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

(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

S T A M P S

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 September 30, 2019

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 September 30, 2019)

Amount of Debt Outstanding – ₱ 10,267,753,777(As of September 30, 2019)

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 September 30, 2019 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).

Padcal Mine continues to experience 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. New mining levels have already been commissioned and new drawpoints are scheduled for commissioning in the next few months to also improve ore grades.

In February 2017, SMMCI and Philex Gold Philippines, Inc. (PGPI), both wholly-owned subsidiaries of the Company, received show cause letters from the DENR directing SMMCI and PGPI, respectively, to explain why their MPSAs should not be cancelled for being located within watershed areas. SMMCI and PGPI responded to the show cause letters stating that the MPSAs are valid and legal, and are not located in proclaimed watershed forest reserves or critical watersheds where mining is prohibited. The Company's subsidiaries are confident that their MPSAs comply with pertinent law and regulation and can thus withstand any legal challenge. In March 2017, SMMCI and PGPI received letters from DENR acknowledging receipt of SMMCI's and PGPI's reply to the DENR show cause letters, sent on February 21, 2017. As stated in DENR's acknowledgement letter, it shall be evaluating the matter and inform SMMCI and PGPI of the result thereof accordingly.

On April 27, 2017, the DENR issued Department Administrative Order (DAO) 2017-10, or the *Administrative Order Banning the Open Pit Method of Mining for Copper, Gold, Silver and Complex Ores in the Country*, which took effect 15 days after its publication and upon deposit of a copy thereof to the Office of the National Administrative Register on May 3, 2017. DAO No. 2017-10 provides that the use of open pit method of mining for the extraction of copper, gold, silver and/or complex ores is prohibited and that mining contractors who have not commenced commercial operation but have approved Declarations of Mining Project Feasibility for open pit mining are given a period of six (6) months to review their planned mining methods accordingly. Management believes that DAO No. 2017-10 is a violation of the 1987 Constitution, Republic Act No. 7942 otherwise known as the Mining Act of 1995, Executive Order No. 192, Series of 1987, as amended, otherwise known as the DENR Charter and Executive Order No. 292, otherwise known as the Administrative Code.

In response to the transitory provision of DAO No. 2017-10, the management wrote to the DENR on November 17, 2017 to inform that management has initiated further studies to demonstrate project feasibility in order to develop further the Silangan Project of SMMCI in an environmentally sound, socially acceptable, technically compliant and economically viable manner. Based on latest results following these parameters, the project is envisioned to be an underground mine with (1) a starter surface mine (Phase 1) to initially extract the near surface ore and improve the groundwater condition of the ensuing underground mine; and (2) the main underground mine (Phase 2) to extract most of the deep seated ore for the planned mine life. On July 24, 2018, SMMCI informed the DENR-MGV that it is looking into revisiting its underground development and mining plan, which eventually resulted to the recently approved underground sub-level cae mining method for the Silangan Project.

Review of Financial Results

Total operating revenues for the nine months ended September 30, 2019 amounted to ₱5.308 billion which were 19% lower compared with ₱6.586 billion reported for the same period in 2018, mainly due to lower metal output. The unfavorable copper prices and foreign exchange rates also contributed to the revenue variance. Total operating revenues for the third quarter were, however, slightly above at ₱1.943 billion, against the ₱1.940 billion revenues reported in the third quarter of 2018. The slight increase in revenues was due to higher copper grades as well as improved

copper and gold recoveries, despite unfavorable copper prices and foreign exchange rates. For the first three quarters of 2019, a significant improvement in revenues was shown in the third quarter which was higher by 11% than revenues in the prior quarter. Padcal production continues to either maintain or increase with the implementation of production improvement programs that were put in place to address various operational and technical issues to attain higher daily tonnage.

Gold

Gold production in the nine months ended September 30, 2019 reached 38,125 ounces compared with 48,929 ounces in 2018. Average gold price for the same period was US$1,365 per ounce, slightly higher than the US$1,304 per ounce gold price realized in 2018. The current level of gold prices remain to be favorable to the Company and is expected to boost the revenue to offset any setback in production. In gold output, the significant drop by 22% as an effect of the 9% decrease in tonnage and the 15% decline in gold grade, coupled with lower foreign exchange rates caused the 20% decrease in gold revenue to ₱2.651 billion – comprising 50% of the total – from ₱3.327 billion in 2018.

For the third quarter of 2019, gold production was at 14,450 ounces, slightly higher that the gold production of 14,346 ounces for the same period in 2018. The third quarter 2019 production was also higher by 10% as against the prior quarter's production. Gold revenues for the third quarter of 2019 was, consequently, higher at ₱1.040 billion compared with ₱978 million in 2018 mainly contributed by higher gold prices that averaged at US$1,445 per ounce from US$1,272 per ounce for the same period in 2018.

Copper

Copper production in the nine months ended September 30, 2019 totaled 18,858,898 pounds against 20,509,153 pounds in 2018. Realized copper prices for the same period averaged lower at US$2.67 per pound against US$3.00 per pound in 2018. Following the decline in copper output by 8% and lower copper prices by 11% and foreign exchange rates, copper revenue amounted to ₱2.606 billion, 19% lower than the ₱3.211 billion reported last year, and accounted for 49% of the total. Efforts to improve metal recoveries are employed to cushion the unfavorable impact of low copper prices.

In the third quarter, copper production improved to 6,851,500 pounds compared to the previous quarter, and against 6,360,516 pounds for the third quarter of 2018 due mainly to higher copper grade and improved copper recoveries. Copper prices in the third quarter of 2019, however, continued to decline averaging at US$2.57 per pound compared with US$2.66 per pound in the previous quarter and US$2.77 per pound for the same period in 2018. As a result of lower copper prices, copper revenues decreased by 7% to ₱884 million from ₱949 million in 2018, but higher compared with revenues in the previous quarter as the impact of lower prices was offset by the contribution of the 9% increase in metal output.

Silver

Revenues from silver made up the remaining 1% of the Company's total revenue and amounted to ₱50 million for the nine months ended September 30, 2019 compared with ₱49 million in 2018, principally due to lower silver output and prices. Revenues for the second quarter this year amounted to ₱19 million, 49% higher than the revenues of ₱13 million for the same period in 2018.

Entering into metal hedging contracts is used by the Company as a mitigating measure to address the impact of global metal price volatility in revenues. With conservative assessment and based on the Company's outlook of the behavior of gold prices in early 2019 and in mid-2019, the Company entered into gold collar hedging contracts, with breakdown as follows:

GOLD COLLAR HEDGE 2019

Deal Date		Quantity (In Ounces)	Gold Prices - US$ per Ounce			Period Covered	Settlement Date	Realized Gain (P' Million)
			Put	Call	Settlement			
08-Feb-19	GS	2,000	1,300	1,327	1,320	Feb. 2019	04-Mar-19	-
08-Feb-19	GS	2,000	1,300	1,327	1,302	Mar. 2019	02-Apr-19	-
08-Feb-19	GS	2,000	1,300	1,327	1,287	Apr. 2019	02-May-19	1.3
18-Jun-19	JPM	2,000	1,330	1,390	1,414	July 2019	02-Aug-19	(2.5)
18-Jun-19	JPM	2,000	1,330	1,390	1,498	Aug. 2019	03-Sep-19	(11.3)
18-Jun-19	JPM	2,000	1,330	1,390	1,511	Sept. 2019	02-Oct-19	(12.5)
18-Jun-19	JPM	2,000	1,330	1,390	-	Oct. 2019	04-Nov-19	-
18-Jun-19	JPM	2,000	1,330	1,390	-	Nov. 2019	02-Dec-19	-
18-Jun-19	JPM	2,000	1,330	1,390	-	Dec. 2019	03-Jan-20	-
		18,000	1,320	1,369				(24.9)

A net loss of ₱25 million was recognized for the nine months ended September 30, 2019 on gold hedge covering April to September 2019 production as gold prices averaged above $1,390 per ounce for call options covering the third quarter 2019 production, but partially offset by the gain in Aprill 2019 as gold prices averaged lower than the strike price of $1,300 per ounce on the put option.

For 2018, the Company entered into gold collar hedging contracts as follows:

GOLD COLLAR HEDGE 2018

Deal Date	Quantity (In Ounces)	Gold Prices - US$ per Ounce			Period Covered	Settlement Date	Realized Gain (P' Million)
		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	06/04/18	-
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	1,400.00	1,238	July 2018	08/02/18	15
04/19/18	3,000	1,330	1,400.00	1,202	Aug. 2018	09/05/18	21
04/19/18	3,000	1,330	1,400.00	1,199	Sept. 2018	10/02/18	21
	22,200						59

COPPER COLLAR HEDGE 2018

Deal Date	Quantity (In Pounds)	Copper Prices - US$ per Pound			Period Covered	Settlement Date	Realized Gain (P' Million)
		Put	Call	Settlement			
1/8/2018	727,525	3.00	3.40	3.18	Jan. 2018	02/02/18	-
1/8/2018	727,525	3.00	3.40	3.08	Feb. 2018	03/02/18	-
1/8/2018	727,525	3.00	3.40	3.10	Mar. 2018	04/02/18	-
1/8/2018	727,525	3.00	3.40	3.09	May 2018	06/04/18	-
1/8/2018	727,525	3.00	3.40	3.15	June 2018	07/03/18	-
1/8/2018	727,525	3.00	3.40	2.83	July 2018	08/02/18	7
	4,365,148						7

For the nine months ended September 30, 2018, the Company recognized a total gain of ₱66 million, comprising of ₱59 million from gold and ₱7 million from copper. No outstanding contracts remained as at third quarter end.

Operational Overview

The Company's total ore milled from its Padcal Mine for the nine months ended September 30, 2019 reached 5,938,928 tonnes which was 9% lower than 6,529,107 tonnes in 2018. Tonnage for the third quarter of 2019, however, continuously improved to 2,134,352 from 1,972,297 tonnes milled in the second quarter and 1,832,279 tonnes in the first quarter. This was the effect of the implementation of improvement programs and acquisition of two LHD's in June. The third quarter 2019 tonnage was, however, slightly lower than the 2,141,211 tonnes for the same quarter in 2018 due mainly to reduced operating days to carry out maintenance schedules.

Gold production declined by 22% to 38,125 ounces for the nine months ended September 30, 2019 from 48,929 ounces in the same period last year. This was mainly due to lower tonnage of ores milled coupled with a 15% drop in ore grades that averaged at 0.260 grams per tonne (g/t) against the previous year's 0.307 g/t. However, in the third quarter, gold output was higher at 14,450 ounces against 14,346 ounces in 2018 as a result of higher gold recovery. Gold output continuously improved quarterly within the nine months ended September 30, 2019.

Similarly for copper, the production declined by 8% to 18,858,898 pounds during the nine months ended September 30, 2019 compared with 20,509,153 pounds the previous year due mainly to lower tonnage and lower ore grades, despite an improvement of 4% in metal recovery rate.

Copper ore grades averaged 0.177% in the period against 0.183% in 2018. However, for the third quarter in 2019, copper production increased by 8% at 6,851,500 pounds against 6,360,516 pounds due to higher ore grades that averaged at 0.179% compared with 0.176% in 2018 and due to improved metal recovery. Like gold, the quarterly output for copper also showed an increasing trend from the first quarter to the third quarter of 2019.

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 ₱4.809 billion for the nine months ended September 30, 2019, lower than the ₱5.087 billion in 2018, mainly as a result of the 18% decrease in Excise Taxes and Royalties due to lower revenues, 13% decrease in Depletion, Depreciation and Amortization on account of the 9% decrease in tonnage and 10% decrease in G&A.

Smelting Charges amounted to ₱442 million for the period, 17% lower than the ₱531 million in 2018, due mainly to lower rates for treatment charges and refining charges (TCRC) on concentrate shipments. The negotiated TCRC rates were down by 17% with average TC rate down from US$70.81/dmt in 2018 to US$59.05/dmt in 2019. The copper concentrates produced were also lower by 8%, which totaled 41,167 dry metric tons (DMT) from 44,650 DMT, also contributed to the lower smelting charges for the nine months ended September 30, 2019.

Cash Production Costs for the nine months ended September 30, 2019 slightly decreased to ₱3.216 billion from ₱3.243 billion, mainly from lower power costs due to lower power rates and tonnage, and also from lower maintenance costs.

Depletion, Depreciation and Amortization also decreased to ₱1.065 billion from ₱1.220 billion as a result mainly of lower tonnage and impairment of mining assets in 2018.

Excise Taxes and Royalties decreased by 18% to ₱320 million from ₱393 million, on account of lower net revenue in 2019 which serves as the basis of excise tax and royalties. G&A also decreased to ₱208 million in 2019 from ₱232 million due to manpower reduction.

For the third quarter of 2019, total operating costs and expenses (including G&A and Depletion, Depreciation and Amortization) decreased to ₱1.677 billion against ₱1.727 billion in 2018 on account of lower production costs, decrease in excise tax and decrease in depletion, depreciation and amortization. Smelting charges for the third quarter of 2019, however, increased to ₱165 million from ₱154 million for the same quarter in 2018 on account mainly of higher copper concentrates production as well as higher average contracted treatment and refining charges for the quarter.

Costs Per Tonne / Per Ounce / Per Pound

Total production costs (including depletion, depreciation and amortization) on a per unit basis was recorded at ₱721 per tonne for the nine months ended September 30, 2019, higher against ₱684 per tonne in 2018. Likewise, operating costs (including smelting charge, excise taxes, and royalties) was higher at ₱849 per tonne in 2019 against ₱825 per tonne in 2018.

The increase in cost per tonne (both for total production and operating) for the nine months ended September 30, 2019 was attributed mainly to the lower tonnage, which represented a lower

denominator and translated to a higher production cost per unit, despite lower total operating costs (including smelting charges but excluding G&A) of ₱5.042 billion in 2019 from ₱5.387 billion in 2018.

On the other hand, for the third quarter in 2019, total production cost per tonne was lower at ₱694 per tonne as against ₱774 per tonne for the same period in 2018. Similarly, operating cost per tonne was down to ₱828 per tonne from ₱898 per tonne in 2018. Lower cost per tonne was realized in the third quarter of 2019 on account of lower costs which more than offset the impact of lower tonnage in the computation of the cost on a per tonne basis.

Using co-production method, the operating cost (including smelting charges but excluding G&A) per ounce of gold and per pound of copper for nine months ended September 30, 2019, were US$1,297 per ounce and US$2.53 per pound in 2019, compared with US$1,054 per ounce gold and US$2.42 per pound copper in 2018, respectively. The higher cost per unit was due mainly to lower gold and copper output this year, despite lower operating costs For the third quarter of 2019, even with lower operating costs, the per unit for gold increased to US$1,285 per ounce as 54% of costs was allocated to gold based on revenue contribution against 51% in 2018, while per unit for copper decreased to US$2.28 per pound on account of the 8% increase in copper output.

Other Income (Charges)

For the nine months ended September 30, 2019, the Company recorded a Net Other Income of ₱436 million, which consisted mainly of a ₱738 million gain on the reversal of receivable previously written off and net gain on foreign exchange transactions of ₱46 million, but offset by a ₱329 million write-off of fixed assets and manpower rationalization costs.

Equity Share in Net Loss of Associates (covering PXP Energy Corp. and Lepanto) amounted to ₱25 million in the nine months ended September 30, 2019 and ₱19 million for the same period in 2018. These amounts correspondingly reduced the Company's investments in the named associates.

In 2018, the Company recorded Net Other Charges of ₱172 million, consisting mainly of a loss on foreign exchange (Forex) transactions of ₱168 million, resulting mainly from the impact of the Philippine Peso depreciation against the US Dollar on the restatement of the Company's net foreign currency-denominated liabilities. In 2019, the Company recorded Forex gain of ₱46 million. The reference foreign exchange rates at closing dates of September 30, 2019 were ₱51.83 as against ₱52.58 as of December 31, 2018. A gain of ₱6.0 million on the sale of subsidiary's properties was also recognized in 2018.

Minimal amounts of interest income from short-term money market placements were recorded in 2019 and 2018 on account of the lower cash balance arising from payment of loan balance for any excess cash.

For the third quarter of 2019, Net Other Charges amounted to ₱2 million, consisting mainly of equity share in net loss of associates, loss from Forex transactions and adjustment of MRP provisions, offset by amortization of mine closure cost.

Core and Reported Net Income

With the continuous efforts to improve production as shown in the quarterly numbers, the Company posted a year-to-date (YTD) September 2019 core net income of ₱39 million from a loss of ₱19 million for the YTD June 2019. For the same period in 2018, the Company recorded a core net income of ₱687 million as against this year's ₱39 million as a result of significantly lower revenues on account of lower metal output this year.

Meanwhile, EBITDA reached ₱1.135 billion during the nine months ended September 30, 2019 compared with ₱2.276 billion in 2018. 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. Non-core items for YTD September 2019 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) for YTD September 2019 was at ₱439 million against ₱570 million in the same period last year. The variance was largely attributed to the lower revenues as a result of lower metal output, partially offset by non-recurring items.

For the third quarter of 2019, the Company recorded a core net income of ₱58 million, higher against the core net income of ₱41 million for the same period in 2018 on account of higher metal output and lower operating costs. Net Income reported was ₱48 million for the third quarter of 2019 compared with ₱18 million in 2018.

FINANCIAL CONDITION REVIEW

Assets

The Company's Current Assets as of September 30, 2019 amounted to ₱3.924 billion, compared with ₱4.453 billion as of December 31, 2018, lower by ₱529 million mainly due to the decreases in Cash and Cash Equivalents to ₱280 million from ₱871 million and Advances to a Related Party to ₱739 million from ₱1.387 billion.

The Accounts Receivables of ₱947 million consisted of Trade Receivables from sales of copper concentrates or bullion and Other Receivables. As of September 30, 2019, the outstanding receivables from shipments amounted to ₱843 million compared with ₱204 million as at end 2018, while ₱104 million represented Other Receivables, consisting mainly of receivables from contractors and suppliers, and employee accounts, which increased from ₱96 million in 2018.

> As of September 30, 2019, the outstanding trade receivables consisted of the remaining value of copper concentrate shipments under shipment numbers: 59-IXM, 60-IXM, 61-IXM, 62-IXM and 63-IXM that are still subject to final pricing based on agreed quotational periods. While as of December 31, 2018, the outstanding trade receivables consisted of the remaining value of six copper concentrate shipments also pending final pricing.
>
> A total of eight copper concentrate shipments were made for the period YTD September 2019, with three shipments made in the third quarter. For the same period in 2018, there were nine shipments made following higher production in 2018.

Based on the Sales Agreement entered into by the Company and Pan Pacific Copper Co., Ltd. (Pan Pacific), approximately 40,000 dry metric ton of Padcal production level, is committed to Pan Pacific up to contract year April 2018 to March 2019. For this contract year April 2018 – March 2019, PMC awarded the remaining lots to IXM SA and Transamine. Starting contract year April 2019 and onwards, Pan Pacific's volume can go from 40% to 70% at the discretion of the Company with the remaining copper concentrate production outside the Pan Pacific agreement under contract with IXM SA (formerly Louis Dreyfuss Commodities Metals Suisse SA) up to March 2020.

The copper concentrates shipments were valued based on the following:

Buyer	Provisional Value	Final Value - Copper	Final Value -Gold
PPC	Average prices in the second calendar week immediately prior to the week of shipment	Average monthly average price three months after month of arrival of shipment (3 MAMA)	Average monthly price month after month of arrival of shipment (1 MAMA)
IXM SA	Average prices in the first calendar week immediately prior to the week of shipment	Average monthly price of the month of scheduled shipment (MOSS).	Average monthly price of 1 MOSS and 3 MAMA.
Transamine	Average prices in the first calendar week immediately prior to the week of the preparation of provisional sales invoice	Average monthly price month after month of arrival of shipment (1 MAMA)	Average monthly price of the month of arrival

The Inventories of ₱1.281 billion as of September 30, 2019, which consisted of materials and supplies (88% of the total inventories) and mine products inventory (remaining 12% of total inventories), increased from ₱1.138 billion as at end 2018. The materials and supplies inventory amounted to ₱1.131 billion in 2019, which increased from the balance of ₱1.082 billion as of December 31, 2018. Mine products inventory also increased with a value of ₱151 million corresponding to the 1,205 DMT of copper concentrates inventory as of September 30, 2019 from ₱56 million, representing inventory of 448 DMT, as of December 31, 2018.

Advances to a Related Party decreased to ₱739 million as of September 30, 2019 from ₱1.387 billion in 2018. These represent non-interest bearing advances to 30.4%-owned associate, PXP Energy Corporation (PXP), which advances are secured by a pledge agreement between the Company and PXP. The significant reduction in the 2019 balance was from the additional payment made by PXP amounting to ₱1.386 billion which substantially came from the proceeds of the Company's additional subscription of PXP shares, but subsequently increased by the reversal of the ₱738 million advances previously written off in 2014.

Other Current Assets decreased to ₱675 million in 2019 from ₱757 million. Movements in this account were attributed mainly to the application of BIR TCC amounting to ₱37 million in payment of excise tax and cash refund of 2017 VAT claims amounting to ₱47 million, partially offset by additional VAT on indent and local purchases of materials, supplies and equipment. This was reduced further by the amortization of the annual insurance premium.

Non-Current Assets consisted mainly of Property, Plant and Equipment (PPE) and Deferred Exploration Costs representing 12% and 65% of total assets, respectively, and slightly increased to ₱36.559 billion as of September 30, 2019 from ₱36.258 billion at the end of last year.

PPE decreased to ₱4.915 billion from ₱5.404 billion in 2018 due to the write-off of some fixed assets amounting to ₱329 million, offset by the capital expenditures related to the development of blocks and the acquisition of new facilities and equipment, which amounted to ₱933 million for the YTD September 2019, net of the corresponding depletion, depreciation, and amortization for the period.

Financial Assets Measured at FVOCI remained at ₱118 million from 2018 which consist mainly of golf and clubs shares.

Investment in Associates amounted to ₱4.431 billion as September 30, 2019, consisting of investment in PXP of ₱4.093 billion from ₱4.101 million in 2018 and Lepanto of ₱338 million from ₱354 million in 2018, which were net of equity share in the net losses of associates. The Company's investment in PXP included the Company's additional investment made in 2018 which increased the Company's interest in PXP from 19.8% to 30.4%

Deferred Exploration Costs increased to ₱26.256 billion (representing 65% of total assets) from ₱25.448 billion in 2018 on account of the pre-development expenditures related to Silangan Project with cumulative amount of ₱24.000 billion or 91% of total deferred exploration costs, and confirmatory drilling conducted related to Padcal resources. Initial expenditures on early works program for the Silangan Project amounting to ₱9 million were also included in the deferred exploration costs of the Project.

Pension Asset amounted to ₱351 million as of September 30, 2019 from ₱360 million in 2018, representing the excess of the fair value of plan assets against the present value of defined benefit obligation under the Company's retirement plan, net of SMMCI's pension obligation.

Other Noncurrent Assets slightly increased to ₱488 million as of September 30, 2019 from ₱473 million in 2018, consisting mainly of the Value-added Tax Receivables of SMMCI of ₱425 million that was considered as non-current against ₱410 million as at end-December 2018. Claims for refund of these VAT receivable will commence once Silangan starts commercial production.

As of September 30, 2019, the Company's Total Assets amounted to ₱40.483 billion, slightly lower than the 2018 balance of ₱40.712 billion, mainly from the 12% decrease in current assets as a result primarily of lower cash and cash equivalents, and advances.

Liabilities

The Company's Total Current Liabilities as of September 30, 2019 amounted to ₱5.388 billion, 14% lower than ₱6.260 billion as of end-2018, on account of the partial payment of Subscription Payable to PXP amounting to ₱1.386 billion.

Loans Payable amounted to US$51 million, translated to peso at ₱2.644 billion as of September 30, 2019 from ₱2.156 billion (or US$41 million) as at end-December 2018. Availments of US$10

million (of which US$2 million was borrowed directly under SMMCI) to finance expenditures for the Silangan Project increased the loan balance.

Accounts Payable and Accrued Liabilities slightly remained at ₱1.791 billion from ₱1.791 billion in 2018 due to the net effect of payments made to suppliers and contractors and new liabilities from current purchases. No significant amount of the Company's trade payables were left unpaid based on the terms and conditions agreed upon with suppliers.

Subscription Payable significantly decreased to ₱927 million as of September 30, 2019 from ₱2.313 billion in 2018 on account of the additional payment made by the Company for its 2018 subscription in PXP which increased the Company's interest in PXP from 19.8% to 30.4%. The Company also recognized derivative liabilities amounting to ₱26 million on its outstanding gold hedging contracts as at end September 2019.

Total Non-Current Liabilities as of September 30, 2019 amounted to ₱10.983 billion, represented largely by Bonds Payable at 69% of the total, and Deferred Income Tax Liabilities (DTL), from ₱10.753 billion in 2018.

DTL slightly decreased to ₱2.770 billion in 2019 from ₱2.790 billion as at end-2018 and consisted mainly of the following: ₱1.665 billion arising from the acquisition of 50% of Silangan from Anglo in 2009 and ₱1.105 billion for accelerated depreciation and deferred exploration costs.

Bonds Payable increased to ₱7.624 billion from ₱7.333 billion in 2018. The changes in the amounts correspond to the amortization of deferred transaction costs, accretion of interest from the discounting of the face value of the convertible bonds and accrual of the 3% redemption premium. The bonds payable pertains to the 8-year convertible bonds issued by Silangan Mindanao Exploration Co., Inc. (SMECI), with PMC as the co-issuer, on December 18, 2014, with a face value of ₱7.2 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 amounted to ₱38 million as of September 30, 2019 from ₱79 million as end-2018. The Provision for Mine Rehabilitation represented the amortized value of the Company's estimated mine closure costs, which amounted to ₱137 million and was based on an approved Final Mine Rehabilitation and Decommissioning Plan (FMRDP), discounted at 2.8% per year up to the end of mine life, and net of the Company's expenditure of ₱60 million in 2018 and ₱43 million in 2019 in compliance with the requirement under the Company's approved FMRDP.

Other Payables remained at ₱551 million as of September 30, 2019 from 2018, consisting of long outstanding dividend accounts.

As of September 30, 2019, the Company's Total Liabilities decreased to ₱16.371 billion from ₱17.012 billion as at end 2018, mainly related to the payment of subscription payable to PXP.

Shareholders' Equity

The Company's Total Equity as of September 30, 2019 increased to ₱24.112 billion from ₱23.699 billion recorded in 2018 on account of the net income of ₱439 million the Company recognized for the YTD September 2019.

Retained Earnings amounted to ₱15.143 billion from ₱14.704 billion, after recording the Company's Net Income Attributable to the Equity Holders of the Parent Company of ₱439 million for the YTD September 2019. There were no dividends declared for the nine months ended September 30, 2019. For 2018, the Company declared regular cash dividends amounting to four centavos per share to shareholders on record as of 13 March 2018 and another regular cash dividends amounting to three and a half centavos per share was declared to shareholders on record as of 08 August 2018.

Of the Company's Retained Earnings, ₱10.5 billion was approved by the Company's Board of Directors for appropriation for the Company's share in the Silangan mine development and construction, which comprised of approved appropriation of ₱10.0 billion in 2013 and the additional ₱500.0 million appropriated in 2017.

There were no significant changes in the balances of all other accounts in the Company Equity which also included ₱1.226 billion of Equity Conversion Options, ₱1.572 billion of Net Revaluation Surplus, ₱35 million of Net Unrealized Gain on Financial Assets, which amounts remained at the same level as of September 30, 2019 and December 31, 2018. In addition, Effect of Transactions with Non-controlling Interests also remained at ₱78 million in 2019 from 2018. The Company also recognized under equity the unrealized hedging loss on outstanding gold hedging contracts amounting to ₱26 million.

Liquidity and Capital Resources

The Company's primary objectives are to fund existing operations and sustaining capital expenditures (capex) and to maintain a healthy pipeline of exploration projects for possible expansion. Among the Company's prospects, the Silangan Project is the most advanced thus currently the focus of the Company for development.

The Company's principal source is internally generated funds. Primarily due to very low production performance in the early part of 2019, the Company relied also on previous year's cash generation to finance its current working capital requirements. The Company's net cash used in operating activities amounted to ₱1.053 billion for the YTD September 2019, mainly used for the payment of 45% of the subscribed portion of the additional investment in PXP in 2018, compared with net cash generated of ₱1.902 billion for the same period in 2018.

The Company also maintains credit facilities as source of funds primarily to finance the sustaining capex of the Padcal Mine, pre-development costs of the Silangan Project and other exploration initiatives, as well as to refinance existing debt. The liquidity position of the Company is supported by credit facilities committed by various local banks.

Net cash used in investing activities for YTD September 2019 amounted to ₱2 million, principally from payment received for advances to PXP of ₱1.386 billion, but substantially used for capex of the Padcal Mine and Silangan Project. For the same period in 2018, the Company reported net

cash used in investing activities of ₱1.366 billion for Padcal and Silangan capex. Padcal capex for YTD September 2019 amounted to ₱947 million, while pre-development expenditures for Silangan Project amounted to ₱420 million and exploration/drilling costs amounted to ₱20 million. Expenditures for the same period in 2018 amounted to ₱1.037 billion for Padcal and ₱230 million for pre-development activities at the Silangan Project. A total of ₱107 million was also spent for continuing exploration activities of other projects in 2018.

Net cash generated from financing activities amounted to ₱464 million for YTD September 2019, representing availment of US$10 million short-term bank loans, partially reduced by the payment of capitalized interests on bank loans. In 2018, net cash used in financing activities amounted to ₱936 million, mainly for the repayment of bank loan for ₱523 million, interest payments of ₱42 million and dividend payments of ₱371 million.

Capital Expenditures and Exploration Costs

(P millions)	**9M 2019**	**9M 2018**
Padcal and Others		
Mine Development	525	573
Tailings Pond Structures	127	112
Machinery & Equipment	296	352
	947	**1,037**
Silangan Project		
Deferred Exploration	434	315
Machinery & Equipment, net	(14)	(85)
	420	**230**
Mine Exploration Projects	**20**	**107**
Total	**1,387**	**1,375**
Summary		
PPE	933	953
Deferred Exploration	454	422
Total	**1,387**	**1,375**

Top Five Key Financial and Non-Financial Performance Indicators

Safety Performance

The Company believes that operational excellence can only be achieved unless personnel health and safety remains an utmost priority. In the nine months ended September 30, 2019, the Company recorded five Lost Time Accident-Fatal (LTA-F) and three Lost Time Accident-Non Fatal (LTA-NF), compared with one LTA-F and five LTA-NF for the same period in 2018.

The Company continues to work on achieving “zero-harm” record by constantly reviewing safety policies and procedures. Initiatives are also in place to ensure that injuries are avoided and accidents are eliminated in the workplace. Third-party consultants are also engaged to evaluate

the Company's existing safety performance and identify risks areas and possible areas for improvement.

Earnings Per Share

The earnings per share (EPS) represent the net income attributable to equity holders of the Company expressed in amount per share of the Company's average outstanding capital stock. Assuming a constant outstanding number of shares, the earnings per share correspondingly increases 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.

The basic earnings per share for YTD September 2019 and 2018 were ₱0.0889 and ₱0.1154, respectively, based on 4,940,399,068 weighted average shares outstanding for the period.

In 2019 and 2018, 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.

Ore Milled and Metal Produced

Ore milled and ore grade determine the volume of concentrates to be produced and sold. Ore milled were 5,938,928 tonnes for YTD September 2019, 9% lower compared with 6,529,107 tonnes in 2018.

Copper output reached 18,858,898 pounds, 8% lower than 2018's 20,509,153 pounds, while gold production was down by 22% at 38,125 ounces, compared with 48,929 ounces in 2018, 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 unit 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 unit becomes, which will also be similar if the same production volume incurs a lower operating cost. Thus, a lower cost per unit would generally reflect an improvement in operating efficiency. Additionally for cost per metal unit, the impact of metal grade, as it affects metal production, and the impact of the exchange rate, as it affects the conversion from peso to dollars, are reflected in the resulting numbers.

In 2019, the total production cost (mine site cost and expenses excluding smelting charges, excise tax and royalties) per tonne of ore milled was ₱721, with total production cost of ₱4.281 billion over ore milled of 5,938,928 tonnes. This was 5% higher than the cost per tonne of ₱684 from the total production cost of ₱4.463 billion over ore milled of 6,529,107 tonnes in 2018 primarily due to the lower denominator brought about by lower tonnage, despite lower production costs in 2019.

The operating costs and expenses (all cost and expenses excluding G&A) per tonne of ore milled in 2019 was ₱849 from the total operating cost and expenses of ₱5.042 billion, slightly higher than the ₱825 from the operating costs and expenses of ₱5.387 billion in 2018. 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$1,297 per ounce in 2019 compared with US$1,055 per ounce in 2018, while operating cost applicable to copper produced amounted to US$2.53 per pound in 2019 compared with US$2.42 per pound in 2018. 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 and Development

The Company recognizes 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. In a normal business environment, the Company would pursue and invest in viable exploration activities and operational enhancements on a constant basis. However, with limited internal resources, the Company concentrated on the advancement of more mature projects, one of which is the Silangan Project. Currently, the Company is in the process of looking for strategic equity partners to develop and eventually put into operation the Silangan Project.

In the nine months ended September 2019, total expenditures on mining exploration including that of Silangan Project amounted to ₱454 million compared with ₱422 million in 2018. As of September 30, 2019, total deferred exploration costs amounted to ₱26.256 billion, comprising 65% of the Company's Total Assets, and 3% higher compared with ₱25.448 billion at year-end 2018 due to Silangan expenditures.

Subsidiaries and Related Party Transactions

The Company's significant related party transactions as of September 30, 2019 and December 31, 2018, 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. In February 2015, the Company infused all outstanding advances amounting to ₱7.208 billion as equity. Thereafter, additional advances were made, which again were intended to be converted into equity, amounting to ₱2.150 billion as of September 30, 2019 from ₱1.654 million as of December 31, 2018.

b) Advances from PMC to PXP

PMC made cash advances to PXP Energy Corporation (PXP) 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 wherein certain shares of stocks owned by PXP were pledged to secure the advances. On October 26,

2018, PMC and PXP signed a subscription agreement wherein PMC will subscribe to 260 million common shares of PXP for a total consideration of ₱3.081 billion. PXP's proceeds from the subscription agreement will be utilized by PXP for the repayment of its advances from PMC. As of September 30, 2019, PXP made partial payment of ₱1.386 billion in February 2019 in addition to the ₱772 million payment in December 2018 to PMC which reduced the advances. After the reversal of the ₱738 million receivable previously written off in 2014, the balance of the Advances to PXP amounted to ₱739 million from ₱1.387 billion as of December 31, 2018 Also, as of September 30, 2019, the Company has repaid a total of ₱2.157 billion or 70% of the total subscribed portion of its additional 2018 subscription in PXP.

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 ₱7.624 billion and ₱7.333 billion as of September 30, 2019 and December 31, 2018, 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.

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: November 14, 2019

PHILEX MINING CORPORATION
AND SUBSIDIARIES

UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
September 30, 2019

Pasig City, Philippines

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands, except Par Value per Share)

		September 30 2019 (Unaudited)		December 31 2018 (Audited)
Current Assets				
Cash and cash equivalents		280,398		870,967
Accounts receivable - net		947,370		300,016
Inventories - net		1,281,278		1,137,581
Advances to a related party		739,484		1,387,370
Other current assets - net		675,326		757,290
Total Current Assets		3,923,856		4,453,224
Noncurrent Assets				
Property, plant and equipment - net		4,914,874		5,404,050
Financial assets measured at fair value through other comprehensive income (FVOCI)		118,033		118,033
Investment in associates - net		4,431,158		4,455,668
Deferred exploration costs		26,255,740		25,447,772
Pension asset - net		351,501		359,888
Other non current assets		488,096		472,899
Total Noncurrent Assets		36,559,402		36,258,310
TOTAL ASSETS	**P**	**40,483,258**	**P**	**40,711,534**
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable		2,644,040		2,155,780
Accounts payable and accrued liabilities		1,791,409		1,790,957
Subscription payable		926,531		2,312,981
Derivative liability		25,920		-
Total Current Liabilities		5,387,900		6,259,718
Noncurrent Liabilities				
Deferred income tax liabilities - net		2,770,355		2,789,813
Loans and bonds payable		7,623,714		7,333,096
Provision for losses and mine rehabilitation costs		38,151		78,707
Other payables		550,881		550,995
Total Noncurrent Liabilities		**10,983,101**		**10,752,611**
Total Liabilities		**16,371,001**		**17,012,329**
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		4,642,919		4,203,947
Appropriated		10,500,000		10,500,000
Net unrealized gain on financial assets measured at FVOCI		35,341		35,341
Equity conversion option		1,225,518		1,225,518
Cumulative loss on hedging instruments		(25,920)		-
Net revaluation surplus		1,572,385		1,572,385
Effect of transactions with non-controlling interests		77,892		77,892
		24,112,515		23,699,463
Non-controlling Interests		(258)		(258)
Total Equity		**24,112,257**		**23,699,205**
TOTAL LIABILITIES & EQUITY	**P**	**40,483,258**	**P**	**40,711,534**

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Amounts in Thousands, except Earnings Per Share)

	Nine Months ended September 30			
		2019		2018
REVENUES (Note 5)		**4,866,176**		**6,054,866**
COSTS AND EXPENSES				
Production costs		3,215,518		3,242,627
Depletion, depreciation and amortization		1,065,089		1,220,101
General and administrative expenses		208,243		231,906
Excise taxes and royalties		320,163		392,549
		4,809,013		**5,087,183**
INCOME FROM OPERATIONS		**57,163**		**967,683**
OTHER INCOME (CHARGES)				
Foreign exchange gains (losses) - net		46,069		(167,626)
Interest income - net		913		1,248
Share in net losses of associates		(24,510)		(19,390)
Others - net (Note 6)		413,271		13,485
		435,743		**(172,283)**
INCOME BEFORE INCOME TAX		**492,906**		**795,400**
PROVISION FOR INCOME TAX				
Current		32,173		142,932
Deferred		21,760		82,579
		53,933		225,511
NET INCOME		**438,973**		**569,889**
Net income attributable to:				
Equity holders of the Parent Company		438,973		569,891
Non-controlling interests		-		(2)
	P	**438,973**	**P**	**569,889**
BASIC EARNINGS PER SHARE	**P**	**0.0889**	**P**	**0.1154**
DILUTED EARNINGS PER SHARE	**P**	**0.0889**	**P**	**0.1154**

PHILEX MINING CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, except Earnings Per share)

		3rd Quarter ended September 30		
		2019		**2018**
REVENUES		**1,777,454**		**1,785,389**
COSTS AND EXPENSES				
Production costs		1,101,920		1,124,873
Depreciation, depletion and amortization		379,414		412,272
General and administrative expenses		74,428		77,447
Excise taxes and royalties		120,743		111,938
		1,676,505		1,726,530
INCOME FROM OPERATIONS		**100,949**		**58,859**
OTHER INCOME (CHARGES) - Net				
Foreign exchange gains (losses) - net		(15,352)		(32,401)
Interest income - net		439		449
Share in net losses of associates		(15,481)		(6,463)
Others - net		28,772		(4,882)
		(1,622)		**(43,297)**
INCOME BEFORE INCOME TAX		**99,327**		**15,562**
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current		70,698		85,126
Deferred		(18,955)		(87,799)
		51,743		(2,673)
NET INCOME	**P**	**47,584**	**P**	**18,235**
Net income attributable to:				
Equity holders of the Parent Company		47,584		18,235
Non-controlling interests		-		-
	P	**47,584**	**P**	**18,235**
BASIC EARNINGS PER SHARE	**P**	**0.0096**	**P**	**0.0037**
DILUTED EARNINGS PER SHARE	**P**	**0.0096**	**P**	**0.0037**

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(Amounts in Thousands)

	Nine Months ended September 30			
		2019		**2018**
NET INCOME	P	438,973	P	569,889
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified to profit and loss in subsequent periods:				
Unrealized loss on fair value of hedging instruments		(25,920)		-
TOTAL COMPREHENSIVE INCOME	**P**	**413,053**	**P**	**569,889**
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company		413,053		569,889
Non-controlling interests		-		-
		413,053		**569,889**

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months ended September 30	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	492,906	795,401
Adjustments for:		
Depletion and depreciation	1,377,315	1,222,656
Unrealized foreign exchange (gain) losses and others	(38,732)	183,160
Amortization of Asset Retirement Obligation	12,639	2,706
Amortization of prepaid expenses	8,802	20,713
Equity loss in investment	24,510	19,390
Reversal of receivable previously written off	(737,815)	-
Interest income	(913)	(1,248)
Operating income before working capital changes	1,138,713	2,242,778
Decrease (increase) in:		
Accounts receivable	(645,525)	51,563
Inventories	(143,697)	80,706
Other current assets	66,766	257,425
Increase (Decrease) in:		
Accounts payable and accrued liabilities	78,230	(13,247)
Non current liabilities	(1,510,359)	(426,006)
Cash generated from operations	(1,015,872)	2,193,219
Income taxes paid	(36,676)	(291,256)
Net cash from (used in) operating activities	(1,052,548)	1,901,963
CASHFLOWS FROM INVESTING ACTIVITIES		
Increase in deferred exploration costs and other noncurrent assets	(453,943)	(422,132)
Additions to property, plant and equipment	(933,364)	(952,554)
Advances to related parties	1,385,700	10,224
Net cash from (used in) investing activities	(1,607)	(1,365,587)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of loans	526,992	-
Payments of:		
Capitalized interest expenses	(63,406)	(42,176)
Dividends paid	-	(370,530)
Short-term bank loans	-	(522,950)
Net cash used in financing activities	463,586	(935,656)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(590,569)	(399,280)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	870,967	583,538
CASH AND CASH EQUIVALENTS AT END THE PERIOD	280,398	184,258

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	Net Unreaized Gain (Loss) on AFS Financial Assets	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, 2018	4,940,399	1,143,981	4,203,946	10,500,000	-	35,341	1,225,518	-	1,572,385	77,892	23,699,462	(258)	23,699,204
Net income (loss)	-	-	438,973	-		-	-	-	-	-	438,973	-	438,973
Other comprehensive income (loss):													
Items to be reclassified to profit and loss in subsequent periods:													
Unrealized gain on fair value of hedging instruments								(25,920)			(25,920)		(25,920)
Total comprehensive income (loss)	-	-	438,973	-		-	-	(25,920)	-	-	413,053	-	413,053
Declaration of dividends											-		-
BALANCES AT SEPTEMBER 30, 2019 (Unaudited)	**4,940,399**	**1,143,981**	**4,642,919**	**10,500,000**	**-**	**35,341**	**1,225,518**	**(25,920)**	**1,572,385**	**77,892**	**24,112,515**	**(258)**	**24,112,257**
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 (loss)			569,889								569,889		569,889
Other comprehensive income (loss):													
Movement in fair value of hedging instruments											-		-
Total comprehensive income (loss)	-	-	569,889	-	-	-	-	-	-	-	569,889	-	569,889
Declaration of dividends			(370,530)								(370,530)		(370,530)
BALANCES AT SEPTEMBER 30, 2018 (Unaudited)	**4,940,399**	**1,143,981**	**4,158,418**	**10,500,000**	**-**	**558**	**1,225,518**	**-**	**1,572,385**	**77,892**	**23,619,151**	**(258)**	**23,618,893**

PHILEX MINING CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

		Nine Months Ended September 30	
		2019	2018
Current Ratio	Current Assets over Current Liabilities	0.73	1.25
Debt-to-equity Ratio	Total Liabilities over Total Equity	0.68	0.59
Asset-to-equity Ratio	Total Assets over Equity	1.68	1.59
Net Income Ratio	Net Income over Net Revenue	0.09	0.09

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF ACCOUNTS RECEIVABLE
As of September 30, 2019
(In Thousands)

Accounts Receivable- Trade	P 843,714
Others	103,656
	P 947,370

AGING OF ACCOUNTS RECEIVABLE - TRADE
As of September 30, 2019

	0-30 days	Total
IXM S.A.	P 843,714	P 843,714
	P 843,714	**P 843,714**

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF LOANS PAYABLE

As of September 30, 2019

(In thousands)

Banco de Oro	881,110
Philippine National Bank	1,244,630
Bank of the Philippine Islands	518,300
Total	**P 2,644,040**

PHILEX MINING CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Amounts in Thousands, Except Amounts Per Unit and Number of Shares)

1. Summary of 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, 2018.

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 products 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 for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations [based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations] which became effective in 2019. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of twelve (12) months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group has assessed and concluded that there is no impact on the Group's financial statements as of the reporting period.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This

amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

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. 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*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

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.

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 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

The Group's principal financial instruments, other than derivatives, comprise mainly of cash and cash equivalents, receivables 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 September 30, 2019:

Cash and cash equivalents:	
Cash with banks	₱ 258,520
Short-term deposits	21,133
Accounts receivable:	
Trade	843,714
Others	103,656
Advances to a related party	739,484
Gross maximum credit risk exposure	₱1,966,507

The table below shows the credit quality of the Group's financial assets by class as of September 30, 2019 based on the Group's credit evaluation process:

	Neither Past Due nor Impaired		Past Due and Individually Impaired	Total
	High-Grade	Standard		
Cash and cash equivalents:				
Cash with banks	₱258,520	₱–	₱–	₱258,520
Short-term deposits	21,133	–	–	21,133
Accounts receivable:				
Trade	843,714	–	–	843,714
Others	103,656	–	–	103,656
Advances to a related party	739,484	–	–	739,484
Total	₱1,966,507	₱–	₱–	₱1,966,507

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 September 30, 2019:

	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	₱280,398	–	₱–	₱280,398
Accounts receivable:				
Trade	–	843,714	–	843,714
Others	–	103,656	–	103,656
Advances to a related party	739,484	–	–	739,484
Financial assets measured at FVOCI				
Quoted equity investments	64,944	–	–	64,944
Unquoted equity investments	53,089	–	–	53,089
Total undiscounted financial assets	₱1,137,915	₱947,370	₱–	₱2,085,285

	On Demand	Within 1 Year	More than 1 Year	Total
Other financial liabilities				
Short-term loans				
Principal	₱–	₱2,644,040	₱–	₱2,644,040
Interest	–	4,030	–	4,030
Long-term loans				
Principal	–	–	7,200,000	7,200,000
Interest			81,000	81,000
Accounts payables and accrued liabilities	–	1,438,938	–	1,438,938
Other payables	550,881	–	–	550,881
Total undiscounted financial assets	₱550,881	₱4,087,008	₱7,281,000	₱11,918,889

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%	(₱82,179)
(5%)	82,179

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 September 30, 2019:

Change in metal prices (Gold)	Effect on income before income tax
Increase by 11%	₱291,636
Decrease by 11%	(291,636)

Change in metal prices (Copper)	Effect on income before income tax
Increase by 19%	₱495,179
Decrease by 19%	(495,179)

4. Segment Information

Before deconsolidation of a subsidiary group, the Group is organized into business units on their products and activities and has two business: the metals segment and the energy and hydro carbon segment. 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. As of July 15, 2016, the energy and hydrocarbon group was deconsolidated.

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 income (loss) for the year, earnings before interest, taxes and depreciation and depletion (EBITDA), and core net income (loss).

Net income (loss) for the year is measured consistent with consolidated net income (loss) in the consolidated statements of income. EBITDA is measured as net income excluding interest expense, interest income, provision for (benefit from) 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 PFRS and uses EBITDA only as supplementary information.

In 2013, management reevaluated its calculation of EBITDA to exclude the effects of non-recurring items. Management believes that the revised computation of EBITDA is more useful in making decisions about resource allocation and performance assessment of its reportable segments.

The Group is also using core net income (loss) 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 gains (losses) that, through occurrence or size, are not considered usual operating items, such as foreign exchange gains (losses), gains

(losses) on derivative instruments, gains (losses) on disposal of investments, and other non-recurring gains (losses).

The following tables present revenue and profit and certain asset and liability information regarding the Group's operating segments.

	September 30, 2019 (Unaudited)	
Revenue		
External customers	P	4,866,176
Consolidated revenue		**4,866,176**
Results		
EBITDA	P	1,134,684
Interest Income		913
Income Tax Expense		(53,933)
Depreciation and depletion		(1,079,599)
Non-recurring items		436,909
Consolidated net income (loss)	**P**	**438,973**
Core net income (loss)	**P**	**39,198**
Consolidated total assets	**P**	**40,483,258**
Consolidated total liabilities	**P**	**16,371,001**
Other Segment Information		
Capital expenditures and other non-current assets	**P**	**1,387,307**

September 30, 2018 (Unaudited)		
Revenue		
External customers	P	6,054,866
Consolidated revenue		**6,054,866**
Results		
EBITDA	P	2,231,849
Interest Income		1,248
Income Tax Expense		(225,511)
Depreciation and depletion		(1,270,070)
Non-recurring items		(167,626)
Consolidated net income (loss)	**P**	**569,891**
Core net income (loss)	**P**	**687,229**
Consolidated total assets	**P**	**39,609,851**
Consolidated total liabilities	**P**	**14,678,714**
Other Segment Information		
Capital expenditures and other non-current assets	**P**	**1,374,686**

5. Revenues

Adoption of PFRS 15 using modified retrospective approach as of September 30, 2019 and September 30, 2018:

	2019		
	Revenue from contracts with customers	**Provisional pricing adjustment**	**Total revenue**
Gold	**₱2,589,621**	**(₱12,087)**	**₱2,577,534**
Copper	**2,310,239**	**(65,864)**	**2,244,375**
Silver	**43,788**	**480**	**44,268**
	₱4,943,648	**(₱77,471)**	**₱4,866,177**

	2018		
	Revenue from contracts with customers	Provisional pricing adjustment	Total revenue
Gold	₱3,342,465	(₱283,968)	₱3,058,497
Copper	2,811,908	139,733	2,951,641
Silver	46,694	(1,966)	44,728
	₱6,201,067	(₱146,201)	₱6,054,866

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 September 30, 2019 and 2018.

	2019	2018
Reversal of receivable previously written-off	₱737,815	₱
Write-off of fixed assets	(329,385)	–
Rationalization costs	(17,590)	–
Others	22,430	13,485
	₱413,270	₱13,485

7. Basic/Diluted Earnings Per Share

Basic earnings per share as of September 30, 2019 and 2018 are computed as follows:

	2019	2018
Net income attributable to equity holders of the Parent Company	₱438,972	₱569,889
Divided by weighted average number of common shares outstanding during year	4,940,399,068	4,940,399,068
Basic earnings per share	₱0.0889	₱0.1154

Diluted earnings per share as of September 30, 2019 and 2018 are computed as follows:

	2019	2018
Net income attributable to equity holders of the Parent Company	₱438,972	₱569,889
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	₱0.0889	₱0.1154
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. Seasonality and Cyclicality of Interim Operation

There are no significant seasonality or cyclicality in its business operation that would have material effect on the Company's financial condition or results of operation.

9. 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.