the reporting period are as follows:

	2019	2018
Assets		
Cash and cash equivalents	**₱22,072**	₱27,813
Receivables	**16,247**	18,477
Investment in debt securities	**582,344**	735,356
Investment in equity securities	**353,753**	338,034
Other investments	**127,018**	74,451
	1,101,434	1,194,131
Liabilities		
Accrued trust fees payables	**535**	685
	₱1,100,899	₱1,193,446

The cost of defined benefit pension plans, as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

Actuarial valuation assumptions	**2019**	2018
Discount rate	**4.52%**	6.96%
Future salary increases	**5.00%**	5.00%
Expected rate of return on plan assets	**5.00%**	5.00%

The overall expected rate of return of assets is determined based on market expectation prevailing on that date, applicable to the period over which the obligation is expected to be settled.

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption of the defined benefit obligation as of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	Effect on defined benefit obligation
Discount rates	1.00%	₱846,354
	(1.00%)	903,443
Future salary increases	1.00%	₱904,443
	(1.00%)	844,585

Shown below is the maturity analysis of the Company's undiscounted benefit payments:

	Expected benefit payments
Less than one year	₱82,474
One to less than five years	914,928

The average duration of the defined benefit obligation at the end of the reporting period is 6.77 years.

The Parent Company's actuarial funding requirement in 2019 and 2018 is nil, however, the intention is to continue regular contributions to the fund.

Pension expense from the defined benefit retirement plan is actuarially determined using the projected unit credit method. The latest actuarial valuation report was made as at December 31, 2019.

SMMCI Retirement Fund

SMMCI has unfunded, noncontributory defined benefit retirement plan covering its regular and full-time employees. The Company also provides additional post employment healthcare benefits to certain senior employees in the Philippines.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

Actuarial valuation assumptions	**2019**	2018
Discount rates	**4.97%**	7.36%
Future salary increases	**4.00%**	4.00%

Changes in the defined benefit liability of SMMCI are as follows:

	2019	2018	2017
January 1	**₱2,302**	₱3,184	₱15,548
Current service cost	**592**	1,083	6,471
Past service cost	**–**	–	(1,922)
Interest cost	**169**	183	864
	761	1,266	5,413
Remeasurements in other comprehensive income			
Experience adjustments	**(358)**	(1,200)	(12,892)
Actuarial changes from changes in demographic assumptions	**–**	(570)	(35)
Actuarial changes from changes in financial assumptions	**685**	(378)	(4,850)
	327	(2,148)	(17,777)
December 31	**₱3,390**	₱2,302	₱3,184

Retirement expense amounting to ₱761, ₱1,266, and ₱7,335 in 2019, 2018, and 2017, respectively, were capitalized as part of the deferred exploration costs. In 2019 and 2018, there were reversals of past service costs amounting to nil and nil, respectively.

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase (decrease)	Present Value of Obligation
Discount rates	1.00%	₱3,072
	(1.00%)	3,764
Future salary increases	1.00%	₱3,782
	(1.00%)	3,051

Shown below is the maturity analysis of the undiscounted benefit payments:

	2019	2018
Less than 1 year	**₱–**	₱–
More than 1 year to 5 years	**1,835**	2,500
More than 5 years to 10 years	**2,654**	3,119
More than 10 years to 15 years	**2,560**	2,255
More than 15 years to 20 years	**3,673**	1,218
More than 20 years	**12,239**	14,275

The average duration of the defined benefit obligation at the end of the reporting period is 17.19 years.

22. Financial Instruments

The table below summarizes management's evaluation of business model and subsequent measurement for each financial assets and liabilities of the Group:

Financial Assets	Business Model	Subsequent Measurement	Remarks
Cash with banks and short-term deposits	Hold to collect	Amortized cost	NA
Trade receivable	NA	FVTPL	NA
Advances to related parties	Hold to collect	Amortized cost	Conditional fair value option not elected.
Quoted equity investments	NA	FVOCI (no recycling)	Not held for trading and FVTPL not opted.
Unquoted equity investments	NA	FVOCI (no recycling)	Not held for trading and FVTPL not opted.

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. However, the Group is not exposed to credit risk from its operating activities (primarily trade receivables) since the historical default rate of its customers is 0%.

Trade Receivables from Sale of Concentrates
As of December 31, 2019, the Group has current outstanding trade receivables from its customers amounting to ₱337,875 arising from revenue from contracts with three (3) customers, namely Pan Pacific, IXM, and Transamine. These contracts are within the scope of PFRS 15.

Based on historical transactions with the customers, there has been no instance that these customers have defaulted on their payments (historial default rate of 0%). PPC is a customer since start of commercial operations in the 1950s, IXM is a customer since year 2007, and Transamine is a new customer that always pays in full. Moreover, the Group's trade receivables have a credit period of three months, indicating that the time value of money is immaterial. With these facts, ECL is not material.

Advances to PXP
As at December 31, 2019 and 2018, the Group has receivable from PXP Energy Corporation (PXP) amounting to nil and ₱1,387,370, respectively. These advances are payable on demand and have a zero percent (0%) interest rate.

Set out below is the movement in the allowance for expected credit losses of intercompany receivable from PXP:

	2018
Beginning, adoption of PFRS 9 (Note 2)	₱1,312,243
Additional provision for expected credit losses	–
Reversal of provision (Note 26)	(1,312,243)
As at December 31	₱–

Refer to Note 26 for further details.

23. Financial Risk Management Objectives and Policies and Hedging Activities

Financial Risk Management Objectives and Policies
The Group's principal financial instruments, other than derivatives, comprise mainly of cash and cash equivalents, accounts receivable, financial assets measured at FVOCI, short-term bank loan and accounts payable and accrued liabilities. The main purpose of these financial instruments is to provide financing for the Group's operations and capital-intensive projects.

The BOD is mainly responsible for the overall risk management and approval of the risk strategies and principles of the Group. The BOD has approved its formalized hedging policy in relation to entering into commodity derivatives in order to manage its financial performance.

Financial Risks
The main risks arising from the Group's financial instruments are credit and concentration risks, liquidity risk and market risk. The market risk exposure of the Group can be further classified to foreign currency risk, interest rate risk, equity price risk and commodity price risk. The BOD reviews and approves the policies for managing these risks and they are summarized as follows:

Credit and Concentration Risks
Credit risk is the risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. To avoid such losses, the Group's primary credit risk management strategy is to trade only with recognized, creditworthy third parties. At present, 60% of the Parent Company's annual production of concentrates is sold to Pan Pacific. The balance of the Parent Company's annual production of concentrates is contracted with IXM and Transamine which is covered by several short-term agreements up to March 2019.

Credit risk may also arise from the Group's other financial assets, which comprise of cash and cash equivalents. The Group's exposure to credit risk could arise from default of the counterparty, having a maximum exposure equal to the carrying amount of these instruments.

The table below summarizes the Group's exposure to credit risk for the components of the consolidated statements of financial position as of December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents		
Cash with banks	**₱315,952**	₱221,476
Short-term deposits	**478,304**	648,677
Accounts receivable		
Trade	**337,875**	204,243
Others	**73,365**	85,143
Advances to a related party	**–**	1,387,370
Financial asset measured at FVOCI		
Quoted equity investments	**67,863**	64,944
Unquoted equity investments	**53,035**	53,089
Gross maximum credit risk exposure	**₱1,326,394**	₱2,664,942

The following tables show the credit quality of the Group's financial assets by class as at December 31, 2019 and 2018 based on the Group's credit evaluation process:

	December 31, 2019			
	Neither Past Due nor Impaired		**Past Due and Individually**	
	High-Grade	**Standard**	**Impaired**	**Total**
Cash and cash equivalents				
Cash with banks	**₱315,952**	**₱–**	**₱–**	**₱315,952**
Short-term deposits	**481,652**	–	–	**481,652**
Accounts receivable				
Trade	**337,875**	–	–	**337,875**
Others	**71,960**	–	**1,405**	**73,365**
Financial asset measured at FVOCI				
Quoted equity investments	**67,863**	–	–	**67,863**
Unquoted equity investments	**53,035**	–	–	**53,035**
Total	**₱1,328,337**	**₱–**	**₱1,405**	**₱1,329,742**

	December 31, 2018			
	Neither Past Due nor Impaired		Past Due and Individually	
	High-Grade	Standard	Impaired	Total
Cash and cash equivalents				
Cash with banks	₱221,476	₱–	₱–	₱221,476
Short-term deposits	648,677	–	–	648,677
Accounts receivable				
Trade	204,243	–	–	204,243
Others	83,738	–	1,405	85,143
Advances to a related party	1,387,370	–	–	1,387,370
Financial asset measured at FVOCI				
Quoted equity investments	64,944	–	–	64,944
Unquoted equity investments	53,089	–	–	53,089
Total	₱2,663,537	₱–	₱1,405	₱2,664,942

Credit quality of cash and cash equivalents and accounts receivable are based on the nature of the counterparty and the Group's evaluation process.

High-grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience.

Liquidity Risk

Liquidity risk is the risk where the Group becomes unable to meet its obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary.

The tables below summarize the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as at December 31, 2019 and 2018, respectively:

	December 31, 2019			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Other financial liabilities				
Short-term loans				
Principal	**₱–**	**₱2,531,750**	**₱–**	**₱2,531,750**
Interest	–	**3,042**	–	**3,042**
Long-term loans				
Principal	–	–	**7,200,000**	**7,200,000**
Interest	–	–	**540,000**	**540,000**
Accounts payables and accrued liabilities	–	**1,325,983**	–	**1,325,983**
Dividends payable	**549,632**	–	–	**549,632**
Total undiscounted financial liabilities	**₱549,632**	**₱3,860,775**	**₱7,740,000**	**₱12,150,407**

	December 31, 2019			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Loans and receivables				
Cash and cash equivalents	**₱795,709**	**₱–**	**₱–**	**₱795,709**
Accounts receivable				
Trade	–	**337,875**	–	**337,875**
Others	–	**71,960**	–	**71,960**
Financial assets measured at FVOCI				
Quoted equity investments	**67,863**	–	–	**67,863**
Unquoted equity investments	**53,035**	–	–	**53,035**
Total undiscounted financial assets	**₱916,607**	**₱409,835**	**₱–**	**₱1,326,442**

	December 31, 2018			
	On Demand	Within 1 Year	More than 1 Year	Total
Other financial liabilities				
Short-term loans				
Principal	₱–	₱2,155,780	₱–	₱2,155,780
Interest	–	2,842	–	2,842
Long-term loans				
Principal	–	–	7,200,000	7,200,000
Interest	–	–	540,000	540,000
Accounts payables and accrued liabilities	–	1,458,789	–	1,458,789
Dividends payable	550,995	–	–	550,995
Total undiscounted financial liabilities	₱550,995	₱3,617,411	₱7,740,000	₱11,908,406

Forward

	December 31, 2018			
	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables				
Cash and cash equivalents	₱870,967	₱–	₱–	₱870,967
Accounts receivable				
Trade	–	204,243	–	204,243
Others	–	83,738	–	83,738
Advances to a related party	1,387,370	–	–	1,387,370
Financial assets measured at FVOCI				
Quoted equity investments	64,944	–	–	64,944
Unquoted equity investments	53,089	–	–	53,089
Total undiscounted financial assets	₱2,376,370	₱287,981	₱–	₱2,664,351

Market Risks

Foreign Currency Risk

Foreign currency risk is the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from sales in currencies other than its functional currency. All of the Parent Company's sales are denominated in US dollar. Also, the Parent Company is exposed to foreign exchange risk arising from its US dollar-denominated cash and cash equivalents, trade receivables and loans payable. The Group recognized net foreign exchange gain of ₱93,072 for the year ended December 31, 2019 and net foreign exchange losses of ₱121,176 and ₱39,451 for December 31, 2018 and 2017, respectively, arising from the translation of these foreign currency-denominated financial instruments.

As the need arises, the Group enters into structured currency derivatives to cushion the effect of foreign currency fluctuations.

The following tables summarize the impact on income before income tax of reasonable possible changes in the exchange rates of US dollar against the Peso. The reasonable movement in exchange rates was determined using 1-year historical data.

Year Ended December 31, 2019	
US$ Appreciate (Depreciate)	**Effect on Income before Income Tax**
5%	**(₱78,335)**
(5%)	**78,335**

Year Ended December 31, 2018	
US$ Appreciate (Depreciate)	**Effect on Income before Income Tax**
5%	**(₱60,598)**
(5%)	**60,598**

There were no outstanding currency derivatives as of December 31, 2019 and 2018.

Equity Price Risk

Equity price risk is the risk where the fair values of investments in quoted equity securities could increase or decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Management monitors the movement of the share prices pertaining to the Group's investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as financial assets measured at FVOCI (see Note 11). Investment in quoted shares totaling ₱67,863 and ₱64,944 represent 0.01% of the total assets of the Group as at December 31, 2019 and 2018, respectively. Reasonable possible changes were based on an evaluation of data statistics using 1-year historical stock price data.

The effect on equity, as a result of a possible change in the fair value of the Group's quoted equity instruments held as financial assets measured at FVOCI as at December 31, 2019 and 2018 that could be brought by changes in equity indices with all other variables held constant is as follows:

	December 31, 2019	
Currency	**Change in Quoted Prices of Investments Carried at Fair Value**	**Effect on Equity**
Peso	**Increase by 1%**	**₱30.53**
	Decrease by 1%	**(30.53)**

	December 31, 2018	
Currency	Change in Quoted Prices of Investments Carried at Fair Value	Effect on Equity
Peso	Increase by 1%	₱33.42
	Decrease by 1%	(33.42)

Commodity Price Risk

The Parent Company's mine products revenues are valued based on international commodity quotations (e.g., primarily on the LME and LBMA quotes) over which the Parent Company has no significant influence or control. This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash inflows. The Parent Company enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products.

The following table shows the effect on income before income tax should the change in the prices of copper and gold occur based on the inventory of the Parent Company as at December 31, 2019. The change in metal prices is based on 1-year historical price movements.

December 31, 2019	
Change in Metal Prices	**Effect on Income before Income Tax**
Gold	
Increase by 12%	**₱448,817**
Decrease by 12%	**(448,817)**
Copper	
Increase by 28%	**₱1,005,688**
Decrease by 28%	**(1,005,688)**

December 31, 2018	
Change in Metal Prices	Effect on Income before Income Tax
Gold	
Increase by 11%	₱461,983
Decrease by 11%	(461,983)
Copper	
Increase by 19%	₱769,785
Decrease by 19%	(769,785)

Derivative Financial Instruments

Gold Derivatives

In September 2017, the Parent Company entered into gold collar hedging contracts covering 2,300 ounces of monthly gold production from September to December 2017 at a strike price of US$1,300 per ounce for the put options and US$1,395 per ounce for the call options. This contract was also designated as cash flow hedge.

In January 2018, the Parent Company entered into gold collar hedging contracts covering 2,200 ounces of monthly gold production from January to June 2018 at a strike price of US$1,300 per ounce for the put options and US$1,350 per ounce for the call options. Further in April 2018, the Company entered into gold collar hedging contracts covering 3,000 ounces of monthly production from July to September 2018 at a strike price of US$1,330 per ounce for the put options and US$1,400 per ounce for the call options. These contracts were also designated as cash flow hedges.

In February 2019, the Parent Company entered into gold collar hedging contracts covering 2,000 ounces of monthly gold production from February to April 2019 at a strike price of US$1,300 per ounce for the put options and US$1,327 per ounce for the call options. Further in June 2019, the Company entered into gold collar hedging contract covering 2,000 ounces of monthly production from July to December 2019 at a strike price of US$1,330 per ounce for the put options and US$1,390 per ounce for the call options.

Realized net gains from gold collar amounted to ₱52,679 and ₱58,807 in 2019 and 2018, respectively.

There were no outstanding gold derivatives as at December 31, 2019 and 2018.

Copper Derivatives
In October 2017, the Parent Company entered into a copper collar hedging contract covering 330 metric tonnes per month for the month of November 2017 to January 2018 at a strike price of US$7,495 per metric tonne for the call options and US$6,614 per metric tonne for the put options.

In January 2018, the Parent Company entered into a copper collar hedging contract covering 360 metric tonnes per month for the month of February and July 2018 at a strike price of US$7,650 per metric tonne for the call options and US$6,615 per metric tonne for the put options.

The effect of the fair value adjustments arising from the outstanding copper derivatives as at December 31, 2019 amounted to nil. There were no outstanding copper derivatives as at December 31, 2019 and 2018.

Realized net gains from copper collar amounted to nil and ₱7,019 in 2019 and 2018, respectively.

24. Capital Management

The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities. No significant changes have been made in the objectives, policies and processes of the Group from the previous years.

The following table summarizes the total capital considered by the Group:

	2019	2018
Capital stock	**₱4,940,399**	₱4,940,399
Additional paid-in capital	**1,143,981**	1,143,981
Retained earnings		
Unappropriated	**3,471,281**	4,203,947
Appropriated	**10,500,000**	10,500,000
	₱20,055,061	₱20,788,677

25. Foreign-Currency-Denominated Monetary Assets and Liabilities

The Group's foreign-currency-denominated monetary assets and liabilities as at December 31, 2019 and 2018 are as follows:

	2019		2018	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Assets				
Cash and cash equivalents	**$12,386**	**₱627,165**	$14,066	₱739,590
Trade receivables	**6,673**	**337,887**	3,884	204,221
	$19,059	**₱965,052**	$17,950	₱943,811

	2019		2018	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Liabilities				
Accounts payable	**$–**	**₱–**	$–	₱–
Bank loans	**50,000**	**2,531,750**	41,000	2,155,780
	50,000	**2,531,750**	41,000	2,155,780
Liabilities - net	**($30,941)**	**(₱1,566,698)**	($23,050)	(₱1,211,969)

The exchange rates of Peso to US dollar were ₱50.635 to US$1 as at December 31, 2019 and ₱52.58 to US$1 as at December 31, 2018.

26. Related Party Transactions

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Companies within the Group in the regular conduct of business, enter into transactions with related parties which consists of advances, loans, reimbursement of expenses, regular banking transactions, leases and management and administrative service agreements.

Intercompany transactions are eliminated in the consolidated financial statements.

On July 15, 2016, PMC ceases to have control over PXP (Notes 12). Previously, advances to PXP are eliminated in the consolidated financial statements.

	Amount/ Volume	**Outstanding Balance**	**Terms**	**Conditions**
Related party				
Advances to PXP			On demand,	
2019	**₱–**	**₱–**	noninterest-	Secured
2018	₱–	₱1,387,370	bearing	

On August 17, 2015, the PMC and PXP entered into a pledge agreement to secure the advances against certain shares of stocks owned by PXP.

Upon the adoption of PFRS 9, the Group recognized impairment on the Group's advances to PXP amounting to ₱1,312,243 which was charged directly to retained earnings as at January 1, 2018. Such amount represents the difference between the carrying value of the advances which carries an on-demand feature, and the fair value of the pledged shares.

On October 26, 2018, PXP, PMC and Dennison Holdings Corp. (DHC), signed a subscription agreement wherein PMC and DHC will subscribe to 260 million and 340 million common shares of PXP, respectively, for a total consideration of ₱3,081,000 and ₱4,029,000, respectively.

Each share is valued at ₱11.85, which represents a 20% discount to the 90-day volume weighted average price (VWAP) of PXP shares. The agreement was approved by the Board of Directors on October 25, 2018.

On December 27, 2018, PMC paid the 25% downpayment of ₱770,250 million. As a result of the transaction, PMC's total ownership interest in PXP increased from 19.76% to 30.40% as at December 31, 2018.

PXP's proceeds from the subscription agreement will be utilized for the repayment of its advances from the Parent Company. In December 2018, PXP made payments to PMC amounting to ₱781,262.

The subscription agreement in October 2018 and subsequent payments made by PXP to PMC resulted in enhancement of credit quality of the advances to PXP. As a result, the provision for expected credit losses on advances to a related party amounting to ₱1,312,243 was reversed in 2018. The reversal is included in the "Provision for impairment losses - net of reversal" in the consolidated statements of income.

On January 7, 2019, DHC paid an initial downpayment of ₱40,290, with the remaining balance due on March 31, 2019. However, DHC failed to pay the remaining balance, thereby forfeiting its downpayment in favor of PXP.

PMC paid subscription payable to PXP amounting to ₱1,386,450 and ₱740,000 on February 11, 2019 and December 31, 2019, respectively. The balance of subscription payable in relation to the subscription agreement with PXP amounted to ₱184,300 as at December 31, 2019.

On August 5, 2019, a Deed of Assignment was entered into by Brixton Energy & Mining Corporation (BEMC; a subsidiary of PXP) and PXP transferring BEMC's advances from PMC to PXP amounting to ₱737,815. Upon assignment, PMC reversed its previously written-off advances to BEMC. The reversal is included in the "Provision for impairment losses - net of reversal" in the consolidated statements of income. The transferred advances were then paid by PXP to PMC on December 19, 2019.

Compensations of Key Management Personnel

Compensations of the members of key management personnel are as follows:

	2019	2018	2017
Short-term employee benefits	**₱85,430**	₱75,465	₱99,745
Pension costs	**6,847**	4,988	1,924
	₱92,277	₱80,453	₱101,669

27. **Income Taxes**

a. The (benefit from) provision for income tax consists of:

	2019	2018	2017
Current	**₱143,019**	₱275,408	₱664,806
Deferred	**(498,841)**	(199,799)	43,894
	(₱355,822)	₱75,609	₱708,700

The Group is subject to regular corporate income tax (RCIT) or MCIT, whichever is higher. The provision for current income tax in 2019, 2018, and 2017 represent RCIT.

b. The components of the Group's net deferred tax assets (liabilities) are as follows:

	2019	2018
Deferred tax assets on:		
Provision for losses and others	**₱90,336**	₱102,636
Unrealized foreign exchange losses - net	**73,625**	111,056
Accumulated accretion of interest on provision for mine rehabilitation costs	**2,107**	7,828
Unamortized past service costs	**555**	7,017
Total deferred tax assets	**166,623**	228,537
Deferred tax liabilities on:		
Difference in fair value and carrying value of the net assets of subsidiary acquired	**(1,665,513)**	(1,665,513)
Accelerated deduction	**(622,678)**	(1,215,165)
Net retirement plan assets	**(68,149)**	(108,657)
Mine inventory at year-end	**(6,782)**	(7,388)
Unrealized foreign exchange gain	**(9,080)**	(8,558)
OCI portion of retirement liability	**(6,882)**	(6,980)
Changes in FV of financial assets measured at FVOCI	**(6,089)**	(6,089)
Total deferred tax liabilities	**(2,385,173)**	(3,018,350)
Net deferred tax liabilities	**(₱2,218,550)**	(₱2,789,813)

c. The reconciliation of the Group's provision for income tax computed at the statutory income tax rates based on income before income tax is as follows:

	2019	2018	2017
(Benefit from) income tax at statutory income tax rate of 30%	**(₱301,085)**	₱205,220	₱717,331
Additions to (reductions in) income tax resulting from:			
Reversal of temporary difference on impairment of Padcal mine and mining properties	**(418,664)**	(160,442)	–

Forward

	2019	2018	2017
Nondeductible expenses and non-taxable income - net	**₱362,268**	(₱687)	(₱27,260)
Unrecognized DTA, NOLCO and excess MCIT	**2,238**	32,197	19,183
Interest income already subjected to final tax	**(579)**	(679)	(554)
	(₱355,822)	₱75,609	₱708,700

d. As at December 31, 2019 and 2018, no deferred tax assets were recognized on deductible temporary differences amounting to ₱3,376,191 and ₱2,838,318, respectively.

e. As at December 31, 2019, significant NOLCO and MCIT of the Parent Company's subsidiaries for which no deferred income taxes were recognized are as follows:

SMMCI
As at December 31, 2019, SMMCI's NOLCO and excess MCIT that can be claimed as deduction from future taxable income are as follows:

		NOLCO		Excess
Year Incurred	Available Until	Amount	Tax Effect	MCIT
2017	2020	–	–	₱167
2018	2021	107,648	32,294	18
2019	2022	4,072	1,222	70
		₱111,720	₱33,516	₱255

The following are the movements of the SMMCI's NOLCO and excess MCIT for the years ended December 31:

	NOLCO		Excess MCIT	
	2019	2018	**2019**	2018
At January 1	**₱119,618**	₱38,930	**₱185**	₱167
Additions	**4,072**	107,648	**70**	18
Application	**–**	–	**–**	–
Expirations	**(11,970)**	(26,960)	**–**	–
At December 31	**₱111,720**	₱119,618	**₱255**	₱185

PGPI
As at December 31, 2019, PGPI's NOLCO and excess MCIT have been claimed as deduction from taxable income.

The following are the movements in NOLCO and excess MCIT for the years ended December 31:

	NOLCO		Excess MCIT	
	2019	2018	**2019**	2018
At January 1	**₱–**	₱1,119	**₱–**	₱855
Additions	–	–	–	–
Applications	**7,090**	(1,119)	–	(667)
Expirations	–	–	–	(188)
At December 31	**₱7,090**	₱–	**₱–**	₱–

28. **Equity**

Capital Stock

The details of the Parent Company's capital stock follow:

	Number of Shares	
	2019	2018
Authorized common stock - ₱1 par value	**8,000,000,000**	8,000,000,000
Issued, outstanding and fully paid:		
As at the beginning and end of the year	**4,940,399,068**	4,940,399,068

Below is a summary of the capital stock movement of the Parent Company:

Year	Date of Approval	Change in Number of Authorized Capital Stock	New Subscriptions/ Issuances***
1956	November 26, 1956	60,000,000	20,590,250
1957			30,539,750
1958			107,035
1959			1,442,500
1960	September 12, 1960	30,000,000	10,997,397
1961			1,238,500
1962			9,737,294
1963	December 16, 1993	90,000,000*	103,258,378
1964	March 6, 1964	220,000,000	65,339,520
1965			61,546,755
1966			60,959,182
1969	September 22, 1969	600,000,000	182,878,280
1970			274,317,420
1971	August 20, 1971	1,000,000,000	411,476,131
1973		4,000,000,000****	2,623,160,332
1974			1,543,035,476
1978			540,062,420
1981	August 4, 1981	5,000,000,000	1,485,171,655
1983			742,006,977
1985			815,707,473
1986			3,923,841,215
1987	August 14, 1987	9,000,000,000	3,867,787,326
1989	July 11, 1989	20,000,000,000	5,028,123,524
1990	June 27, 1990	(38,000,000,000)**	(20,549,744,536)
1991			375,852,233
1992			162,869,258
1993			179,156,183
1995			403,849
1997			985,928,483
1999	May 23, 1997	3,000,000,000	–
2007			10,781,250
2008			912,279,662

Forward

Year	Date of Approval	Change in Number of Authorized Capital Stock	New Subscriptions/ Issuances***
2009	May 22, 2009	3,000,000,000	1,019,753,789
2010			21,525,999
2011			7,619,783
2012			3,276,075
2013			3,969,250
2014			3,403,000
2015			–
2016			–
2017			–
2018			–
2019			**–**
		8,000,000,000	4,940,399,068

*This is the result of the change in par value from ₱0.10 to ₱0.05.
**This is the result of the change in par value from ₱0.05 to ₱1.00.
***Information on issue/offer price on public offering not available or information not applicable since the shares were not issued in relation to a public offering.
****Information on date of approval not available.

As at December 31, 2019 and 2018, the Parent Company's total stockholders is 43,992 and 44,040, respectively.

Retained Earnings
Retained earnings consists of the following:

	2019	2018
Retained earnings:		
Unappropriated	**₱3,325,794**	₱3,973,572
Cumulative actuarial gains	**145,487**	230,375
Total unappropriated	**3,471,281**	4,203,947
Appropriated	**10,500,000**	10,500,000
Ending balance	**₱13,971,281**	₱14,703,947

On February 29, 2016, the Parent Company declared its shares of stock in PXP as property dividends to its shareholders on March 15, 2016 record date at a ratio of 17 shares for every 100 shares held. The dividend declaration was approved by the Philippine Securities and Exchange Commission (SEC) on June 22, 2016. The Parent Company ceases to have control over PXP on July 15, 2016.

On February 28, 2017, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.04 per share as regular dividend to all stockholders at record date of March 14, 2017.

On December 13, 2013, the Parent Company's BOD approved the appropriation of ₱10,000,000 of the unappropriated retained earnings for the purposes of mine development and construction of the Silangan Project from 2016 to 2018. On February 28, 2017, the Parent Company's BOD approved further appropriation of ₱500,000 of the unappropriated retained earnings for purposes of mine and development and construction of the Silangan Project from 2017 to 2018, thereby increasing total appropriation to ₱10,500,000.

On November 7, 2017, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.04 per share as regular dividend to all stockholders at record date of November 24, 2017.

On February 27, 2018, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.04 per share as regular dividends to all stockholders at record date of March 13, 2018.

On July 25, 2018, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.035 per share as regular dividends to all stockholders at record date of August 8, 2018.

The Parent Company's retained earnings available for dividend distribution amounted to ₱5,907,185 and ₱6,558,496 as at December 31, 2019 and 2018, respectively.

As at December 31, 2019 and 2018, dividends payable amounted to ₱549,632 and ₱550,995, respectively.

NCI

	2019	2018
Percentage of ownership	1.1%	0.7%
Amount	₱273	₱258

Transactions with NCI are disclosed in Note 2.

29. Share-based Payments

2011 Parent Company Stock Option Plan (SOP)

On April 27, 2011, the BOD approved the 2011 SOP of the Company, which was concurrently approved by the shareholders on June 29, 2011. Among the salient terms and features of the stock option plan are as follows:

i) Option grant date is the date on which option is awarded under the Parent Company 2011 SOP, provided such award is subsequently accepted by eligible participant;
ii) The vesting percentage and vesting schedule of the options granted under the 2011 Parent Company SOP shall be determined by the Compensation Committee of the Board;
iii) The 246,334,118 shares representing 5% of the Parent Company's outstanding capital stock shall be initially reserve for exercise of options to be granted.
iv) The exercise price for the options granted under the 2011 Parent Company SOP shall be determined by the Compensation Committee of the Board but shall not be lower than the highest of: (i) the closing price of the shares on PSE on the Option Grant Date, (ii) the average closing price of the shares on the PSE for the 5 business days on which dealings in the shares are made immediately preceding the Option Grant Date; and (iii) the par value of shares; and
v) Any amendments to the 2011 Parent Company SOP shall be deemed adopted and made effective upon approval by shareholders owning at least two-thirds of the outstanding capital stock of the Parent Company and, to the extent legally necessary, by the SEC.

On March 5, 2013, the Parent Company received the SEC resolution approving the 2011 SOP.

The Parent Company granted 46,660,000 options under the 2011 SOP.

The Parent Company uses the Customized Binomial Lattice Model to compute for the fair value of the options together with the following assumptions:

Spot price per share	₱17.50
Exercise price per share	₱24.05
Time to maturity	7 years
Risk-free rate	3.3435%
Volatility*	49.8731%
Dividend yield	1.0031%

**Volatility is calculated using historical stock prices and their corresponding logarithmic returns.*

The following table shows the movements in 2019 of the 2011 SOP of the Parent Company:

	Number of Options	Weighted Average Exercise Price
	2019	2019
January 1	**18,020,000**	**₱22.49**
Forfeited	(1,560,000)	24.05
December 31	**16,460,000**	**₱22.34**

The following table shows the movements in 2018 of the 2011 SOP of the Parent Company:

	Number of Options	Weighted Average Exercise Price
	2018	2018
January 1	18,020,000	₱22.49
Forfeited	–	–
December 31	18,020,000	₱22.49

The number of unexercised vested stock options totaled to 16,460,000 in 2019 and 18,020,000 in 2018. The stock options outstanding are anti-dilutive. The effect of the conversion options of the convertible bonds is anti-dilutive as at December 31, 2019 and 2018.

The total share-based compensation expense for the 2011 SOP amounted to nil in 2019, 2018 and 2017. The corresponding share-based option reserve included under Additional Paid-in Capital as at December 31, 2019 and 2018 amounted to ₱353,170.

30. Basic/Diluted (Loss) Earnings Per Share

Basic (loss) earnings per share are computed as follows:

	2019	2018	2017
Net income attributable to equity holders of the Parent Company	**(₱647,778)**	₱608,456	₱1,658,087
Divided by weighted average number of common shares outstanding during the year	**4,940,399,068**	4,940,399,068	4,940,399,068
Basic (loss) earnings per share	**(₱0.131)**	₱0.123	₱0.336

Diluted (loss) earnings per share amounts are calculated as follows:

	2019	2018	2017
Net income attributable to equity holders of the Parent Company	**(₱647,778)**	₱608,456	₱1,658,087
Divided by weighted average number of common shares adjusted for the effect of exercise of stock options	**4,940,399,068**	4,940,399,068	4,940,399,068
Diluted (loss) earnings per share	**(₱0.131)**	₱0.123	₱0.336
Weighted average number of common shares adjusted for the effect of exercise of stock options	**4,940,399,068**	4,940,399,068	4,940,399,068

The effect of the conversion options of the convertible bonds is anti-dilutive as at December 31, 2019 and 2018.

31. Farm-in Agreement with Manila Mining Corporation (MMC)

On May 11, 2011, the Parent Company entered into a farm-in agreement with MMC to acquire up to 60% of the outstanding capital stock of Kalayaan Copper Gold Resources, Inc. (Kalayaan), a wholly owned subsidiary of MMC. The Parent Company purchased from MMC 125,000 shares of Kalayaan representing 5% of the outstanding capital stock for US$25,000 or ₱1,071,521. Further, the Parent Company will subscribe to additional 3,437,500 shares of Kalayaan, representing 55% of outstanding capital stock, subject to the condition that the Parent Company will fulfill the subscription services within the earlier of three (3) years following the execution of the agreement or expiry of the term of the exploration permit.

Upon acquisition of 5% stake over Kalayaan, MMC, under the Operating Agreement, grants the Parent Company exclusive, irrevocable and unconditional rights:

a. To conduct exploration and pre-development;
b. To perform all activities necessary to complete a final feasibility study for the project; and,
c. To possess and/or exercise all of Kalayaan's surface rights, to exercise, utilize and enjoy all the rights, benefits, privileges, and perform all the obligations of Kalayaan under and in relation to the exploration permit and the mineral rights, provided that Kalayaan shall remain liable for all accrued obligations under the exploration permit as at the date of the agreement.

The transaction was recorded by allocating the US$25,000 to Investment in AFS pertaining to the 5% interest in Kalayaan and to the exploration rights acquired. The acquisition cost is then allocated by valuing the investment in AFS at ₱100 and the deferred exploration cost at ₱1,071,421.

On April 19, 2017, MMC and Kalayaan agreed to extend the term of the Earn-In Period for another two (2) years and on January 24, 2019, for another two (2) years. New earn-in period will now be ten (10) years following the execution of the Farm-In Agreement and will expire on May 10, 2021.

32. Other Matters

a. The Group is currently involved in certain legal, contractual and regulatory matters that require the recognition of provisions for related probable claims against the Group. Management and the Group's legal counsel reassess their estimates on an annual basis to consider new relevant information. The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

b. DENR Issues on Mining Operations

On February 17, 2017, SMMCI and PGPI received show cause letters (Letters) from the Department of Environment and Natural Resources (DENR) directing SMMCI and PGPI, respectively, to explain why the following MPSAs should not be cancelled for being located within watershed areas:

MPSA No.	Location	Company
MPSA No. 149-99-XIII	Mainit and Placer, Surigao del Norte	SMMCI
MPSA No. 148-99-XIII	Surigao City, Sison and Placer	LMC/PGPI
MPSA No. 344-2010-XIII	Lianga and Barobo, Surigao del Sur	PGPI
MPSA No. 063-97-IX	Sibutad, Dapitan City and Rizal, Zamboanga del Norte	PGPI
MPSA No. 096-97-VI	Hinobaan, Negros Occidental	PGPI

On February 24, 2017, SMMCI and PGPI responded to the Letters stating that there is no legal nor factual basis for the cancellation of the MPSAs since the contract areas covered by the MPSAs are not located within proclaimed watershed forest reserves where mining is prohibited, and that in any case, DENR has not observed due process. SMMCI and PGPI reserve all rights to take appropriate legal action and exhaust all remedies to protect their rightful claims under contract and the law.

33. Notes to Consolidated Statements of Cash Flows

The following table summarizes the changes in liabilities arising from financing activities in 2019:

	January 1, 2019	Dividend Declaration	Availments	Payments	Accretion of interest	Effect of changes in foreign currency exchange rates	December 31, 2019
Current Liabilities:							
Bank loans	₱2,155,780	₱–	₱3,681,384	(₱3,206,711)	₱–	(₱98,703)	₱2,531,750
Dividend	550,995	–	–	(1,363)	–	–	549,632
Noncurrent Liability:							
Bonds payable	7,333,096		–	–	409,924	–	7,743,020
	₱10,039,871	₱–	₱3,681,384	(3,208,074)	₱409,924	(₱98,703)	₱10,824,402

34. Events After the Reporting Period

On February 27, 2020, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.01 per share as regular dividends to all stockholders at record date of March 13, 2020.

On January 13, 2020, the Parent Company entered into gold put option contracts covering 1,500 ounces of monthly gold production from January to June 2020 at a strike price of US$1,450 per ounce. These contracts are designated as cash flow hedge.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

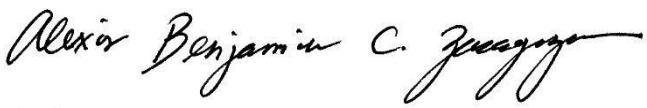
INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philex Mining Corporation
2nd floor LaunchPad,
Reliance Street corner Sheridan Street
Mandaluyong City, Metro Manila

We have examined the accompanying consolidated financial statements of Philex Mining Corporation and its subsidiaries (the Group) as at and for the year ended December 31, 2019, on which we have rendered the attached report dated February 27, 2020.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has a total number of thirty-six thousand four hundred fifty-eight (36,458) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.



Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
SEC Accreditation No. 1627-A (Group A),
April 4, 2017, valid until April 3, 2020
Tax Identification No. 246-663-780
BIR Accreditation No. 08-001998-129-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8125326, January 7, 2020, Makati City

February 27, 2020

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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Philex Mining Corporation
2nd floor LaunchPad,
Reliance Street corner Sheridan Street
Mandaluyong City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philex Mining Corporation and its subsidiaries (the Group) as at December 31, 2019 and 2018, and each of the three years in the period ended December 31, 2019 included in this Form 17-A and have issued our report thereon dated February 27, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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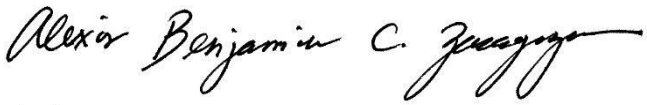
INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Philex Mining Corporation
2nd floor LaunchPad,
Reliance Street corner Sheridan Street
Mandaluyong City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Philex Mining Corporation and its subsidiaries (the Group) as at December 31, 2019 and for each of the three years in the period ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated February 27, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2019 and for each of the three years in the period ended December 31, 2019, 2018 and 2017 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



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CPA Certificate No. 109217
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November 27, 2019, valid until November 26, 2022
PTR No. 8125326, January 7, 2020, Makati City

February 27, 2020

PHILEX MINING CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Schedule
Reconciliation of Retained Earnings Available for Dividend Declaration	I
Schedule of Financial Soundness Indicators	II
Chart Showing Ownership and Relationship between the Parent Company and its Subsidiaries	III
Schedules as Required by SRC Rule 68, As Amended	IV
A. Financial Assets	
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than related Parties)	
C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements	
D. Intangible Assets - Other Assets	
E. Long Term Debt	
F. Indebtedness to Related Parties (Long-term Loans from Related Companies)	
G. Guarantees of Securities of Other Issuers	
H. Capital Stock	

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2019

PHILEX MINING CORPORATION
2nd Floor, Launch Pad Building, Reliance St., Mandaluyong City
(Amounts in Thousands)

Unappropriated retained earnings, *as adjusted to available for dividend distribution*, December 31, 2018		**₱6,558,496**
Net (loss) income during the period closed to retained earnings	**(₱724,511)**	
Less: Recognized deferred tax asset that increased net income	43,340	
Equity in net income (loss) of an associate	118,335	
Unrealized foreign exchange gains, except those attributable to cash and cash equivalent	(94,382)	
Other realized gains (loss) or adjustments to the retained earnings as a result of certain transactions accounted under the PFRSs	5,907	
	(651,311)	
Net income actually earned during the period		**5,907,185**
Less: Dividend declared during the year		–
Appropriation of Retained Earnings during the year		–
Unappropriated retained earnings as at December 31, 2019, as adjusted		**₱5,907,185**

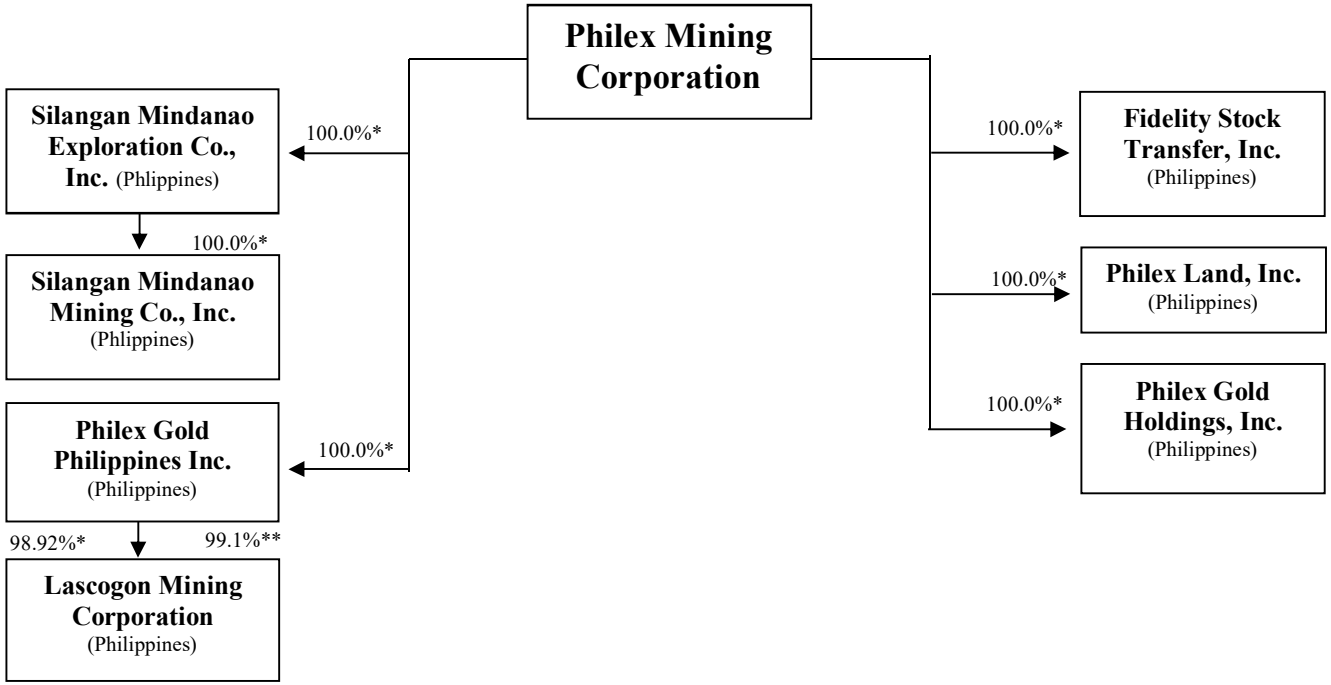
SCHEDULE II

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

	2019	2018	2017
Current/Liquidity ratios			
Current ratio	**0.59**	0.65	1.29
Quick ratio	**0.25**	0.17	0.32
Solvency ratios and debt to equity ratio			
Debt-to-equity ratio	**0.65**	0.72	0.60
Solvency ratio	**0.08**	0.13	0.22
Financial leverage ratios			
Asset-to-equity ratio	**1.65**	1.72	1.60
Interest rate coverage ratio	–	–	–
Profitability ratios			
Return on assets	**-1.65%**	1.51%	4.23%
Return on equity	**-2.51%**	2.51%	6.89%
Net profit margin	**-7.96%**	7.96%	18.14%

SCHEDULE III

PHILEX MINING CORPORATION AND SUBSIDIARIES
CHART SHOWING OWNERSHIP AND RELATIONSHIP BETWEEN THE PARENT COMPANY AND ITS SUBSIDIARIES
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019



*Interest of immediate parent
**Effective interest of Philex Mining Corporation

SCHEDULE IV
PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE A
FINANCIAL ASSETS
(Amounts in Thousands, Except Number of Shares)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Investments in quoted shares:			
The Philodrill Corporation	277,500,000	₱3,053	₱–
Wack Wack Golf and Country Club	1	39,500	
Manila Polo Club	1	24,500	
Valle Verde Country Club	3	810	
		67,863	
Investments in unquoted shares:			
Pacific Global One Aviation	1	37,500	–
Philippine Associated Smelting and Refining Corporation	14,047,247	14,055	–
Others	Various	1,480	–
		53,035	–
		₱120,898	₱–

The Group elected to classify irrevocably its equity investments as financial assets measured at FVOCI as it intends to hold these investments for the foreseeable future. Financial assets measured at FVOCI are valued based on market quotation as of December 31, 2019. Financial assets measured at FVOCI are carried at fair value with cumulative changes in fair values presented as a separate account in equity.

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE B
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2019

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
PXP Energy Corporation	₱1,387,370	₱737,815	(₱2,125,185)	₱–	₱–	₱–	₱–

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION
December 31, 2019
(Amounts in Thousands)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Subsidiary: *(Advances)*							
Silangan Mindanao Exploration Co., Inc.	₱329,232	₱96,300	(₱–)	(₱–)	₱425,532	₱–	₱425,532
Silangan Mindanao Mining Co., Inc.	1,324,341	414,462	(20,297)	(–)	1,718,506	–	1,718,506
	₱1,653,573	₱510,762	(₱20,297)	(₱–)	₱2,144,038	₱–	₱2,144,038

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE D
INTANGIBLE ASSETS - OTHER ASSETS
December 31, 2019
(Amounts in Thousands)

Description	Beginning balance	Additions at Cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
i) Intangible Asset						
Goodwill	₱–	₱–	₱–	₱–	₱–	₱–
ii) Other Assets						
Deferred exploration costs	29,273,184	1,168,517	–	–	–	30,441,701
Allowance for impairment	(3,825,412)	–	–	–	–	(3,825,412)
	25,447,772	1,168,517	–	–	–	26,616,289
Input tax – non current portion	409,696	23,733	–	–	–	433,429
Others	63,202	126,079	–	–	–	189,281
Allowance for write down	–	–	–	–	–	–
	472,898	149,812	–	–	–	622,710
	₱25,920,670	₱1,318,329	₱–	₱–	₱–	₱27,238,999

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE E
LONG TERM DEBT
December 31, 2019

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt"	Amount shown caption "Long-term Debt"
Convertible Bonds	₱7,200,000	₱–	₱7,743,020[1]

Note:

1. On December 18, 2014, SMECI, with PMC as the co-issuer, issued 8-year convertible bonds with a face value of ₱7,200,000 at 1.5% per annum payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at ₱18 per share 12 months after the issue date ("Standstill Period"). At redemption/maturity date, the bonds can be redeemed together with the principal or face value of the bonds at a premium, payable at a rate of 3% per annum compounded semi-annually based on the face value of the bonds and unpaid accrued interest (if there be any). Bonds amortization is calculated on the effective interest basis by applying EIR of 6.97% per annum (compounded semi-annually) for an equivalent non-convertible bonds at the date of issue of the convertible bond to the liability component of the convertible bonds.

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE F
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
December 31, 2019

Name of the Related Party	Balance at beginning of period	Balance at end of period

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE G
GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2019

Name of the issuing entity of securities guaranteed by the company for which the statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is lifted	Nature of guarantee

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE H
CAPITAL STOCK
December 31, 2019

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	8,000,000,000	4,940,399,068	–	–	6,770,091	–

Annex A: Sustainability Report Disclosures

Company Details

Name of Organization	Philex Mining Corporation
Location of Headquarters	2nd Floor Launchpad, Reliance Street corner Sheridan Street, Mandaluyong City 1550, Philippines
Location of Operations	• Padcal Mine: Padcal, Tuba, Benguet • Silangan Project: Surigao del Norte • Bulawan Project *(under care and maintenance status)*: Sipalay City, Negros Occidental • Sibutad Project *(under care and maintenance status)*: Municipalities of Rizal and Sibutad, Zamboanga del Norte
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This report discloses information only the material projects over which Philex Mining Corporation (PMC) has direct or joint management control.

Business Model, including Primary Activities, Brands, Products, and Services	PMC is primarily engaged in large-scale exploration, development and utilization of mineral resources. PMC was incorporated in the Philippines in 1955 and was listed in the Philippine Stock Exchange on November 23, 1956.
	
	For the past 62 years, the Company has operated the Sto. Tomas II deposit (Padcal Mine) in Padcal, Tuba, Benguet Province – the first underground block caving operation in the Far East. Padcal Mine produces copper concentrates, containing copper, gold and silver.
	
	• *Mining Business (wholly owned subsidiaries):*
	  ○ Philex Gold Philippines, Inc. (PGPI): operated the Bulawan gold mine in Sipalay, Negros Occidental until its decommissioning in 2002; also developed the mine sites in Sibutad, Zamboanga del Norte and Lascogon, Surigao del Norte
	  ○ Silangan Mindanao Exploration Co., Inc. (SMECI): completed the acquisition of the Silangan Copper and Gold Project (Silangan

	Project) in Surigao del Norte, Northeastern Mindanao in 2010. ○ Silangan Mindanao Mining Co., Inc. (SMMCI): potential development of the Silangan Mega Copper and Gold Project in Surigao del Norte, Northeastern Mindanao starting in 2022. ● *Energy and Hydro-Carbon Business (affiliate):* ○ PXP Energy Corporation (PXP Energy, formerly Philex Petroleum Corporation): upstream oil and gas production
Reporting Period	January 1 to December 31, 2019
Highest Ranking Person responsible for this report	Mr. Eulalio B. Austin Jr. President and CEO Philex Mining Corporation

Materiality Process

For the purpose of this report, PMC uses the definition of materiality under the Global Reporting Initiative (GRI): "Those topics and indicators that reflect the organization's significant economic, environmental, and social impacts or that would substantively influence the assessments and decisions of stakeholders."

PMC started the process of identifying the most material topics to its business operations and to its stakeholders in 2015. It continues to assess these topics every year along with tracking its performance. To determine the risks, opportunities, and other factors that materially impact its ability to create long-term sustainable value, PMC undergoes this materiality process:

1. **Identification:** The Company performs risk assessments to ensure that it is able to address them expeditiously and in the most efficient way. It undergoes risk management processes, review of internal performance and its impacts on the external environment, and robust engagement with both internal and external stakeholders.
2. **Analysis:** Material matters are evaluated according to the significance of their potential effects to the Company and its key stakeholders.
3. **Prioritization:** The material topics are built into PMC's corporate strategy, governance frameworks, risk management systems, and operational management processes.
4. **Reporting:** The Company reports the information to stakeholders through the annual publication of our Sustainability Report that expands on its financial reporting.
5. **Engagement:** Most material matters relating to sustainability are determined through continuous engagement with internal and external stakeholders, such as employees, contractors, affected people in our host communities and government representatives. The information obtained from these engagements is analyzed and collated into material topics most representative of the sentiments of all stakeholder groups.

The table below shows the material topics organized into key focus areas:

FOCUS AREAS	MATERIAL TOPICS	STAKEHOLDERS AFFECTED	RELEVANCE

Financial Returns	Revenue Payments Local employment Share value (stocks) Fluctuation in metal prices (world market) Mining exploration	Company Shareholders Business partners, lenders Employees Contractors, suppliers	Consistent earning power and steady financial growth help ensure the Company's sustainability as an enterprise.
Corporate Governance	Leadership in corporate governance Internal process management	Company Shareholders Business partners, lenders, suppliers	Good governance in the form of obeying company codes of conduct, avoiding bribes, adhering to procurement rules, among other things helps the Company realize long-term benefits, including reducing risks, attracting new investors and shareholders, and increasing its equity.
Legal Compliance	Compliance with regulatory requirements	Regulators Lenders	Adhering to strict regulatory guidelines and policies enables the Company to protect its reputation as well as its relationships with its stakeholders.
Labor Practices	Strikes, lockouts Freedom of association Recruitment and employment Employee relations	Company Employees	PMC considers its workforce as its most valuable asset, and believes that sound labor practices and relationships are key to the long-term sustainability of its enterprise.
Environmental Conservation	Energy Management ● Electricity generation and consumption ● Energy efficiency in operations ● Fuel consumption Water Management ● Impact on water sources and of water pollution ● Water quality and discharge	Company Regulators Local communities Civil society	Reducing or minimizing the environmental impact of the Company's operations is paramount to the creation of its sustainable value and reputation.

	• Tailings pond management • Efficiency in water consumption • Water recycling Waste/Chemicals Management • Oil spill management • Reagents management • Solid waste management Land Resource Management • Land rehabilitation and reforestation • Biodiversity and Ecosystem Management • Geologic risk assessments Air Quality Management • Ambient air quality monitoring • Dust and noise pollution		
Community Development	Dust and noise issues Diseases and illnesses Risks and conflicts with local communities and indigenous peoples Information, consultation, and participation mechanisms	Stakeholders in the communities where we operate	PMC provides Social Development and Management Programs to demonstrate its corporate social responsibility and long-term commitment to the sustainability of its host communities.
Health and Safety	Education and training Safety procedures in the facility Safety performance monitoring	Employees, workers Contractors	Strict enforcement of safety standards and protocols, and safeguarding the health and well-being of its employees and workers are essential to the Company's sustainable practices.
Facility Protection	Emergency preparedness License to operate Supplier screening Security of site	Company Employees, workers Contractors	Ensuring the protection of its facility is critical to PMC's local operations and

			the creation of long-term value.

ECONOMIC PERFORMANCE

Direct Economic Value Generated and Distributed

Disclosure	Amount in Php	Details
Direct economic value generated (revenue)	6,789,566,000	Audited Consolidated Income in 2019
Direct economic value distributed:		
a. Operating costs	6,916,663,000	Audited Consolidated Income in 2019
b. Interest payments on all forms of debt and borrowings	242,096,000	Consist of interest on local bank loans (Php120.76 million) and interest on CN (Php121.34 million)
c. Employee wages and benefits*	1,047,438,000	
d. Dividends given to stockholders	—	No dividend payments in 2019
e. Taxes given to government	742,407,000	All taxes and fees paid, including income tax
f. Investments to community	95,260,624	Under the Company's Social Development and Management Program (SDMP) for 2019 (includes project expenses carried over from 2017-2018)
g. Donations	40,403,000	Voluntary donations to other organizations (e.g., charities, schools, non-government organizations)

Discussions

Identification of Impact	Stakeholders Affected	Management Approach, Risks & Opportunities
1. Revenues from Mining Operations		

Tons milled totalled 8,112,791 in 2019, lower by 5% than in 2018. Copper production reached 25,737,207 pounds in 2019 versus 26,574,686 pounds in 2018. Gold production totalled 53,064 ounces in 2019 compared to 61,977 ounces in 2018. As a result, gross revenues dipped to P7.4 billion in 2019, lower than P8.3 billion in 2018, mainly due to the declining metal production since 2017 as the Company nears its mine life. This was in addition to various internal and external factors such as lower metal prices, higher operating costs related to ageing equipment, and pillar instability underground that can cause stoppage of mining operations. Metal production was also affected by declining ore grades as the Company continued to extract ores from the fringes of the ore body. *For more information on the Company's results of operations and financial conditions, please refer to the 2019 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements contained in its SEC Form 17-A.*	Company Shareholders Business partners, lenders	Mining operations are constrained by an ore body's life of mine and sustainability depends largely on the pipeline of commercially viable mining deposits. The declining ore-grade situation and tonnage due to the mature state of the Padcal ore body will continue to be an operational risk that will have a material impact on PMC's ability to meet its metal production target. PMC also enters into hedging contracts to mitigate the impact of global price volatility in revenues. The Company expects to undertake a debt reduction program from 2020 onwards. The business focus for 2020 has been dubbed "Bridging the Gap" as PMC continues to sustain and maximize the potential of Padcal Mine operations while at the same time searching for additional mine assets that can be developed within or at the vicinity of the Padcal Mine area. Management, in partnership with its financial advisors, is doubling its efforts to find the strategic partner for the implementation of the Silangan Project in Surigao del Norte once all regulatory permits are obtained.
2. Operating Costs		
Operating Costs and Expenses (Opex) went up to P6.92 billion in 2019 from P6.82 billion in 2018 on account of higher non-charges due to asset depreciation in the first quarter. Beginning in the second quarter 2019, Opex fell due to lower tonnage and the continuous implementation of cost-saving programs. *For more information on the Company's results of operations and financial conditions, please refer to the 2019 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements contained in its SEC Form 17-A.*	Company Shareholders Business partners, lenders	To mitigate other operational risks: ● The Company is installing new equipment and commissioning other sub-mining levels to improve operational flexibility and address the unpredictable underground conditions in Padcal mine that caused lower tonnage and metal output in 2019. ● The Company is implementing and adhering to strict process and maintenance procedures to address the

		operational risk due to the failure to secure replacements or spare parts to the ageing mine. ● PMC is also exploring the possibility of writing off of mine and mining assets. In addition, it is also exploring joint ventures or farm-in/out agreements with interested parties to reflect their fair value in the balance sheet.
3. Employee Wages and Benefits		
The Company continued to keep its General and Administrative Expenses (G&A) under control for the past three years. In 2019, G&A decreased further to P287 million from P306 million and P363 million in 2018 and 2017, respectively.	Company Shareholders Employees	PMC is determined to manage costs and expenses to stay competitive in the face of global market volatility and the declining ore grade from Padcal Mine . In 2019, it continued the implementation of cost management programs such as manpower rationalization at the head office and in Padcal Mine.
4. Taxes Paid to the Government		
Lower net revenues consequently reduced the excise taxes and royalties the Company paid to the government in 2019. At P427 million, this represented a decline from P506 million in 2018. However, newly enacted legislations provisioned for the doubling of excise tax rate levied on mining products caused the increase in 2018. *For more information on the Company's results of operations and financial conditions, please refer to the 2019 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements contained in its SEC Form 17-A.*	Company Government	The Company has been dutifully paying royalties and other taxes to the government as part of its compliance as well as corporate governance mandate.
5. Investments to Community		
In 2019, the Company invested P95 million in its Social Development and Management Program (SDMP). Pursuant to Republic Act 7942 and DAO's 2010-21, the amount allocated to the SDMP should be 1.5%of the company's total operating cost.	Stakeholders in host and neighboring communities	PMC's 2019 SDMP has helped its host and neighboring communities through its Health, Education, Livelihood, Public Infrastructure, and Socio-cultural programs or (HELPS). Under this program, the Company is able to:

More information on the Company's SDMP can be found under the Social Performance section of this report.		• Bring quality health services closer to its host and neighboring communities; • Implement educational programs (including scholarships) that gave wider access to quality education; • Create livelihood opportunities and assistance that led to better agroforestry production and increased household incomes; • Help build needed infrastructure and provide various farm equipment, resulting in increased household savings; • Develop and improve water systems that ensure water supply availability for the community's household and farms.

Climate-Related Risks and Opportunities

Impact: Given the nature of its business, PMC is inherently exposed to climate-related and other environmental risks. Natural disasters such as earthquakes, floods and landslides could potentially damage Company facilities and surrounding infrastructure, block access to its mining assets, injure workers, and result in a suspension of its operations. Rising temperatures can also result in the scarcity of water, which is a critical resource to PMC's operations. All these could materially and adversely affect the Company's business, financial condition, results of operations, and business outlook.

Strategy: PMC has been investing in climate change adaptation in and around its mine sites to manage the risks that climate change poses. Such investments also help to build the adaptive capacities of the local communities that host its mine sites.

Risk Management: To manage climate-related risks, the Company puts a great amount of effort and invests a substantial amount of resources into environmental protection and rehabilitation through its Environmental Protection and Enhancement Program. This is in addition to ensuring compliance with all applicable environmental laws and regulations.

Metrics	Initiatives / Targets

Governance on Climate-Related Risks	The Company has adopted an environmental policy statement, which is consistent with ISO 14001 Certification on Environmental Management Systems.
Risk Management and Mitigation	The Company is covered by a comprehensive insurance policy, with a business interruption clause, to respond to climate-risk eventualities and other forms of disruptions. In addition, PMC is also currently negotiating for pollution liability insurance coverage to mitigate the impact of environmental pollution-related events. To avoid a repeat of the forest fire incidents that occurred in 2019, the Company conducted fireline (grass-cutting) activities, covering a total of 224,552 sq.m. It also reforested 45 hectares of land and replanted 110 hectares of the old plantation with coffee plants previously damaged by forest fire. These coffee plants will potentially yield additional income for the community in the coming years.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Amount	Unit
Procurement budget used for significant locations of operations that is spent on local suppliers	1,890,000,000	Php
Proportion of procurement budget used for significant locations of operations that is spent on local suppliers	70	%
Specify the geographical definition of 'local'	Manila, Baguio, Benguet, Panagasinan, other provinces inside the Philippines	
Specify locations of overseas suppliers	Australia, Canada, China, Sweden, United Kingdom	
Total no. of suppliers (local and overseas)	473	
Total no. of local suppliers	400	
Total no. of overseas suppliers	73	
Percentage of local suppliers out of total suppliers	85	%

Discussions

Identification of Impact	Stakeholders Affected	Management Approach, Risks & Opportunities
Greening the Supply Chain		
PMC takes into account the environmental impact of a product or service when making purchasing decisions. This demonstrates the Company's serious commitment to being a responsible miner.	Company Suppliers	Under the Company's Integrated Management System (IMS) is the integrated Risk Register where environmental and social risks along the supply chain are identified, monitored, and acted upon. PMC reviews these risks yearly and makes quarterly updates. PMC implements Green Purchasing (SCM.PRO.14.00) in which chemical compositions and product testing of materials delivered are required. PMC also has a Supply Chain Manual (SCM.PRO.14.00) in which the following policies in dealing with all suppliers are enforced: ● Supply Chain (SC) Process Compliance and Audit ● SCM.PCA.01.00 - Vendor Accreditation ● SCM.PCA.02.00 - Vendor Database Maintenance ● SCM.PCA.03.00 - Vendor Performance Evaluation ● SCM.PCA.04.00 - Vendor Relations Management ● SCM.PCA.05.00 - Records and File Maintenance In addition, supplier accreditation also takes into account the environmental performance of the supplier, the use of forced or child labor, observance of human rights, anti-bribery and corruption policies with the supplier's organization.

Anti-Corruption

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#

Number of incidents in which employees were dismissed or disciplined for corruption	1	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	1	#

Training on Anti-Corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

Discussions

Identification of Impact	Stakeholders Affected	Management Approach, Risks & Opportunities
Code of Business Conduct		
PMC has a Code of Business Conduct and Ethics which upholds professionalism and ethics in business dealings and transactions. This includes policies on vendor relations and on gifts, entertainment, and sponsored travel.	Company Employees Suppliers/vendors	Under the Company's Gifts, Entertainment, and Sponsored Travel Policy, directors, employees, and consultants shall refrain from putting themselves in situations or acting in a manner that could significantly affect the objective, independent, or effective performance of their duties and responsibilities in the Company. Directors, employees, and consultants who have received gifts, entertainment, and sponsored travel from any third party, with whom the Company does business or proposes to do business, whether directly or indirectly, shall inform their donor that these were received in behalf of the Company and shall be handled in accordance with Company policy (P4,000.00 limit). Sponsored travel from third parties requires disclosure and prior approval from the superior, and this approval shall conform to the terms of this policy. In 2019, the

		Company did not receive any reports of violations of this policy. PMC has also been enforcing a Supply Chain Management Conduct Policy since 2012 to avoid impropriety in the conduct of purchasing supplies and services. The policy also contains provisions to avoid conflict of interest where an employee has an interest in another company dealing with the PMC, among others. A Vendor Relations Policy puts emphasis on the decorum required when dealing with suppliers.

ENVIRONMENTAL PERFORMANCE

Resource Management

Energy Consumption within the Organization

Within the Organization	Quantity	Units
Electricity (including consumption of Head Office)	279,656,497	kwh
Gasoline	6,727	liters
LPG	Not utilized in the operation	GJ
Diesel	4,061,295	liters
Per Load Center		
Mill	182,732,509	kWh
Mine	65,706,664	kWh
Banget Compressor	16,294,300	kWh
Residential	7,298,366	kWh
Padcal Compressor	3,170,203	kWh
Domestic Water	2,371,253	kWh
TSF	587,301	kWh
Admin	270,770	kWh
Assay	333,619	kWh

Warehouses	281,281	kWh
Power Rented	238,749	kWh
Motorpool	117,190	kWh
Hospital	41,928	kWh
Power Plant Lightings	1,523	kWh
Total	**279,445,656**	**kWh**

Reduction of Energy Consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	*Data not provided in 2018 report*	GJ
Energy reduction (LPG)	*Not applicable*	GJ
Energy reduction (diesel)	*Data not provided in 2018 report*	GJ
Energy reduction (electricity)	3,357	GJ
Percentage of energy reduction (vs. 2018)	34.525%*	%

**Attributable to Power Load Shedding Program (see discussions below)*

Discussions

Identification of Impact	Stakeholders Affected	Management Approach, Risks & Opportunities
Energy Efficiency		
Energy is a critical input factor for PMC's production and represents a significant cost. Thus the Company strives to achieve energy efficiency to secure necessary supply while reducing its carbon footprint.	Company	The Company strictly monitors and manages its energy consumption through the following: ● An Energy Conservation Program is integrated in the IMS Manual Vol. 2 (ENV-STD-007 Energy Conservation) that ensures that processes are developed, implemented, and maintained by the Company for the efficient use of natural resources, energy, and high-value materials in areas of its operation. ● Since 2014, PMC has been implementing a Power Load

		Shedding (PLS) Program that aims to reduce electricity supply in the residential areas in Padcal by up to 5 hours a day. ● PMC substations have a Certificate of Electrical Inspection from the Mines and Geosciences Bureau-Cordillera Administrative Region, which is renewed annually.

Water Consumption within the Organization

Disclosure	Quantity	Units
Water withdrawal	9,465,329	Cubic meters
Water consumption	17,395,731*	Cubic meters
Water recycled and reused	7,930,402	Cubic meters

**Sum of total withdrawn, total recycled, domestic consumption, and Head Office consumption*

Materials Used by the Organization

Disclosure	Quantity	Units
Materials used by weight or volume		
● Renewable water	8,887,636	Cubic meter
● Non-renewable (Reagents)	3,307,596	kg
● Collectors	272,000	kg
● Frother	66,000	kg
● Lime	3,308,000	kg
Percentage of recycled input materials used to manufacture the organization's primary products and services (water)	47*	%

**Total recycled water divided by total water consumed for operation (fresh water withdrawn from the operation and recycled water)*

Ecosystems and Biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	
Habitats protected or restored *(see details below)*	839.91	ha
IUCN[1] Red List species and national conservation list species with habitats in areas affected by operations	44 plant species 38 animal species*	#

**Source: "Biodiversity and Ecology in Tuba and Itogon, Benguet: A Science-Based Assessment for Sustainable and Resilient Mountain Ecosystem" prepared by the researchers of the University of the Philippines-Los Baños*

Details on Habitats Protected or Restored

Name of Project	Area disturbed (hectares)	Project Status	Area reforested (hectares)	Type of reforestation	Type of species planted
PMC - Padcal Mine	580	MPSA-276 Operation	2,950	Forest Plantation/Agro Forestry	Calliandra, Benguet Pine, Gmelina, Kupang, Alnus, Antsoan Dilau, Eucalyptus, Agoho, Narra, Teak, Balete. Bishop Tree, Ficus nota, Oak tree, Dapdap, Falcata, Acacia Mangium, Molave, Banaba, Coffee, Mango, Avocado, Lanzones, Rambutan, Cacao, Bamboo, Guava, Jackfruit, etc.
PGPI- Bulawan	146	MLC-MRD510 Care & Maintenance	823	Forest Plantation	Mangium, Auri, Mahogany, Gmelina, Rain tree Coffee
PGPI- Sibutad	38	MPSA-063 Care & Maintenance	184	Forest Plantation	Mangium and Auri
			38	Mangrove Plantation	Bakauan ((Rhizophora Mucrunata)
PMC-LMC Surigao	37	MPSA-148 Exploration	5	Forest and Agro-forestry	Falcata, narra, mangium, coffee
SMMCI	24.91	MPSA-149	179.24	Agro-forestry	Mahogany, Mangium, Falcata, Narra, Cacao, Coffee, Palawan Cherry, Lanzones, Marang, Rambutan, etc.
Kalayaan, Surigao	14		9	Agro-forestry	Falcata, coffee
Total	**839.91**		**4,188.24**		

** Areas on Assisted Natural Regeneration (ANR) are included*

[1] International Union for Conservation of Nature

Environmental Impact Management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	*No carbon audit conducted in 2019*	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions		Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)		Tonnes

*Gas Concentration**

Maximum Allowable Concentration**	Oxygen O2 (%)	Nitrogen Monoxide (CO) (PPM)	Carbon Monoxide (CO) (PPM)
	Min.= 19.5% Max.= 23.5%	5 PPM	100 PPM
2019 Average	20.40	0.08	16

** Based on the results of the Quarterly Gas Concentration Measurement conducted at selected areas underground.*
*** Despite the acceptable reading of gas concentration, workers were still advised to maintain the used of the prescribed Personnel Protective Equipment (PPE), such as respirators, at underground work areas*

Air Pollutants

Disclosure	Quantity	Units
NO_x	*The Company monitors air quality through the Air Quality Monitoring equipment (EBAM) PM 2.5. The results range from good to fair.*	kg
SO_x		kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

Air Pollutants	Location	Daily Average** (µg/m3)	Maximum Permissible

		Q1	Q2	Q3	Q4	Limit* (µg/m3)
PM2.5*	Mill Plant	36	25.40	32.67	***	50
	Outside Mill Plant	21.33	23.44	32.50	***	

** Pursuant to DENR Administrative Order (DAO) 2013-13 which provides national ambient air quality guideline values for Particulate Matter 2.5 (PM2.5)*
*** Based on the results of the conducted air quality monitoring, the levels of the air pollutant were below the maximum permissible limit set by the DENR as per DAO 2013-13 in accordance with R.A. 8749 or the Clean Air Act of the Philippines.*
**** No conducted air quality monitoring for Q4 due to the calibration/maintenance of equipment.*

Solid and Hazardous Wastes

Hazardous Waste

Disclosure	Unit	Quantity	Disposal Method
Sulfuric Waste	Liters	8	Neutralization with naOH/lime and disposed of in the tailings Storage Facility (TSF)
Hydrochloric Acid		1,015	
Nitric Acid		568	
Ammonium Hydroxide		79	Neutralization with acid and disposed of in the tailings Storage Facility (TSF)
Lime	Tons	3,309	Neutralization with volume of water and disposed of in the TSF
Sodium Isobutyl Xanthate		274	Disposed in the TSF
Mine Tailings		8,056,829	Impounded at TSF 3
Lead-Contaminated Assay Waste		4.87	Transported by DoloMatrix Philippines, Inc.
Asbestos-Containing Materials (ACM)		2.6	Transported by DoloMatrix Philippines, Inc.
Pathological waste		0.6	Hauled by Red Stallion
Used Oil and Water Mixture	Kg	28,360	Transported by DoloMatrix Philippines, Inc.
Used Greased, Oil-Contaminated Sand and Other Oil-Contaminated Wastes		36,570	
Used Lead-acid Batteries (ULABs)		1,750	
Wastes Electrical and Electronic Equipment (WEEE)		400	

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	24,493,838	Cubic meters
Percent of wastewater recycled	None	%

Environmental Compliance

Non-Compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

Discussions

PMC strives to ensure that the environmental impact of its business operations is mitigated and/or minimized and that it strictly abides by regulatory standards and policies. Below are details of its initiatives on environmental management:

Identification of Impact	Stakeholders Affected	Management Approach, Risks & Opportunities
Managing Air Quality		
	Host communities	The Company implements the following initiatives to efficiently manage air quality: ● Regular monitoring of ambient air quality, both in the industrial and administrative areas of Padcal Mine and around the vicinity of its host and neighboring communities. The air quality index has been rated 'Good' to 'Fair'. ● Running a ventilation system in the underground to ensure that good air quality is circulating in working areas. Driving of ventilation drifts/raises and maintenance of all existing blowers were also undertaken. ● Requiring workers to use respirators in various working areas. ● Maintaining dust collectors of the secondary crushing plant in the mill plant. ● Maintaining the fume heads at the secondary heads at the secondary crushing plant. ● Requiring workers assigned in the areas to wear Personal Protective Equipment (dust masks/respirators). ● Undergoing an annual smoke emission testing for its vehicles and equipment of Philex, as mandated by law. Emission

		test certificates of Company vehicles and equipment are submitted to the Land Transportation Office during annual registrations. ● Implementing a 5-minute warmup of cold engines to minimize unburnt gases. ● Strictly implementing preventive maintenance of all surface equipment.
Managing Water Use		
Water is a valuable resource to the Company's Mill Plant operations. PMC's mill obtains its raw water from three sources: the Sal-angan river, CYM tunnel, and Smith Tunnel water reservoir overflow. Sal-angan river is the main source of raw water for the mill year-round while CYM and Smith tunnels provide water during rainy seasons. Water supply poses a major challenge for the processing plant during the dry season (February to May) so PMC promotes efficient water management to ensure continuous operations. In 2019, a total volume of 7,930,402 cubic meters of raw water was pumped from Sal-angan river.	Host communities	● The Company observes the efficient use of water resources under its Water Management Plan, which is integrated in the IMS Manual Vol. 2 (ENV-STD-006 Water Management). This ensures that processes are developed, implemented, and maintained to comply with the applicable regulations of RA 9275 (Clean Water Act).
Managing Solid Waste		
PMC practices ecological solid waste management as part of being a responsible miner and in accordance with the requirements under its Environmental Compliance Certificate issued by the Environmental Management Bureau of the DENR.		● The Company operates a sanitary landfill at the Tailings Storage Facility (TSF) No. 2 for residual waste and segregation at source is strictly enforced. It also recycles materials, which are sorted and then sold to DENR-accredited recycling companies. ● A Waste Management Plan is integrated in its IMS Manual Vol. 2 (ENV-STD-002 Waste Management), ensuring that processes are developed, implemented, and maintained in the proper identification, treatment, storage, and disposal of waste. ● Strict compliance with Republic Act 9003 (Ecological Solid Waste Management Act), RA 6969 (Hazardous Materials Management), as well as the Department of Health's and the DENR's Joint Order # 2, Series of 2005 on Policies and Guidelines on Effective and Proper Handling, Collection, Transport,

		Treatment, Storage and Disposal of Health Care Waste. ● In 2019, PMC installed gas vents and created sampling pond/leach pond in its TSF #2 Sanitary Landfill. This was in compliance with the Environmental Management Bureau-Cordillera Administrative Region's (EMB-CAR) recommendation during its Multipartite Monitoring Team (MMT) inspection and with ECC conditions on sanitary landfills.
Managing Waste Water		
Water is a shared resource between the Company and its host and neighboring communities. Thus, PMC recognizes its responsibility to prudently manage its water consumption and monitor the water quality in its areas of operation, both for surface water and drinking water sources.	Company Host communities	● Strict enforcement of Water Quality Guidelines and General Effluent Standards under DAO No. 2016-08, which calls for regular monitoring of water effluents. ● Regular effluent monitoring and analysis is conducted at strategic sampling points within and outside the Padcal Mine. All safety measures and maintenance works are undertaken to ensure smooth operations of tailings conveyance to TSF #3 reservoir. ● Philex Mill operates two megastructure tailings thickeners, which re-circulate back the water to the plant as process water while feeding the underflow into the tailings storage pond (Tailings Storage Facility or TSF) through a 2.7-km long pipeline. PMC also installed a tailings cyclone to increase the percentage of water recovery. These thickeners play an important role in the milling process and significantly reduced PMC's dependence on fresh/raw water. ● A detailed Tailings Management Framework (ENV-STD-001 Tailings Management) is included in the Company's IMS Manual, containing policy and commitment, planning, good practices, implementation, and management review for continuous improvement.
Managing Land Resource and Protecting Biodiversity		
PMC promotes the progressive rehabilitation of its land resources as part of its land resource management. Protection	Host communities	● Rehabilitation of decommissioned mine sites in Sibutad, Zamboanga del Norte and Bulawan, Negros Occidental. The

of habitats and biodiversity is also part of its commitment to its host communities.		Company is also continuing its progressive rehabilitation initiatives in Padcal mine site while still operational. ● PMC commissioned an independent Biodiversity Assessment Study which will serve as the baseline for its Biodiversity Conservation Plan. The study was conducted by the University of the Philippines Los Baños in 2019.

SOCIAL PERFORMANCE

Employee Management

Employee Hiring

Disclosure	Quantity	Units
Total number of employees[2]	1,845	#
a. Number of female employees	129	#
b. Number of male employees	1,716	#
Attrition rate[3]	-0.0085	%
Ratio of lowest paid employee against minimum wage	1.81:1	ratio

Employee Benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100	100
Philhealth	Y	100	100
Pag-ibig	Y	100	100
Parental Leaves	Y	10	6
Vacation Leaves	Y	100	100
Sick Leaves	Y	33	54
Medical Benefits aside from Philhealth	Y	87	57
Housing Assistance (aside from Pag-IBIG)*	Y	95*	
Retirement Fund (aside from SSS)	Y	0.78	4
Educational Support**	Y	18**	
Company Stock Options			
Telecommuting (Work from Home)			
Flexible Working Hours			
Others			

[2] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[3] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

**Free housing in Padcal – 95% of Padcal site employees are availing of the free housing*
***For Head Office – educational support/free elementary and subsidized high school education for Padcal Mine employees*

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	5,315	hours
a. Female employees	1,004	hours
b. Male employees	4,311	hours
Average training hours provided to employees		
a. Female employees	8	hours/employee
b. Male employees	3	hours/employee

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	91	%
Number of consultations conducted with employees concerning employee-related policies	40	#

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	7	%
% of male workers in the workforce	93	%
Number of employees from indigenous communities and/or vulnerable sector*	759	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	7,442,808	Man-hours
No. of work-related injuries	10	#
No. of work-related fatalities	5	#
No. of work related ill-health	0	#
No. of safety drills/trainings	256	#

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	The Company does not practice forced labor and ensures the individual's right to personal dignity. This policy is contained in PMC's Corporate Social Responsibility Manual, ISO 26000.
Child labor	Y	The Company is compliant with labor standards setting the age of qualified applicants to 18 years old for those in surface operations and 21 years old for underground operations. This is part of the hiring policy of PMC.
Human Rights	Y	PMC is committed to conducting its business with respect for all internationally recognized human rights, and is dedicated to doing so consistently. This policy is contained in PMC's Corporate Social Responsibility Manual, ISO 26000.

Supply Chain Management

Do you have a supplier accreditation policy?

The Company has a Supply Chain Manual that lays down the policies in dealing with suppliers under the Supply Chain (SC) Process Compliance and Audit:

SCM.PCA.01.00 - Vendor Accreditation
SCM.PCA.02.00 - Vendor Database Maintenance
SCM.PCA.03.00 - Vendor Performance Evaluation
SCM.PCA.04.00 - Vendor Relations Management
SCM.PCA.05.00 - Records and File Maintenance

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Under PMC's Supply Chain Manual (SCM.PRO.14.00), the life cycle environmental impact is considered in all purchasing decisions, when appropriate. The Company implements Green Purchasing (SCM.PRO.14.00) in which it requires chemical compositions and product testing of materials delivered.
Forced labor	N	*To be considered in the succeeding report*

Child labor	N	*To be considered in the succeeding report*
Human rights	N	*To be considered in the succeeding report*
Bribery and corruption	Y	PMC's Code of Business Conduct and Ethics governs the professional behavior and ethics in all business dealings and transactions of PMC employees. The Company also has a Vendor Relations Policy and Policy on Gifts, Entertainment and Sponsored Travel to avoid conflict of interest when dealing with suppliers and vendors. The policy is in PMC's website: http://www.philexmining.com.ph/0ur-policies/

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Mining operations	Camp 3, Tuba, Benguet and Ampucao, Itogon, Benguet	Individuals living in ancestral lands (Children and youth, elderly, persons with disabilities, poor)	Y	1. Water for household and farming. 2. Continuation of mining operation and its social development programs.	Water systems for households, farms, and schools have been installed. Various health, education, livelihood, socio-cultural and infrastructure projects have been implemented under Philex's social development and management program. These are developed and implemented together with host communities, barangay and

					municipal government units. These programs are designed to sustain community welfare and development even the life of mind comes to an end.

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational

Certificates	Quantity	Units
FPIC process is still undergoing	0	#
CP secured	1*	#

**Certification Precondition for MPSA 276*

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	PMC strives to be attentive and responsive to the concerns of the buyers of its products and services. These concerns are actively discussed and resolved through constant communication via emails and or telephone calls to ensure customer satisfaction.	N

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	N/A	#

No. of complaints addressed	N/A	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Marketing and Labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Customer Privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	N/A	#
No. of customers, users and account holders whose information is used for secondary purposes	N/A	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

UN Sustainable Development Goals

Product or Service Contribution to UN SDGs

UN SDGs	Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	Social Development and Management Program (SMDP) Pursuant to Republic Act 7942 (Implementing Rules and Regulations, DAO 2010-21 Sec.134), mining companies must set aside at	To help uplift the lives of the people in its host and neighboring communities where it operates, PMC provides employment and livelihood opportunities, as well as access to basic services such as education, clean water, health programs, and sanitation.	Non-compliance with RA 7942	The Company ensures strict compliance with all the applicable social laws, rules, and regulations covering it as a mining company, including the law on SMDP. PMC even exceeds the requirements set by the government,

	least 1.5% of their total operating costs for the development of host and neighboring communities, Information Education Communication (IEC), and Development of Mining Technology and Geo-Sciences. In 2019, the Company spent Php95 million for its mandated SDMP.	Under its Health, Education, Livelihood, Public Infrastructure and Socio-cultural (HELPS) program in 2019: <u>Health</u> • 1,276 patients and 232 individuals with chronic illnesses were treated by Padcal Mine's Sto. Niño Hospital and 217 indigent residents availed of PhilHealth; <u>Education</u> • 23 Philex scholars finished their college education; • 247 college, 11 technical vocational, 294 senior and 245 junior high school scholars received assistance; • 178 pupils from Philex Mines Elementary School and St. Louis High School -Philex got subsidies; • 5,200 students in the 11 elementary and 3 secondary level school received school supply packages from SSMCI in Surigao del Norte; <u>LIVELIHOOD</u> • 16 Padcal associations and cooperatives, which comprise more than 200 beneficiaries with crop-based and animal production and marketing projects, received seed capital, capability building and mentoring; • SMMCI continues to engage community-based organization Bansiwag as project implementer of a 13-hectare coconut demo		through the provision of health, educational, livelihood, and public infrastructure services to its host and neighboring communities to constantly secure community endorsement and public approval for its operations. In addition, the Company is aligning with ISO 26000, a guidance on social responsibility standards, to assess and address corporate social responsibility concerns and effectively strengthen its social license to operate.

		farm in Sison, Silangan, Surigao del Norte. The Demo Farm serves as a pilot farm for future agricultural based livelihood projects that SMMCI will establish within its host communities as proceeds will be shared as dividends to Bansiwag's 972 members who are residents of SMMCI's host communities; <u>PUBLIC INFRASTRUCTURE</u> • 28 households were connected to power lines; • an 861-meter dirt road was converted to concrete, benefiting more than 4,500 residents and 2,000 farmers; • 10 water systems were constructed for domestic and agricultural use of 170 farmers and 112 households; • 4 multipurpose buildings and barangay halls were improved to serve as venues for social and cultural gatherings.		
	Environmental Protection and Enhancement Program (EPEP) DAO No. 2010-21 mandates the implementation of the Annual Environmental Protection and Enhancement Program (EPEP) which provides	As a manifestation of its commitment to responsible and sustainable mineral resource development, the Company has adopted an environmental policy statement, which is consistent with ISO 14001 Certification on Environmental Management Systems. The Company is currently	Environmental risks (natural disasters, calamities, etc.) which could hamper Company operations.	To manage the risk, the Company invests a substantial amount of resources into its EPEP, in addition to ensuring compliance with all applicable environmental laws and regulations. The Company has adopted an environmental policy statement, which is consistent with ISO

	the link between mineral resource utilization and environmental protection and enhancement commitments. Pursuant to the R.A. 7942, the minimum required budget for the Annual EPEP ranges from 3-5% of the direct mining and milling costs of the company. In 2019, the Company spent 4.33% of its direct mining and milling costs. This is equivalent to Php157.57 million.	negotiating for pollution liability insurance coverage in case of environmental pollution-related events. In addition, PMC also invests heavily on the ongoing environmental care and maintenance activities in its Silangan, Bulawan, and Sibutad project sites. These investments cover the costs for ambient air and water monitoring, soil erosion control and prevention, the establishment of new tree plantations, as well as the maintenance and protection of established reforestation areas within the project sites. The environmental care and maintenance programs of these projects are submitted, approved, and monitored by the Mines and Geosciences Bureau (MGB) of the DENR. PMC also entered into a partnership with the Chamber of Mines of the Philippines for the local adoption of the Towards Sustainable Mining (TSM) initiative that leans on world-leading environmental practices for sustainable development.		14001 Certification on Environmental Management Systems. To mitigate the risk from business disruption, PMC obtained a comprehensive insurance policy with a business interruption clause.

	Energy Conservation Program The program is integrated in the Company's IMS Manual Vol. 2, ensuring that processes are developed, implemented, and maintained to ensure the efficient use of natural resources, energy, and high-valued materials in its areas of operation.	• A Power Load Shedding Program is being implemented since 2014, reducing electricity supply in residential areas of up to 5 hours a day. • A solar panel is installed in a school in Padcal to lessen the use of generator supplied electricity. • Households in Padcal host and neighboring communities were connected to electrical lines/posts.		
	Ridge to Reef Management Program	The Company has been regreening terrestrial and mangrove reforestation in its site vicinity. It also seeks to partner with local government units on the adoption of a marine sanctuary. It has also been regularly monitoring wastewater disposal to ensure that it complies with regulatory standards.		
	Reforestation and Rehabilitation programs	The Company conducts progressive rehabilitation initiatives in Padcal mine site even while operating. It has reforested more than 4,000 hectares to date, commissioned a biodiversity study to implement a Biodiversity Conservation Plan, and implemented a Final Mine Rehabilitation and Decommissioning Plan		

		(FMRDP) after mine life to ensure that reforested areas are protected and disturbed areas are restored.		
	Green Purchasing and Recycling	Under PMC's Supply Chain Manual (SCM.PRO.14.00), the life cycle environmental impact is considered in all purchasing decisions, when appropriate. The Company implements Green Purchasing (SCM.PRO.14.00) in which it requires chemical compositions and product testing of materials delivered. In addition, the Company operates two megastructure tailings thickeners in its mill, which re-circulate back the water to the plant as process water while feeding the underflow into the tailings storage pond (Tailings Storage Facility or TSF) through a 2.7-km long pipeline. PMC also installed a tailings cyclone to increase the percentage of water recovery.		
	Human Resources policy of PMC	The Company employs 132 female employees in its Corporate Office and Padcal Mining Site. In addition, it also has 759 employees from indigenous communities and/or vulnerable sector, who comprise 41% of its total workforce in 2019.		

		PMC adopts best practices and standards such as: • Toward Sustainable Mining (TSM) Initiative in partnership with the Mining Association of Canada and the Chamber of Mines of the Philippines • Global Reporting Initiative (GRI) guidelines • Environmental, Social, Governance (ESG) Reporting guidelines • ISO 26000 Guidance on Corporate Social Responsibility • Sustainability Reporting • Corporate Governance In addition, the Company constantly engages concerned parties and educates the public and local government units.	Acts of terrorism and insurgency threats	To prevent a repeat of a 2017 terrorism incident, which affected the transport of ore from the Padcal mine site to the Poro Port installation for shipment, the Company has increased vigilance among residents within the camp and coordinated with various groups to identify and deter possible threats.

COVER SHEET

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SEC Registration Number

P	H	I	L	E	X			M	I	N	I	N	G			C	O	R	P	O	R	A	T	I	O	N						

(Company's Full Name)

2	N	D		F	L	O	O	R		L	A	U	N	C	H	P	A	D		R	E	L	I	A	N	C	E					
S	T	R	E	E	T		C	O	R	N	E	R		S	H	E	R	I	D	A	N		S	T	R	E	E	T					
M	A	N	D	A	L	U	Y	O	N	G		C	I	T	Y																	
M	E	T	R	O		M	A	N	I	L	A																					

(Business Address: No. Street City/Town/Province)

ROMEO B. BACHOCO

(Contact Person)

(632) 631-13-81

(Company Telephone Number)

1	2		3	1

Month *Day*
(Calendar Year)

1	7	-	Q	

(Form Type)

0	6		2	8

Month *Day*
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

For the quarterly period ended March 31, 2020

Commission identification number 10044

BIR Tax Identification No. 000-283-731-000

Exact name of issuer as specified in its charter

PHILEX MINING CORPORATION

Province, country or other jurisdiction of incorporation or organization

Manila, Philippines

Industry Classification Code: **(SEC Use Only)**

Address of issuer's principal office **Postal Code**

2nd Floor, LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila, Philippines 1550

Issuer's telephone number, including area code

(632) 631-1381 to 88

Former name, former address and former fiscal year, if changed since last report

N/A

Securities registered pursuant to Sections 8 and 12 of the Code or sections 4 and 8 of the RSA

Number of Shares of Stock Outstanding – 4,940,399,068 (As of March 31, 2020)

Amount of Debt Outstanding – ₱ 10,424,070.730 (As of March 31, 2020)

Are any or all the securities listed on a Stock Exchange?
Yes [X] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange

Indicate by check mark whether the registrant:

has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [X] No [ ]

has been subject to such filing requirements for the past ninety (90) days.

Yes [X] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Consolidated Financial Statements for the period ended March 31, 2020 are hereto attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Status of Operations

The Company and SMMCI finalized the definitive feasibility study (DFS) for an underground sub-level cave mining method for the Silangan Project. The DFS that was approved at the Company's Board meeting on July 31, 2019 covers 81 million tonnes (Mt) of ore reserves of the Boyongan deposit carrying high-quality copper and gold grades from a total mineral resources of 571 Mt. The Company also appointed J.P. Morgan and Mizuho as financial advisers to secure funding for the project to proceed with its development plan.

Also in July 2019, the Silangan Copper-Gold Project was granted an Environmental Compliance Certificate (ECC) for underground sub-level cave mining method. Following the grant of ECC, the Department of Environment and Natural Resources (DENR), through the Mines and Geosciences Bureau (MGB), in a letter dated September 26, 2019, has approved the underground sub-level cave mining method in connection with the previously issued Order dated April 10, 2015 approving the Declaration of Mining Project Feasibility (DMPF) of the Silangan Copper-Gold Project of Silangan Mindanao Mining Company, Inc., a wholly-owned subsidiary of Philex, under MPSA No. 149-99-XII.

The approval of the underground sub-level cave mining method under the DMPF included the Three Year Development and/or Utilization Work (3YD/UWP) Program for years 2H of 2019 to 1H of 2022 which can now be implemented, Environmental Protection and Enhancement Program (EPEP), Final Mine Rehabilitation and Decommissioning Plan (FMRDP) and Social Development and Management Program (SDMP).

In early 2019, the Padcal Mine experienced production-related issues, characterized by low mine delivery due to equipment availability issues, limited flexibility of ore sources and declining ore grades that constantly challenge the performance of Padcal in terms of tonnage and metal output. These challenges were substantially addressed by mid-2019 with the installation of additional rock breaking stations, acquisition of additional LHDs to augment existing fleet, and through persistent and comprehensive assessment and rehabilitation of aging mine equipment. New mining levels and drawpoints have already been commissioned to also improve ore grades. All these initiatives and programs are benefiting the current year thus the seen improvement in production.

In March 2020, with the outbreak of Covid-19 pandemic, the Philippine government, through the issuance of Presidential Proclamation No. 929, placed the entire area where the Philex workforce and business are located under Enhanced Community Quarantine (ECQ). As an initial and immediate response to such declaration, Philex has imposed guidelines and preventive measures against its employees' exposure to Covid-19 and programs to mitigate the other risks of Covid-19 to Philex operations. Under the ECQ guidelines, Philex as an export-oriented company, was allowed to continue operation subject to some conditions particularly in relation to work arrangements for employees. Despite the difficulty in maintaining availability of resources for the continued operation of Padcal, Philex has delivered its commitments on copper concentrate shipments as well as the regular commitments to other stakeholders such as suppliers, contractors and most importantly to its employees.

Review of Financial Results

Total operating revenues for the first quarter ended March 31, 2020 (1Q2020) amounted to ₱1.860 billion which were 15% higher compared with ₱1.613 billion reported for the same period in 2019 (1Q2019), mainly due to higher metal output and gold prices which were partially offset by unfavorable copper prices and foreign exchange rates. Padcal continues to maintain a stable level of production with the implementation of production improvement programs that were fully put in place in mid-2019 to address various operational and technical issues to attain higher daily tonnage.

Gold
Gold production in 1Q2020 increased by 35% at 14,159 ounces compared with 10,493 ounces in 1Q2019. Average gold price for the same period was US$1,600 per ounce, 23% higher than the US$1,304 per ounce gold price realized in 1Q2019. The current level of gold prices remain to be favorable to the Company and is expected to boost the revenue to offset the decline in copper prices. With higher gold output and prices, gold revenues was consequently higher at ₱1.148 billion compared with ₱703 million in 2018. Gold revenues represent 62% of total revenues for the quarter.

Copper
Copper production in 1Q2020 also increased to 6,738,408 pounds, 18% above production of 5,727,054 pounds in 1Q2019. Realized copper prices for the same period averaged lower at US$2.35 per pound against US$2.96 per pound in 1Q2019. The 21% decline in copper prices coupled with a 3% decline in foreign exchange rates, copper revenue decreased to ₱697 million, 22% lower than the ₱896 million reported in 1Q2019 despite higher copper output in 1Q2020 versus 1Q2019. Copper revenues accounted for 37% of the total.

Silver
Revenues from silver made up the remaining 1% of the Company's total revenue and amounted to ₱15 million for 1Q2020, almost at par with last year's P14 million for the same period, mainly from lower foreign exchange rates.

As a mitigating strategy to counter any unfavorable impact of global metal price volatility in revenues, the Company regularly monitors the need to enter into hedging contracts. With conservative assessment and based on the Company's outlook of the movement of gold and copper prices for the year 2020, the Company entered into gold put option hedging contracts.

2020 Gold Put Options						
Deal Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)		Period Covered	Settlement Date	Realized Gain (in P Millions)
		Put	Settlement			
01/13/20	1,500	1,450	1,561	Jan. 2020	02/04/20	-
01/13/20	1,500	1,450	1,598	Feb. 2020	03/03/20	-
01/13/20	1,500	1,450	1,593	Mar. 2020	04/02/20	-
01/13/20	1,500	1,450		Apr. 2020	05/04/20	-
01/13/20	1,500	1,450		May 2020	06/02/20	-
01/13/20	1,500	1,450		June 2020	07/02/20	-

The Company paid US$4.20 per ounce or a total of US$37,800 as put option premium for the gold hedging contracts covering period beginning January 2020 through June 2020 . The premium is amortized over the term of the contract.

For 2019, the Company recognized a net hedging loss of P53 million on its gold hedge, with nil for 1Q2019 as settlement prices were within collar prices, as provided in the table below:

2019 Gold Collar Hedge							
Deal Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) *(in P Millions)*
		Put	Call	Settlement			
02/08/19	2,000	1,300	1,327	1,320	Feb. 2019	03/02/19	-
02/08/19	2,000	1,300	1,327	1,302	Mar. 2019	04/02/19	-
02/08/19	2,000	1,300	1,327	1,287	Apr. 2019	05/02/19	1
06/18/19	2,000	1,330	1,390	1,414	July 2019	08/02/19	(3)
06/18/19	2,000	1,330	1,390	1,498	Aug. 2019	09/03/19	(11)
06/18/19	2,000	1,330	1,390	1,511	Sept. 2019	10/02/19	(13)
06/18/19	2,000	1,330	1,390	1,495	Oct. 2019	11/04/19	(11)
06/18/19	2,000	1,330	1,390	1,471	Nov. 2019	12/02/19	(8)
06/18/19	2,000	1,330	1,390	1,478	Dec. 2019	01/03/20	(9)
							(53)

As of March 31, 2019, 2,000 ounces from the contract with deal date of Feb. 8, 2019 remained outstanding with unrealized MTM gain of P1 million. No contracts remained outstanding as of December 31, 2019, thus nil unrealized MTM gain or loss.

Operational Overview

The Company's total ore milled from its Padcal Mine for 1Q2020 increased by 8% to 1,969,490 tonnes compared to 1,832,279 tonnes in 1Q2019 mainly from continuing effect of the implementation of improvement programs and acquisition of LHDs which started mid-2019. The improvement in the execution of mining plan and operating procedures also resulted in the increase of final blended metal grades of both gold and copper.

Gold production significantly increased by 35% to 14,159 ounces for 1Q2020 from 10,493 ounces in 1Q2019. This was mainly due to 7% increase in tonnage coupled with the significant increase in gold grades by 18% following the effective blending of ore sources. Gold grades averaged at 0.283 grams per tonne (g/t) in 1Q2020 against 0.239 g/t in 1Q2019. Gold recovery also contributed to the increase in gold output with a 6% increase to 79% in 1Q2020 from 74% in 1Q2019.

Copper production similarly increased in 1Q2020 at 6,738,408 pounds, 18% above last year's production for the same period 5,727,054 pounds due to higher tonnage as well as higher ore grades. Copper ore grades averaged 0.188% in 1Q2020, 7% higher than 0.175% in 1Q2019. Like in gold, the improvement in metal recovery for copper also contributed to the increase in copper output.

Operating Costs and Expenses

The Company's total operating costs and expenses, including General and Administrative Expenses (G&A) and Depletion, Depreciation and Amortization, amounted to ₱1.552 billion for the 1Q2020, slightly lower than the ₱1.566 billion in 1Q2019, mainly as a result of the lower Production Costs and Depletion, Depreciation and Amortization, despite higher amounts for Excise Taxes and Royalties on account of higher revenues and higher G&A.

Smelting Charges amounted to ₱147 million for the period, 7% higher than the ₱137 million in 1Q2019, due mainly to higher copper concentrates produced of 14,447 dry metric tons (DMT) in 1Q2020 from 12,694 DMT in 1Q2019, as well as higher metal output in 1Q2020 which are basis in determining the smelting charges for the period.

Cash Production Costs for 1Q2020 slightly decreased to ₱1.065 billion from ₱1.074 billion, mainly from lower power costs due to lower power consumption, and also from lower materials and supplies usage.

Depletion, Depreciation and Amortization also decreased to ₱295 million from ₱327 million as a result of the previous year's impairment provisions against mine and mining assets. The recognition of the impairment provision reduced the rate per tonne for the depletion and block amortization expenses in 1Q2020. This reduction was, however, partially offset by depreciation of recently acquired equipment, and amortization for additional costs incurred in maintaining the tailings storage facility.

Excise Taxes and Royalties increased to ₱119 million from ₱94 million, on account of higher net revenue in 1Q2020 which serves as the basis of excise tax and royalties. Similarly, G&A slightly increased to ₱73 million in 1Q2020 from ₱71 million.

Costs Per Tonne / Per Ounce / Per Pound

Total production costs (including depletion, depreciation and amortization) on a per unit basis was recorded at ₱691 per tonne for 1Q2020, 10% lower than ₱765 per tonne in 1Q2019. Likewise, operating costs (including smelting charge, excise taxes, and royalties) was lower at ₱825 per tonne in 1Q2020 against ₱891 per tonne in 1Q2019. The favorable decrease in cost per tonne was attributable to the combined effect of lower operating costs and higher tonnage for the period.

Total operating costs (including smelting charges but excluding G&A) amounted to ₱1.626 billion in 1Q2020 compared to ₱1.632 billion in 1Q2019. However, on a per tonne basis, we see a decrease in cost per tonne (both for total production and operating) for 1Q2020 when compared to 1Q2019.

Using co-production method, the operating cost (including smelting charges but excluding G&A) per ounce of gold and per pound of copper for 1Q2020 were US$1,330 per ounce and US$1.95 per pound, compared with US$1,322 per ounce gold and US$2.99 per pound copper in 1Q2019, respectively. The expectation was to have lower cost per unit considering the higher metal output this period. However, with the relatively significant increase in gold prices resulting to higher gold revenues, the cost allocated to gold based on revenue contribution was higher compared to 1Q2019, thus the cost per ounce of gold increased in 1Q2020. On the other hand, with the lower allocation of cost to copper due to higher copper output, the resulting cost per pound was lower in 1Q2020 than in 1Q2019.

Other Income (Charges)

The Company recorded a Net Other Charges of ₱42 million in 1Q2020 against a Net Other Income of ₱294 million in 1Q2019. This quarter's Net Other Charges consisted mainly of share in net losses of associates. Equity Share in Net Loss of Associates (covering PXP Energy Corp. and Lepanto) amounted to ₱14 million in 1Q2020 and ₱11 million in 1Q2019. These amounts correspondingly reduced the Company's investments in the named associates.

In 1Q2019, the Company's Net Other Income of ₱294 million consisted mainly of net non-recurring gain of P318 million that was partially offset by the share in net losses of associates of ₱11 million.

The Company recorded insignificant amounts of gain (loss) on foreign exchange (Forex) transactions in 1Q2020 and 1Q2019 as there was minor changes in foreign exchange rates used in the restatement of the Company's net foreign currency-denominated liabilities. The reference foreign exchange rates at closing dates of March 31, 2010 were ₱50.68 against ₱50.635 as of December 31, 2019 and as of March 31, 2019 of ₱52.50 against ₱52.58 as of December 31, 2018.

Minimal amounts of interest income from short-term money market placements were recorded in 1Q2020 and 1Q2019 on account of the lower cash balance arising from payment of loan balance for any excess cash.

Core and Reported Net Income

The favorable metal production in 1Q2020 allowed the Company to a core net income of ₱103 million, a turnaround from a loss of ₱112 million in 1Q2019. The production improvements implemented mid-2019 paved way for the Company's return to profitability.

EBITDA increased to ₱419 million for 1Q2020, 93% higher compared with ₱217 million in 1Q2019. The Company's core net income and EBITDA exclude non-recurring transactions to clearly reflect and provide results based on the normal operating parameters of the business. In 1Q2019, Non-core items consisted of the gain on the reversal of receivable previously written off, the write off of fixed assets and manpower rationalization costs.

Reported Net Income (the same as the Net Income Attributable to the Equity Holders as income attributable to non-controlling interest was nil), however, reached only ₱102 million against ₱206 million in the same period last year. Last year's reported net income included net non-recurring gain of P318 million.

FINANCIAL CONDITION REVIEW

Current Assets

The Company's Current Assets as of March 31, 2020 increased to ₱3.079 billion from ₱2.921 billion as of December 31, 2019. The increase of ₱158 million was mainly due to the increase in mine products inventory given that a significant volume of production remained in inventory awaiting scheduled shipment of mid-April 2020, partially offset by lower balances of cash and cash equivalents and accounts receivable.

Cash and Cash Equivalents

The Cash and Cash Equivalents amounted to P545 million as of March 31, 2020 and P796 million as of end-2019. In addition to the cash generated from operations, a portion of beginning cash balance was utilized to finance capital expenditures for the mine operations for the period as the next cash remittance was received in late April which proceeds are dependent on the timing of schedule of copper concentrate shipments.

Accounts Receivable

Under the existing sales agreement with the two major Company's Customers ("Offtakers"), the Company receives 90% of the total US$ value of the copper concentrates within a few days after the shipment date, with the balance payable upon final pricing determination based on agreed quotational shipment prices ("QP"). QP is determined either Month of Shipment Schedule (MOSS) or Month After Month of Arrival (MAMA) in destination.

The Company's Accounts Receivables are largely composed of Trade Receivables from sales of the Company's copper concentrates or bullion and Other Receivables that include advances to employees for conduct of transactions in the ordinary course of business. As of March 31, 2020, Accounts Receivables amounted to P294 million, consisting of Trade Receivables of P210 million and Other Receivables of P84 million, from P416 million in 2019.

As of December 31, 2019, the outstanding receivables from copper concentrates consisted period of the remaining value of four shipments in the fourth quarter of 2019 awaiting final pricing, of which three were with IXM SA, and the one with Pan Pacific Copper Co., Ltd (PPC). The QP for the PPC shipments is 3MAMA for copper and 1MAMA for gold and silver, while for IXM SA, the QP is MOSS for copper and MOSS or 3MAMA for gold.

Inventories

Total Inventories amounted to P1.534 billion as of 1Q2020 and P1.044 billion in 2019, or a 46% increase.

As of 1Q2020,inventories consists of of materials and supplies amounting to P868 million or about 57% and mine products amounting to P666 million or 43%. On the other hand, materials and supplies was P915 million in 2019, while mine products inventory, which is valued at net realizable value, amounted to P129 million in 2019.

Other Current Assets

Other Current Assets, composed primarily of input Value-Added Tax (VAT) claims for refund on purchases of materials, supplies and equipment, slightly increased to P704 million from P666 million in 2019, due mainly from additional claims for refund of VAT on purchases for 1Q2020.

Non-Current Assets

Non-Current Assets amounted to P35.011 billion as of March 31, 2020 from P34.977 billion as of December 31, which comprised mainly of Property, Plant and Equipment, Investment in Associates and Deferred Exploration Costs. PPE and Deferred Exploration Costs represent 79% of total assets, signifying the capital intensive nature of the business.

Property, Plant and Equipment

Property, Plant and Equipment slightly increased to P3.200 billion as of March 31, 2020 from P3.185 billion in 2019, mainly from Padcal's mine development activities and acquisition of mine equipment. In 2019, additional impairments were recorded amounting to P1.457 billion on top of the impairment of P1.332 billion in 2018. The annual impairments recorded in the financial statement are attributable to Padcal mine and mining properties as it is nearing the end of mine life.

Financial Assets Measured at FVOCI

Financial Assets Measured at FVOCI, consisting mainly of shares in gold and country clubs, did not change at P121 million from last year's balance.

Investment in Associates

Investment in Associates decreased to P4.195 billion as of March 31, 2020 from P4.208 billion as of December 31, 2019, mainly from the Company's share in the net losses of associates in 1Q2020 of P14 million.

Deferred Exploration Costs

As of December 31, 2019, Deferred Exploration Costs increased to P26.779 billion as of 1Q2020 from P26.616 billion in 2019, on account of the pre-development expenditures related to Silangan Project with cumulative amount of ₱24.511 billion or 92% of total deferred exploration costs. Initial expenditures on early works program for the Silangan Project were also included in the deferred exploration costs of the Project.

Pension Asset

Pension Asset decreased to P216 million from P224 million in 2019. Pension Asset represents the excess of the fair value of plan assets against the present value of defined benefit obligations under the Company's retirement plan, net of SMMCI pension obligation.

Other Non-Current Assets

Other Non-Current Assets decreased to P500 million from P623 million in 2019. This consisted mainly of the non-current portion of SMMCI input Value-Added Tax amounting to P434 million.

Total Assets

Total Assets of the Company increased to P38.090 billion from P37.899 billion in 2019, primarily from the higher balance of mine products inventory.

Current Liabilities

Current Liabilities slightly decreased to P4.925 billion from P4.929 billion in 2019, due mainly to the reduction of accounts payable and accrued expenses.

Loans Payable

The balance of Loans Payable increased to P2.589 billion (US$51 million) as of March 31, 2020 from P2.532 billion (US$50 million) in 2019. In 1Q2020, Philex made loan repayments amounting to $3 million under its debt reduction program. However, at the onset of COVID19, Philex re-availed a short term loan amounting to US$2 million as contingency fund should there be disruptions in the company's business operations related to COVID19. Total loan of Philex amounted to US$45 million as of March 31, 2020 from US$46 million in 2019. On the hand, SMMCI outstanding short term loan is at US$6 million as of 1Q2020 and at $4 million as of December 31, 2019. The additional loan availment of SMMCI was used for pre-development operating and capex requirement of SMMCI.

Accounts Payable and Accrued Liabilities

As of March 31, 2020, Accounts Payable and Accrued Liabilities amounted to P1.526 billion from P1.608 billion in 2019. This composed primarily of payables to suppliers and contractors of which no material amount has been left unpaid within terms acceptable and agreed upon with suppliers and contractors.

Subscription Payable

Subscription Payable remained at P187 million from its balance as of December 31, 2019, which consisted mainly of the outstanding balance related to the Company's additional subscription in PXP Energy which increased the Company's interest in PXP Energy from 19.8% to 30.4% in 2018.

Income Tax Payable

As of March 31, 2020, Income Tax Payable amounted to P39 million, which included the tax payable pertaining to 2019 that was due in 2020. Balance as of December 31, 2019 was P53 million.

Dividends Payable

Dividends Payable amounted to P586 million as of March 31, 2020 from P550 million in 2019. At the February 27, 2020 Philex Board meeting, the Philex Board of Directors approved the declaration of regular cash dividend of one centavo for shareholders on record as of March 13, 2020 payable March 27,2020. No dividends were declared in 2019.

Non-Current Liabilities

As of March 31, 2020, Non-Current Liabilities amounted at P10.142 billion, higher than the P10.001 billion in 2019, comprising mainly of Deferred Tax Liabilities and Bonds Payable.

Deferred Income Tax Liabilities

Deferred Income Tax Liabilities, mainly consisting of P1.665 billion arising from the acquisition of Anglo's 50% stake in the Silangan companies and P601 million for accelerated deductions, decreased significantly to P2.266 billion from P2.219 billion in 2019.

Bonds Payable

Loans and Bonds Payable increased to P7.835 billion as of March 31, 2020 from P7.743 billion in 2019. The yearly changes in the amounts correspond to the amortization of deferred transaction costs, accretion of interest from the discounting of the face value of the CN and accrual of the 3% redemption premium. The bonds payable pertains to the 8-year convertible bonds issued by SMECI, with PMC as the co-issuer, on December 18, 2014, with a face value of P7.2 Billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at P18,000 per share 12 months after the issue date ("Standstill Period"). On the last day of Standstill Period, the Issuer shall have a one-time right to redeem the bonds from the holders in whole or in part. After the Standstill Period, the noteholders may exercise the conversion right, in whole but not in parts, at any time but no later than the maturity date. At redemption/maturity date, the bonds can be redeemed together with the principal or face value of the bonds at a premium, payable at a rate of 3% per annum compounded semi-annually based on the face value of the bonds and unpaid accrued interest (if there be any). The proceeds of the bonds were used to repay the SMECI's advances from PMC and fund further exploration works of SMMCI.

Provision for Losses and Mine Rehabilitation Costs

Provision for Losses and Mine Rehabilitation Costs amounted to P40 million, almost the same as the P39 million in 2019. The Company spent P43 million and P60 million in 2019 and 2018, respectively, for the requirement under the Company's approved Final Mine Rehabilitation and Development Program for a total of P137 million.

Total Liabilities

As of March 31, 2020, Total Liabilities amounted to P15.067 billion, higher than the P14.930 billion in 2019, mainly due to the bonds payable.

Shareholders' Equity

The Company's Total Equity as of March 31, 2020 increased to P23.023 billion from P22.969 billion in 2019 on account of the net income of P102 million the Company recognized for 1Q2020.

Retained Earnings amounted to P14.024 billion from P13.971 billion, inclusive with the 1Q2020 Net Income of P102 million and net of cash dividend declared on February 27, 2020.

Net Unrealized Gain on Financial Assets Measured at FVOCI remained at P38 million, Similarly, Equity Conversion Options also remained at P1.226 billion since 2014 corresponding to the carrying amount of the conversion options of the 8-year convertible bonds issued by SMECI, with PMC as the co-issuer, in December 2014 with a face value of P7.200 billion. The Company recorded a very insignificant amount of marked-to-market losses on its outstanding gold hedging contracts Net Revaluation Surplus also remained at P1.572 billion. The balances of Effect of Transactions with Non-Controlling Interests and the Non-Controlling Interests were insignificant for the past two years.

Liquidity and Capital Resources

The Company's existing liquidity position and capital resources are primarily used for the funding of its existing operations and new exploration projects within the Padcal Mine to further extend mine life and for potential expansion of new like the Silangan Project. Despite the risks inherent in the business associated with metal prices, foreign exchange rates, regulatory environment, and the changing economic and market conditions, the Company's net cash generated in operating activities amounted to P31 million in the first quarter 2020 (1Q2020), compared with net cash used in operating activities of P1.528 billion for the same period in 2019 (1Q2019).

Internally generated funds remain as the Company's principal source of cash to finance the capital expenditures of the Padcal mine, the development of Silangan project and exploration initiatives of various mine sites, and to refinance existing loans.

Net cash used in investing activities, principally for capital expenditures and exploration costs, amounted to P320 million in 1Q2020 as against net cash from investing activities of P937 million for the same period in 2019. Capital expenditures increased to P265 million in 1Q2020 compared with P252 million in 1Q2019. The Company focused exploration activities on previously activated areas.

Net cash from financing activities amounted to P25 million in 1Q2020 compared to net cash used in financing activities of P19 million in 1Q2019. The Company availed additional P203 million (US$ 4 million) to finance initial development works in the Silangan Project and as a contingent fund in case there will be disruptions in Padcal operations due to Covid-19.

Capital Expenditures and Exploration Costs

(in Php Millions)	**1Q2020**	**1Q2019**
Padcal and Others:		
Mine Development	223	164
Tailings Pond Structures	7	36
Machinery and Equipment	35	58
Total	264	258
Silangan Project:		
Deferred Exploration Costs	41	205
Machinery and Equipment	1	(6)
Total	42	199
Mine Exploration Projects	1	14
Total	307	470
By Recording:		
Deferred Exploration Costs	42	218
Property, Plant and Equipment	265	252
Total	307	470

Capital Expenditures totalled to P307 million for 1Q2020 and P470 million for 1Q2019.

Padcal operations accounted for 86% of total programmed spending at P264 million in 1Q2020 as compared to P258 million in 1Q2019.

Silangan Project utilized 14% of the capital budget amounting to P42 million in 1Q2020 versus P199 million in 1Q2019. The Company is set to launch its Silangan project by 2022.

Other mining exploration projects has a minimal amount of P1 million in 2020 compared to P14 million in 2019. These activities were mainly centered on surrounding areas of Padcal.

Top Five Key Financial and Non-Financial Performance Indicators

Safety Performance

Personnel health and safety is of paramount concern and regarded with utmost priority. In the first quarter ended March 31, 2020 and 2019, the Company recorded no Lost Time Accident-Fatal (LTA-F). Meanwhile, in terms of Lost Time Accident Non-Fatal events, there were six recorded in 2020 versus nil in 2019.

The Company is targeting a “zero-harm” record through constant reviews of safety policies and procedures. Various initiatives are being implemented to minimize the occurrence of accidents and injuries in the workplace. Third-party experts are likewise engaged to assess existing safety performance and identify risk areas.

Earnings Per Share

Earnings Per Share (EPS) represents the net income attributable to equity holders of the Company, expressed in the amount per share of the Company's average outstanding capital stock. Assuming a constant outstanding number of shares, the earnings per share correspondingly rises as the Company's earnings increase. The EPS ultimately reflects the Company's financial and operational growth as a result of its performance in cost management, technical efficiency and productivity.

	1Q2020	**1Q2019**
Earnings Per Share	P0.0207	P0.0418
Total Outstanding Shares	4,940,399,068	4,940,399,068

There were outstanding stock options for the period that could have resulted in additional common shares had the exercise price been higher than market. However, in 2020 and 2019, the outstanding stock options were considered anti-dilutive based on the lower market prices of the Company's shares compared with the exercise price, thus the diluted earnings per share for these periods were the same as the basic earnings per share of the Company.

Tonnes Milled and Metals Produced

Tonnes milled and ore grade determine the volume of concentrates to be produced and sold. Tonnes milled were 1,969,491 tonnes in 1Q2020, 7% lower compared with 1,832,279 tonnes in 1Q2019.

Copper output reached 6,738,408 pounds, 18% lower than 2019's 5,727,054 pounds, while gold production was down by 35% at 14,159 ounces, compared with 10,493 ounces in 2019, as a result of lower tonnage and ore grades.

Total Production Cost Per Tonne and Operating Cost Per Tonne of Ore Milled, and Per Ounce Gold and Per Pound Copper Produced

The Company's average cost per tonne is a key measure of the Company's operating performance. At the same cost level, the higher the production volume, the lower the cost per tonne becomes, which will also be similar if the same production volume incurs a lower operating cost. Thus, a lower cost per tonne would generally reflect an improvement in operating efficiency.

The same essentially applies to cost expressed in per unit of metal, which incorporates the metal grade, as it affects metal production, and the exchange rate, as it affects the conversion from peso to dollar.

In 2020, the total production cost (mine site cost and expenses excluding smelting charges, excise tax and royalties) per tonne of ore milled was P691, with total production cost of P1.360 billion over ore milled of 1,969,491 tonnes. This was 10% lower than the cost per tonne of P765 from the total production cost of P1.401 billion over ore milled of 1,832,279 tonnes in 2019. The lower cost per tonne in 1Q2020 was primarily due to the higher tonnage milled and lower production costs.

The operating costs and expenses (all cost and expenses excluding G&A) per tonne of ore milled in 1Q2020 was P825 from the total operating cost and expenses of P1.626 billion, also 7% lower than the P891 from the operating costs and expenses of P1.632 billion in 1Q2019. Aside from

lower total operating costs for 1Q2020 on account of lower production cost as well as lower non-cash production costs, the cost per tonne was lower as a result of higher tonnage.

Using co-production method, the operating cost applicable to gold produced amounted to US$1,330 per ounce in 1Q2020 compared with US$1,324 per ounce in 1Q2019, while operating cost applicable to copper produced amounted to US$1.95 per pound in 1Q2020 compared with US$3.00 per pound in 1Q2019. Under co-production method, the total cost is allocated proportionately based on the revenue contribution of each product considering there is no physical basis that can be used in allocating costs between the two metals.

Exploration Activities

The Company is cognizant that exploration in itself is a speculative endeavor, and mineral exploration and mining operations can be hampered by force majeure and other unforeseen circumstances beyond the Company's control. To mitigate the impact of these external factors and other contingencies, the Company banks on its ability to successfully explore and/or acquire reserves, design and construct efficient processing facilities, operate and manage its projects, and provide effective financial controls and management. To ensure the optimization of value from its natural resource properties and the long-term sustainability of operations, the Company pursues and invests in viable exploration activities and operational enhancements on a constant basis.

In the first quarter of 2020, the amount spent on mining exploration including that Silangan Project amounted to P42 million compared with P218 million in 2019. As of March 31, 2020, total deferred exploration costs amounted to P26.779 billion, comprising 71% of the Company's Total Assets, compared with P26.616 billion at year-end 2019.

Subsidiaries and Related Party Transactions

The Company's significant related party transactions as of March 31, 2020 and December 31, 2019, which are under terms that are no less favorable than those arranged with third parties, and account balances are as follows:

a) Advances from PMC to SMMCI and SMECI

   PMC, owning directly and indirectly 100% of SMMCI and SMECI, provides the funds to SMMCI, through SMECI since 2011 and directly thereafter, for the Silangan project's expenditures since the Company's acquisition of Anglo American's interest in the Silangan Project in 2009. These advances, which were intended to be converted into equity, amounted to P2.206 billion and P2.144 billion as of March 31, 2020 and December 31, 2019, respectively. In February 2015, the Company infused all outstanding advances amounting to P7.208 billion as equity.

b) Advances from PMC to PXP Energy

   PMC made cash advances to PXP Energy Corporation (PXP Energy) for its additional working capital requirements, and for the acquisition of equity in FEP, PERC and Pitkin. These advances were covered by a pledge agreement between PMC and PXP Energy wherein certain shares of stocks owned by PXP Energy were pledged to secure the advances. On October 26, 2018, PMC and PXP Energy signed a subscription agreement

wherein PMC will subscribe to 260 million common shares of PXP Energy for a total consideration of P3.081 billion. PXP Energy's proceeds from the subscription agreement will be utilized by PXP Energy for the repayment of its advances from PMC. On August 5, 2019, a deed of assignment was entered into by Brixton Energy and Mining Corporation (BEMC, a subsidiary of PXP Energy) transferring Brixton receivables from PMC to PXP Energy amounting to P738 million. In 2019, PXP Energy paid P2.897 billion to PMC to settle all PXP Energy advances, including the Brixton receivables which reduced the advances to nil as at March 31, 2020 and December 31, 2019 from ₱1.387 billion as at end 2018.

As of March 31, 2020, the Company has an outstanding subscription payable to PXP Energy amounting to P185 million after settling P2.896 million of the total subscription of P3.081 billion that brought PMC's interest in PXP Energy from 19.8% to 30.4%.

c) Issuance of Convertible Bonds to FPC and SSS by SMECI

In December 2014, SMECI and PMC, as the co-issuer, issued 8-year convertible bonds with a face value of P7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at P18,000 per share one year after the issue date. The carrying value of loans payable amounted to P7.385 billion and P7.743 billion as of March 31, 2020 and December 31, 2019, respectively.

Known Trends, Events, or Uncertainties

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked, although the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business, which contingencies are not presently determinable.

"As an export-oriented company, Philex was allowed to remain operational during the Enhanced Community Quarantine ("ECQ") in accordance with the guidelines of the government Inter-Agency Task Force (IATF) for the Management of Emerging Infectious Diseases.

The Company's Padcal mine operations continued to function in strict compliance with the applicable government mandated operating guidelines. The Padcal mine camp was placed on lock down and similar entry and exit protocols were implemented under the DOH guidelines. Among others, Padcal mine implemented a 24-hour curfew, implemented social distancing in our work places, Company quarters as well as in support services areas such as medical facilities and areas providing necessities such as food. The safety of our constituents inside the camp was our foremost priority.

The Company was also affected by the limited disruption in its supply chain during the first two weeks of the implementation of the ECQ in NCR and Region IV-A where most of the Company's supplies originates. With the strong government support for export-oriented enterprises like Philex, the potential significant impact to the Company's business of the supply chain disruptions were mitigated and partially eliminated. Alternative supply chain sources was put in place to ensure continued and unhampered business operations of the Company.

The full impact of COVID19 to the medium term and long term business operations is yet to be seen as the pandemic is continuously shaping the new normal for all businesses, including that of Philex.

Other than as discussed above, there are no known significant trends, demands, commitments, or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way. There are no material commitments for capital expenditures not reflected in the Company's financial statements.

There is likewise no significant seasonality or cyclicality in its business operation that would have material effect on the Company's financial condition or results of operation. There were no other significant elements of income or loss that did not arise from the Company's continuing operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period. There are no line items in the Company's financial statements not already explained for causes either above or in the Notes to the Consolidated Financial Statements other than due to the usual period-to-period fluctuations in amounts natural in every business operations.

PART II - OTHER INFORMATION

There are no other information for this interim period not previously reported in a report on SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHILEX MINING CORPORATION
(Issuer)

EULALIO B. AUSTIN, JR.
President and CEO

ROMEO B. BACHOCO
Chief Finance Officer

PARALUMAN M. NAVARRO
Assistant Vice President
Corporate Finance

Date: May 26, 2020

PHILEX MINING CORPORATION
AND SUBSIDIARIES

UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
March 31, 2020

Pasig City, Philippines

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands, except Par Value per Share)

		March 31 2020 (Unaudited)		December 31 2019 (Audited)
Current Assets				
Cash and cash equivalents	P	544,842	P	795,709
Accounts receivable - net		294,479		416,154
Inventories - net		1,533,600		1,043,748
Derivative assets		2,322		-
Other current assets - net		704,021		665,768
Total Current Assets		3,079,264		2,921,379
Noncurrent Assets				
Property, plant and equipment - net		3,199,696		3,185,283
Financial assets measured at fair value through other comprehensive income (FVOCI)		120,898		120,898
Investment in associates - net		4,194,731		4,208,339
Deferred exploration costs		26,779,495		26,616,343
Pension asset - net		215,521		223,775
Other non current assets		500,368		622,710
Total Noncurrent Assets		35,010,709		34,977,348
TOTAL ASSETS	**P**	**38,089,973**	**P**	**37,898,727**
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	P	2,588,780	P	2,531,750
Accounts payable and accrued liabilities		1,525,390		1,608,003
Subscription payable		186,531		186,531
Income tax payable		38,742		53,284
Dividends payable		585,771		549,632
Total Current Liabilities		4,925,214		4,929,200
Noncurrent Liabilities				
Deferred tax liabilities - net		2,266,374		2,218,550
Loans and bonds payable		7,835,291		7,743,020
Provision for losses and mine rehabilitation costs		39,905		39,029
Total Noncurrent Liabilities		**10,141,570**		**10,000,599**
Total Liabilities		**15,066,784**		**14,929,799**
Equity Attributable to Equity Holders of the Parent Company				
Capital Stock - P1 par value		4,940,399		4,940,399
Additional paid-in capital		1,143,981		1,143,981
Retained Earnings				
Unappropriated		3,524,179		3,471,281
Appropriated		10,500,000		10,500,000
Net unrealized gain on financial assets measured at FVOCI		37,745		37,745
Equity conversion option		1,225,518		1,225,518
Cumulative gain on hedging instruments		1,363		-
Net revaluation surplus		1,572,385		1,572,385
Effect of transactions with non-controlling interests		77,892		77,892
		23,023,462		22,969,201
Non-controlling Interests		(273)		(273)
Total Equity		**23,023,189**		**22,968,928**
TOTAL LIABILITIES & EQUITY	**P**	**38,089,973**	**P**	**37,898,727**

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Amounts in Thousands, except Earnings Per Share)

	Three Months ended March 31	
	2020	**2019**
REVENUES (Note 5)	**P 1,712,538**	**P 1,475,697**
COSTS AND EXPENSES		
Production costs	1,064,747	1,074,224
Depletion, depreciation and amortization	295,231	326,983
Excise taxes and royalties	118,570	93,874
General and administrative expenses	73,276	70,888
	1,551,824	**1,565,969**
INCOME (LOSS) FROM OPERATIONS	**160,714**	**(90,272)**
OTHER INCOME (CHARGES)		
Share in net losses of associates	(13,609)	(10,717)
Foreign exchange (losses) gains - net	(594)	941
Interest income - net	148	231
Others - net (Note 6)	(27,837)	303,509
	(41,892)	**293,964**
INCOME BEFORE INCOME TAX	**118,822**	**203,692**
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	(5,929)	-
Deferred	22,449	(2,806)
	16,520	(2,806)
NET INCOME	**P 102,302**	**P 206,498**
Net income attributable to:		
Equity holders of the Parent Company	102,302	206,498
Non-controlling interests	-	-
	P 102,302	**P 206,498**
BASIC/DILUTED EARNINGS PER SHARE	**P 0.0207**	**P 0.0418**

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(Amounts in Thousands)

	Three Months ended March 31	
	2020	**2019**
NET INCOME	P 102,302	P 206,498
OTHER COMPREHENSIVE INCOME (LOSS)		
Items to be reclassified to profit and loss in subsequent periods:		
Unrealized gain on fair value of hedging instruments	1,363	899
	1,363	899
TOTAL COMPREHENSIVE INCOME	**P 103,665**	**P 207,397**
Total Comprehensive Income Attributable to:		
Equity holders of the Parent Company	103,665	207,397
Non-controlling interests	-	-
	P 103,665	**P 207,397**

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months ended March 31	
	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 118,822	P 203,692
Adjustments for:		
Depletion and depreciation	295,231	665,687
Unrealized foreign exchange (gain) losses and others	2,865	(3,280)
Amortization of Asset Retirement Obligation	5,087	2,809
Amortization of prepaid expenses	-	8,379
Equity loss in investment	13,609	(10,717)
Reversal of receivable previously written off	-	(737,815)
Interest income	(148)	(231)
Operating income before working capital changes	435,467	128,524
Decrease (increase) in:		
Accounts receivable	121,823	52,155
Inventories	(374,631)	(307,767)
Other current assets	(83,992)	2,759
Other noncurrent assets	122,341	-
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(229,865)	(99,197)
Non current liabilities	39,558	(1,304,808)
Cash generated (used) from operations	30,701	(1,528,334)
Interest paid		799
Net cash from (used in) operating activities	30,701	(1,527,535)
CASHFLOWS FROM INVESTING ACTIVITIES		
Increase in deferred exploration costs and other noncurrent assets	(42,212)	(218,205)
Additions to property, plant and equipment	(264,867)	(251,612)
Decrease in investment in associate	-	21,435
Advances to related parties	-	1,385,700
Net cash from (used in) investing activities	(307,079)	937,318
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of loans	206,460	-
Payments of:		
Capitalized interest expenses	(28,668)	(19,252)
Short-term loans	(152,295)	-
Net cash used in financing activities	25,497	(19,252)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	15	899
NET DECREASE IN CASH AND CASH EQUIVALENTS	(250,867)	(608,569)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	795,708	870,967
CASH AND CASH EQUIVALENTS AT END THE PERIOD	P 544,842	P 262,398

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company												
			Retained Earnings										
	Capital Stock	Additional Paid-in Capital	Unappropriated	Appropriated	Other reserves	Net Unrealized Gain on finandial assets measured at FVOCI	Equity Conversion Option	Cumulative gain on hedging instruments	Net revaluation Surplus	Effect of transaction with Non-controlling Interest	Sub-total	Non-controlling Interest	Total
BALANCES AT DECEMBER 31, 2019	4,940,399	1,143,981	3,471,281	10,500,000		37,745	1,225,518	-	1,572,385	77,892	22,969,201	(273)	22,968,928
Net income (loss)	-	-	102,302	-		-	-	-	-	-	102,302	-	102,302
Other comprehensive income (loss):													
Items to be reclassified to profit and loss in subsequent periods:													
Unrealized gain on fair value of hedging instruments								1,363			1,363		1,363
Total comprehensive income (loss)	-	-	102,302	-		-	-	1,363	-	-	103,665	-	103,665
Declaration of dividends			(49,404)								(49,404)		(49,404)
BALANCES AT MARCH 31, 2020 (Unaudited)	**4,940,399**	**1,143,981**	**3,524,179**	**10,500,000**	**-**	**37,745**	**1,225,518**	**1,363**	**1,572,385**	**77,892**	**23,023,462**	**(273)**	**23,023,189**
BALANCES AT DECEMBER 31, 2018	4,940,399	1,143,981	4,203,947	10,500,000	35,341	-	1,225,518	-	1,572,385	77,892	23,699,463	(258)	23,699,205
Net income (loss)			206,498								206,498		206,498
Other comprehensive income (loss):													
Unrealized gain on fair value of hedging instruments								**899**			899		899
Total comprehensive income (loss)	-	-	206,498	-		-	-	899	-	-	207,397	-	207,397
Declaration of dividends											-		-
BALANCES AT MARCH 31, 2019 (Unaudited)	**4,940,399**	**1,143,981**	**4,410,445**	**10,500,000**	**35,341**	**-**	**1,225,518**	**899**	**1,572,385**	**77,892**	**23,906,860**	**(258)**	**23,906,602**

PHILEX MINING CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

		Three Months Ended March 31	
		2020	2019
Current Ratio	Current Assets over Current Liabilities	0.63	0.71
Debt-to-equity Ratio	Total Liabilities over Total Equity	0.65	0.66
Asset-to-equity Ratio	Total Assets over Equity	1.65	1.66
Net Income Ratio	Net Income over Net Revenue	0.06	0.14

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF ACCOUNTS RECEIVABLE
As of March 31, 2020
(In Thousands)

Accounts Receivable- Trade	P 210,207
Others	84,271
	P 294,479

AGING OF ACCOUNTS RECEIVABLE - TRADE
As of March 31, 2020

	0-30 days	**31-60 days**	**Total**
IXM S.A.	P -	P 64,876	P 64,876
Pan Pacific Copper Ltd.	145,331	-	145,331
	P 145,331	**P 64,876**	**P 210,207**

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF LOANS PAYABLE

As of March 31, 2020

(In thousands)

Banco de Oro	P	658,840
Philippine National Bank		1,423,140
Bank of the Philippine Islands		506,800
Total	**P**	**2,588,780**

PHILEX MINING CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020
(Amounts in Thousands, Except Amounts Per Unit and Number of Shares)

1. Basis of Preparation, Statement of Compliance, Changes in Accounting Policies and Disclosures and Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation

The unaudited consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited consolidated financial statements of Philex Mining Corporation (the Parent Company) and its subsidiaries (the Group) do not include all the information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2019.

The unaudited consolidated financial statements of the Group have been prepared using the historical cost basis, except for mine products inventories that are measured at net realizable value (NRV), and for financial assets measured at fair value through other comprehensive income (FVOCI) and derivative financial instruments that are measured at fair value through profit or loss (FVTPL). The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency, rounded off to the nearest thousands, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines. The Group prepared its consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRSs), except for the Parent Company's mine product inventories that are measured at NRV which was permitted by the Philippine SEC. The significant accounting policies followed by the Group are disclosed below.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

- *Annual Improvements to PFRSs* 2015-2017 Cycle
    - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
    - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. The adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

2. Significant Judgments and Estimates and Assumptions

The preparation of the unaudited consolidated financial statements in accordance with accounting principles generally accepted in the Philippines requires the management of the Group to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of any contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting assumptions, estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements:

Determination of the functional currency
The Parent Company and most of its local subsidiaries based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine peso. It is the currency of the primary economic environment in which the Parent Company and most of its local subsidiaries primarily operates.

Recognition of deferred income tax assets
The Group reviews the carrying amounts at each end of reporting period and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The sufficiency of future taxable profits requires the use of assumptions, judgments and estimates, including future prices of metals, volume of inventories produced and sold, and amount of costs and expenses that are subjectively determined like depreciation.

Classification of financial instruments
Under PFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under IFRS 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Group's financial assets:

- Trade receivables (subject to provisional pricing) previously classified as loans and receivables are carried at amortized cost and the embedded derivative are closed to receivables. Under PFRS 9, the exposure of the trade receivable to future commodity price movements will cause the trade receivable to fail the SPPI test. Therefore, the entire receivable is now required to be measured at FVTPL, with subsequent changes in fair value recognized in the statements of comprehensive income each period until final settlement.

- Equity investments previously classified as AFS financial assets are now classified and measured as FVOCI. The Group elected to classify irrevocably its equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

The Group determines the classification at initial recognition and re-evaluates this classification, where allowed and appropriate, at every reporting date.

<u>Accounting Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Measurement of mine products revenue
Mine products revenue is provisionally priced until or unless these are settled at pre-agreed future or past dates referred to as "quotational period," the prevailing average prices at which time become the basis of the final price. Revenue on mine products is initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing costs. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotational period.

Impairment of Loans and Receivables (prior to adoption of PFRS 9)
The Group maintains an allowance for doubtful accounts at a level that management considers adequate to provide for potential uncollectability of its loans and receivables. The Group evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Group uses judgment, based on available facts and circumstances, and based on a review of the factors that affect the collectability of the accounts. The review is made by management on a continuing basis to identify accounts to be provided with allowance.

The Group did not assess its loans and receivables for collective impairment due to few counterparties that can be specifically identified.

Under PFRS 9, trade receivables are classified as FVTPL and are not subject to impairment test.

Valuation of Financial Instruments
The Group carries certain financial assets and financial liabilities (i.e., quoted and unquoted shares) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (e.g., quoted equity prices), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities is recognized in the consolidated statements of income and in the consolidated statements of comprehensive income.

Valuation of Financial Assets measured at FVOCI
Fair value measurement requires the use of accounting estimates and judgment. At initial recognition, the fair value of quoted financial assets measured at FVOCI is based on its quoted price in an active market, while the fair value of unquoted financial assets measured at FVOCI is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology.

Under PFRS 9, any change in fair value of its financial assets measured at FVOCI is recognized in the consolidated statements of comprehensive income.

Impairment of AFS Equity Financial Assets
Under PAS 39, the Group treats AFS equity financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more and "prolonged" as greater than twelve (12) months for quoted equity securities. In

addition, the Group evaluates other factors including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted securities.

Measurement of NRV of mine products inventory
The NRV of mine products inventory is the estimated sales value less costs to sell, which can be derived from such inventory based on its weight and assay for metal content, and the LME and London Bullion Metal Association for prices, which also represents an active market for the product. Changes in weight and assay for metal content as well as the applicable prices as the mine products inventory are eventually shipped and sold are accounted for and accordingly adjusted in revenue.

Write-down of carrying values of materials and supplies inventories
The Group carries coal and material and supplies inventories at NRV when such value is lower than cost due to damage, physical deterioration, obsolescence or other causes. When it is evident that the NRV is lower than its cost based on physical appearance and condition of inventories, an allowance for inventory obsolescence is provided.

Impairment of Mine and Mining Properties
The Group assesses, at each reporting date, whether there is an indication that mine and mining properties may be impaired. If any indication exists, or when annual impairment testing for mine and mining properties is required, the Group estimates the mine and mining and properties' recoverable amount. An asset's recoverable amount is the higher of asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Assessments require the use of estimates and assumptions such as future cash flows, discount rates, estimated ore reserves, forecasted metal prices, and production quantities. In assessing value in use, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Estimation of useful lives of property, plant and equipment
The Group estimates the useful lives of depreciable property, plant and equipment, except for mine and mining and oil and gas properties, based on internal technical evaluation and experience. These estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. For mine and mining properties which were depreciated based on units-of production, the Group estimates and periodically reviews the remaining recoverable reserves to ensure that remaining reserves are reflective of the current condition of the mine and mining and oil and gas properties**.**

Estimation of recoverable reserves
Recoverable reserves were determined using various factors or parameters such as market price of metals and global economy. These are economically mineable reserves based on the current market condition and concentration of mineral resource. The estimated recoverable reserves are used in the calculation of depreciation, amortization

and testing for impairment, the assessment of life of the mine, and for forecasting the timing of the payment of mine rehabilitation costs.

Estimation of provision for mine rehabilitation costs
The Group recognized a liability relating to the estimated costs of mine rehabilitation. The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates.

Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at each end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statements of financial position by adjusting the rehabilitation asset and liability. If the net rehabilitation provisions of revised mine assets for mature mines exceed the carrying value, that portion of the increase is charged directly to the consolidated statements of income. For closed sites, changes to estimated costs are recognized immediately in the consolidated statements of income.

Impairment of Non-financial Assets
The Group's non-financial assets include input tax recoverable, property, plant and equipment, other noncurrent asset and investment in associates. The Group assesses whether there are indications of impairment on its current and noncurrent non-financial assets, at least on an annual basis. If there is objective evidence, an impairment testing is performed. This requires an estimation of the value in use of the CGUs to which the assets belong. Assessments require the use of estimates and assumptions such as VAT disallowance rate, long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. In assessing value in use, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Convertible Bonds
The Group's convertible bonds, treated as a compound financial instrument, are separated into liability and equity components based on the terms of the contract. On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

Provisions for losses
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be

required to settle the said obligations. An estimate of the provision is based on known information at each end of the reporting period, net of any estimated amount that may be reimbursed to the Group. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information.

Estimation of net retirement benefits liability (plan assets) and costs
The Group's net retirement benefits costs are actuarially computed using certain assumptions with respect to future annual salary increases and discount rates per annum, among others.

3. Financial Risk Management Objectives and Policies and Hedging Activities

Financial Risks Management Objectives and Policies
The Group's principal financial instruments, other than derivatives, comprise mainly of cash and cash equivalents, accounts receivable, financial assets measured at FVOCI, short-term bank loan and accounts payable and accrued liabilities. The main purpose of these financial instruments is to provide financing for the Group's operations and capital-intensive projects.

The BOD is mainly responsible for the overall risk management and approval of the risk strategies and principles of the Group. The BOD has approved its formalized hedging policy in relation to entering into commodity derivatives in order to manage its financial performance.

Financial Risks
The main risks arising from the Group's financial instruments are credit and concentration risks, liquidity risk, and market risk. The market risk exposure of the Group can be further classified to foreign currency risk, cash flow interest rate risk, equity price risk, and commodity price risk. The BOD reviews and approves the policies for managing some of these risks and they are summarized as follows:

Credit and concentration risks

Credit risk is the risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. To avoid such losses, the Group's primary credit risk management strategy is to trade only with recognized, creditworthy third parties. At present, 60% of the Parent Company's annual production of concentrates is sold to Pan Pacific. The balance of the Parent Company's annual production of concentrates is contracted with IXM and Transamine which is covered by several short-term agreements up to March 2020 and June 2019, respectively.

Credit risk may also arise from the Group's other financial assets, which comprise of cash and cash equivalents. The Group's exposure to credit risk could arise from default of the counterparty, having a maximum exposure equal to the carrying amount of these instruments.

The table below summarizes the Group's exposure to credit risk for the components of the unaudited consolidated balance sheet as of March 31, 2020:

Cash and cash equivalents:	
Cash with banks	₱ 479,707
Short-term deposits	64,380
Accounts receivable:	
Trade	210,207
Others	84,271
Gross maximum credit risk exposure	₱838,565

The table below shows the credit quality of the Group's financial assets by class as of March 31, 2020 based on the Group's credit evaluation process:

	Neither Past Due nor Impaired		Past Due and Individually	Total
	High-Grade	Standard	Impaired	
Cash and cash equivalents:				
Cash with banks	₱479,707	₱–	₱–	₱479,707
Short-term deposits	64,380	–	–	64,380
Accounts receivable:				
Trade	210,207	–	–	210,207
Others	84,271	–	–	84,271
Total	₱838,565	₱–	₱–	₱838,565

Credit quality of cash and cash equivalents and accounts receivable are based on the nature of the counterparty and the Group's evaluation process.

High-grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience.

Liquidity risk

Liquidity risk is the risk where the Group becomes unable to meet its obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary.

The table below summarizes the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as of March 31, 2020:

	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	₱544,842	–	₱–	₱544,842
Accounts receivable:				
Trade	–	210,207	–	210,207
Others	–	84,271	–	84,271
Financial assets measured at FVOCI				
Quoted equity investments	67,863	–	–	67,863
Unquoted equity investments	53,035	–	–	53,035
Total undiscounted financial assets	₱665,740	₱294,478	₱–	₱960,218

	On Demand	Within 1 Year	More than 1 Year	Total
Other financial liabilities				
Short-term loans				
Principal	₱–	₱2,588,780	₱–	₱2,588,780
Interest	–	3,578	–	3,578
Long-term loans				
Principal	–	–	7,200,000	7,200,000
Interest			27,000	27,000
Accounts payables and accrued liabilities	–	1,241,462	–	1,241,462
Other payables	585,771	–	–	585,771
Total undiscounted financial assets	₱585,771	₱3,833,820	₱7,227,000	₱11,646,591

Market risks

Foreign currency risk

Foreign currency risk the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from sales in currencies other than its functional currency. All of the Parent Company's sales are denominated in US Dollar. Also, the Parent Company is exposed to foreign exchange risk arising from its US Dollar-denominated cash and cash equivalents and trade receivables and loans payable.

As the need arises, the Group enters into structured currency derivatives to cushion the effect of foreign currency fluctuations.

The following table summarizes the impact on the unaudited consolidated income before income tax of reasonable possible changes in the exchange rates of US Dollar against the Peso:

US$ Appreciate (Depreciate)	Effect on Consolidated Income before Income Tax
5%	(₱104,124)
(5%)	104,124

Equity Price Risk

Equity price risk is the risk where the fair values of investments in quoted equity securities could increase or decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Management monitors the movement of the share prices pertaining to the Group's investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as financial assets measured at FVOCI.

The effect on equity, as a result of a possible change in the fair value of the Group's quoted equity instruments held as financial assets measured at FVOCI as at March 31, 2020 that could be brought by changes in equity indices with all other variables held constant is as follows:

Currency	Change in Quoted Prices of Investments Carried at Fair Value	Effect on Equity
Peso	Increase by 1%	₱30.53
	Decrease by 1%	(30.53)

Commodity price risk

The Parent Company's mine products revenues are based on international commodity quotations (i.e., primarily on the LME and London Bullion Market Association quotes) over which the Parent Company has no significant influence or control. This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash inflows.

The table below shows the effect on income before income tax should the change in the prices of copper and gold occur based on the inventory of the Parent Company as of March 31, 2019:

Change in metal prices (Gold)	Effect on income before income tax
Increase by 12%	₱137,746
Decrease by 12%	(137,746)

Change in metal prices (Copper)	Effect on income before income tax
Increase by 28%	₱195,190
Decrease by 28%	(195,190)

4. Segment Information

The Group is organized into business units on their products and activities and has two reportable business segments: the mining segment, and the energy and hydrocarbon segment until July 15, 2016, when the deconsolidation of the energy and hydrocarbon

took place. The operating businesses are organized and managed separately through the Parent Company and its subsidiaries according to the nature of the products provided, with each segment representing a strategic business unit that offers different products to different markets.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net (loss) income for the year, earnings before interest, taxes, depreciation and depletion, and amortization (EBITDA), and core net (loss) income.

Net (loss) income for the year is measured consistent with consolidated net (loss) income in the consolidated statements of income. EBITDA is measured as net income excluding interest expense, interest income, (benefit from) provision for income tax, depreciation and depletion of property, plant and equipment and effects of non-recurring items.

EBITDA is not a uniform or legally defined financial measure. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. The Group relies primarily on the results in accordance with PFRSs and uses EBITDA only as supplementary information.

The Group uses using core net (loss) income in evaluating total performance. Core income is the performance of business segments based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company excluding the effects of non-recurring items, net of their tax effects. Non-recurring items represent (losses) gains that, through occurrence or size, are not considered usual operating items, such as foreign exchange (losses) gains, (losses) gains on derivative instruments, (losses) gains on disposal of investments, and other non-recurring (losses) gains.

The following table shows the Group's reconciliation of core net income to the consolidated net income for the three months ended March 31, 2020 and 2019.

		2020		2019
Core Net Income (Loss)	P	102,718	P	(111,589)
Non-Recurring gains (losses)				
Foreign exchange (losses) gains		(593)		940
Gain on reversal of Receivable previously written-off		-		737,815
Provisions for impairment of assets and others		-		(420,385)
Net tax effect on foreign exchange (losses) gains		177		(283)
Net income attributable fo parent company		102,302		206,498
Net income attributable to non-controlling interests		-		-
Net income	P	102,302	P	206,498

Core net (loss) income per share is computed as follows:

	2020	2019
Core net income (loss)	₱102,718	(₱111,589)
Divided by weighted average number of common shares outstanding	4,940,399,068	4,940,399,068
Core net income (loss) per share	₱0.0208	**(**₱0.0226)

The Group's EBITDA as of March 31, 2020 and 2019 amounted to ₱418,684 and ₱217,183, respectively.

5. **Revenues**

Adoption of PFRS 15 using modified retrospective approach as of March 31, 2020 and March 31, 2019:

	2020		
	Revenue from contracts with customers	**Provisional pricing adjustment**	**Total revenue**
Gold	**₱1,117,429**	**(₱10,664)**	**₱1,106,765**
Copper	**714,872**	**(119,510)**	**595.362**
Silver	**14,443**	**(1,749)**	**12,694**
	₱1,846,744	**(₱131,923)**	**₱1,714,821**

	2019		
	Revenue from contracts with customers	Provisional pricing adjustment	Total revenue
Gold	₱679,904	(₱1,813)	₱678.091
Copper	762,008	23,065	785.073
Silver	13,403	(870)	12,533
	₱1,455,315	₱20,382	₱1,475,697

All revenue from sale of gold, copper and silver are recognized at a point in time when control transfers.

The new revenue standard requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

6. Other Income (Charges)

The following table presents the composition of Others-net in the Consolidated Statements of Income as of March 31, 2020 and 2019.

	2020	2019
Reversal of receivable previously written-off	₱–	₱737,815
Write-off of fixed assets	–	(329,385)
Others	(27,837)	(104,921)
	(₱27,837)	₱303,509

7. Basic/Diluted Earnings Per Share

Basic and diluted earnings per share as of March 31, 2020 and 2019 are computed as follows:

	2020	2019
Net income attributable to equity holders of the Parent Company	₱102,303	₱206,498
Divided by weighted average number of common shares outstanding during year	4,940,399,068	4,940,399,068
Basic earnings per share	₱0.0207	₱0.0418

Diluted earnings per share as of March 31, 2020 and 2019 are computed as follows:

	2020	2018
Net income attributable to equity holders of the Parent Company	₱102,303	₱206,498
Divided by weighted average number of common shares adjusted for the effect of exercise of stock options	4,940,399,068	4,940,399,068
Diluted earnings per share	₱0.0207	₱0.0418

Weighted average number of common shares for basic earnings per share	4,940,399,068	4,940,399,068
Dilutive effect of outstanding stock options	–	–
Weighted average number of common shares adjusted for the effect of exercise of stock options	4,940,399,068	4,940,399,068

8. Events After End of Reporting Period

There are no known event that will trigger direct or contingent financial obligation that is material to the Company other than those discussed in Part 1 of this report.