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 March 31, 2020

Commission identification number 10044

BIR Tax Identification No. 000-283-731-000

Exact name of issuer as specified in its charter

PHILEX MINING CORPORATION

Province, country or other jurisdiction of incorporation or organization

Manila, Philippines

Industry Classification Code: **(SEC Use Only)**

Address of issuer's principal office **Postal Code**

2nd Floor, LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila, Philippines 1550

Issuer's telephone number, including area code

(632) 631-1381 to 88

Former name, former address and former fiscal year, if changed since last report

N/A

Securities registered pursuant to Sections 8 and 12 of the Code or sections 4 and 8 of the RSA

Number of Shares of Stock Outstanding – 4,940,399,068 (As of March 31, 2020)

Amount of Debt Outstanding – ₱ 10,424,070.730 (As of March 31, 2020)

Are any or all the securities listed on a Stock Exchange?
Yes [X] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange

Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Consolidated Financial Statements for the period ended March 31, 2020 are hereto attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Status of Operations

The Company and SMMCI finalized the definitive feasibility study (DFS) for an underground sub-level cave mining method for the Silangan Project. The DFS that was approved at the Company's Board meeting on July 31, 2019 covers 81 million tonnes (Mt) of ore reserves of the Boyongan deposit carrying high-quality copper and gold grades from a total mineral resources of 571 Mt. The Company also appointed J.P. Morgan and Mizuho as financial advisers to secure funding for the project to proceed with its development plan.

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

The approval of the underground sub-level cave mining method under the DMPF included the Three Year Development and/or Utilization Work (3YD/UWP) Program for years 2H of 2019 to 1H of 2022 which can now be implemented, Environmental Protection and Enhancement Program (EPEP), Final Mine Rehabilitation and Decommissioning Plan (FMRDP) and Social Development and Management Program (SDMP).

In early 2019, the Padcal Mine experienced production-related issues, characterized by low mine delivery due to equipment availability issues, limited flexibility of ore sources and declining ore grades that constantly challenge the performance of Padcal in terms of tonnage and metal output. These challenges were substantially addressed by mid-2019 with the installation of additional rock breaking stations, acquisition of additional LHDs to augment existing fleet, and through persistent and comprehensive assessment and rehabilitation of aging mine equipment. New mining levels and drawpoints have already been commissioned to also improve ore grades. All these initiatives and programs are benefiting the current year thus the seen improvement in production.

In March 2020, with the outbreak of Covid-19 pandemic, the Philippine government, through the issuance of Presidential Proclamation No. 929, placed the entire area where the Philex workforce and business are located under Enhanced Community Quarantine (ECQ). As an initial and immediate response to such declaration, Philex has imposed guidelines and preventive measures against its employees' exposure to Covid-19 and programs to mitigate the other risks of Covid-19 to Philex operations. Under the ECQ guidelines, Philex as an export-oriented company, was allowed to continue operation subject to some conditions particularly in relation to work arrangements for employees. Despite the difficulty in maintaining availability of resources for the continued operation of Padcal, Philex has delivered its commitments on copper concentrate shipments as well as the regular commitments to other stakeholders such as suppliers, contractors and most importantly to its employees.

Review of Financial Results

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

Gold

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

Copper

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

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

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

2020 Gold Put Options						
Deal Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)		Period Covered	Settlement Date	Realized Gain (in P Millions)
		Put	Settlement			
01/13/20	1,500	1,450	1,561	Jan. 2020	02/04/20	-
01/13/20	1,500	1,450	1,598	Feb. 2020	03/03/20	-
01/13/20	1,500	1,450	1,593	Mar. 2020	04/02/20	-
01/13/20	1,500	1,450		Apr. 2020	05/04/20	-
01/13/20	1,500	1,450		May 2020	06/02/20	-
01/13/20	1,500	1,450		June 2020	07/02/20	-

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

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

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

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

Operational Overview

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

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

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

Operating Costs and Expenses

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

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

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

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

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

Costs Per Tonne / Per Ounce / Per Pound

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

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

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

Other Income (Charges)

The Company recorded a Net Other Charges of ₱42 million in 1Q2020 against a Net Other Income of ₱294 million in 1Q2019. This quarter's Net Other Charges consisted mainly of share in net losses of associates. Equity Share in Net Loss of Associates (covering PXP Energy Corp. and Lepanto) amounted to ₱14 million in 1Q2020 and ₱11 million in 1Q2019. These amounts correspondingly reduced the Company's investments in the named associates.

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

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

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

Core and Reported Net Income

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

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

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

FINANCIAL CONDITION REVIEW

Current Assets

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

Cash and Cash Equivalents

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

Accounts Receivable

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

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

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

Inventories

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

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

Other Current Assets

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

Non-Current Assets

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

Property, Plant and Equipment

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

Financial Assets Measured at FVOCI

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

Investment in Associates

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

Deferred Exploration Costs

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

Pension Asset

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

Other Non-Current Assets

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

Total Assets

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

Current Liabilities

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

Loans Payable

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

Accounts Payable and Accrued Liabilities

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

Subscription Payable

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

Income Tax Payable

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

Dividends Payable

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

Non-Current Liabilities

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

Deferred Income Tax Liabilities

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

Bonds Payable

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

Provision for Losses and Mine Rehabilitation Costs

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

Total Liabilities

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

Shareholders' Equity

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

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

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

Liquidity and Capital Resources

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

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

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

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

Capital Expenditures and Exploration Costs

(in Php Millions)	**1Q2020**	**1Q2019**
Padcal and Others:		
Mine Development	223	164
Tailings Pond Structures	7	36
Machinery and Equipment	35	58
Total	264	258
Silangan Project:		
Deferred Exploration Costs	41	205
Machinery and Equipment	1	(6)
Total	42	199
Mine Exploration Projects	1	14
Total	307	470
By Recording:		
Deferred Exploration Costs	42	218
Property, Plant and Equipment	265	252
Total	307	470

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

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

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

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

Top Five Key Financial and Non-Financial Performance Indicators

Safety Performance

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

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

Earnings Per Share

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

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

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

Tonnes Milled and Metals Produced

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

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

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

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

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

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

The operating costs and expenses (all cost and expenses excluding G&A) per tonne of ore milled in 1Q2020 was P825 from the total operating cost and expenses of P1.626 billion, also 7% lower than the P891 from the operating costs and expenses of P1.632 billion in 1Q2019. Aside from

lower total operating costs for 1Q2020 on account of lower production cost as well as lower non-cash production costs, the cost per tonne was lower as a result of higher tonnage.

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

Exploration Activities

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

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

Subsidiaries and Related Party Transactions

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

a) Advances from PMC to SMMCI and SMECI

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

b) Advances from PMC to PXP Energy

PMC made cash advances to PXP Energy Corporation (PXP Energy) for its additional working capital requirements, and for the acquisition of equity in FEP, PERC and Pitkin. These advances were covered by a pledge agreement between PMC and PXP Energy wherein certain shares of stocks owned by PXP Energy were pledged to secure the advances. On October 26, 2018, PMC and PXP Energy signed a subscription agreement

wherein PMC will subscribe to 260 million common shares of PXP Energy for a total consideration of P3.081 billion. PXP Energy's proceeds from the subscription agreement will be utilized by PXP Energy for the repayment of its advances from PMC. On August 5, 2019, a deed of assignment was entered into by Brixton Energy and Mining Corporation (BEMC, a subsidiary of PXP Energy) transferring Brixton receivables from PMC to PXP Energy amounting to P738 million. In 2019, PXP Energy paid P2.897 billion to PMC to settle all PXP Energy advances, including the Brixton receivables which reduced the advances to nil as at March 31, 2020 and December 31, 2019 from ₱1.387 billion as at end 2018.

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

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

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

Known Trends, Events, or Uncertainties

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

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

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

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

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

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

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

PART II - OTHER INFORMATION

There are no other information for this interim period not previously reported in a report on SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHILEX MINING CORPORATION
(Issuer)

EULALIO B. AUSTIN, JR.
President and CEO

ROMEO B. BACHOCO
Chief Finance Officer

PARALUMAN M. NAVARRO
Assistant Vice President
Corporate Finance

Date: May 26, 2020

PHILEX MINING CORPORATION
AND SUBSIDIARIES

UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
March 31, 2020

Pasig City, Philippines

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

		March 31 2020 (Unaudited)		December 31 2019 (Audited)
Current Assets				
Cash and cash equivalents	P	544,842	P	795,709
Accounts receivable - net		294,479		416,154
Inventories - net		1,533,600		1,043,748
Derivative assets		2,322		-
Other current assets - net		704,021		665,768
Total Current Assets		3,079,264		2,921,379
Noncurrent Assets				
Property, plant and equipment - net		3,199,696		3,185,283
Financial assets measured at fair value through other comprehensive income (FVOCI)		120,898		120,898
Investment in associates - net		4,194,731		4,208,339
Deferred exploration costs		26,779,495		26,616,343
Pension asset - net		215,521		223,775
Other non current assets		500,368		622,710
Total Noncurrent Assets		35,010,709		34,977,348
TOTAL ASSETS	**P**	**38,089,973**	**P**	**37,898,727**
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	P	2,588,780	P	2,531,750
Accounts payable and accrued liabilities		1,525,390		1,608,003
Subscription payable		186,531		186,531
Income tax payable		38,742		53,284
Dividends payable		585,771		549,632
Total Current Liabilities		4,925,214		4,929,200
Noncurrent Liabilities				
Deferred tax liabilities - net		2,266,374		2,218,550
Loans and bonds payable		7,835,291		7,743,020
Provision for losses and mine rehabilitation costs		39,905		39,029
Total Noncurrent Liabilities		**10,141,570**		**10,000,599**
Total Liabilities		**15,066,784**		**14,929,799**
Equity Attributable to Equity Holders of the Parent Company				
Capital Stock - P1 par value		4,940,399		4,940,399
Additional paid-in capital		1,143,981		1,143,981
Retained Earnings				
Unappropriated		3,524,179		3,471,281
Appropriated		10,500,000		10,500,000
Net unrealized gain on financial assets measured at FVOCI		37,745		37,745
Equity conversion option		1,225,518		1,225,518
Cumulative gain on hedging instruments		1,363		-
Net revaluation surplus		1,572,385		1,572,385
Effect of transactions with non-controlling interests		77,892		77,892
		23,023,462		22,969,201
Non-controlling Interests		(273)		(273)
Total Equity		**23,023,189**		**22,968,928**
TOTAL LIABILITIES & EQUITY	**P**	**38,089,973**	**P**	**37,898,727**

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

	Three Months ended March 31			
		2020		2019
REVENUES (Note 5)	**P**	**1,712,538**	**P**	**1,475,697**
COSTS AND EXPENSES				
Production costs		1,064,747		1,074,224
Depletion, depreciation and amortization		295,231		326,983
Excise taxes and royalties		118,570		93,874
General and administrative expenses		73,276		70,888
		1,551,824		**1,565,969**
INCOME (LOSS) FROM OPERATIONS		**160,714**		**(90,272)**
OTHER INCOME (CHARGES)				
Share in net losses of associates		(13,609)		(10,717)
Foreign exchange (losses) gains - net		(594)		941
Interest income - net		148		231
Others - net (Note 6)		(27,837)		303,509
		(41,892)		**293,964**
INCOME BEFORE INCOME TAX		**118,822**		**203,692**
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current		(5,929)		-
Deferred		22,449		(2,806)
		16,520		(2,806)
NET INCOME	**P**	**102,302**	**P**	**206,498**
Net income attributable to:				
Equity holders of the Parent Company		102,302		206,498
Non-controlling interests		-		-
	P	**102,302**	**P**	**206,498**
BASIC/DILUTED EARNINGS PER SHARE	**P**	**0.0207**	**P**	**0.0418**

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

	Three Months ended March 31			
		2020		**2019**
NET INCOME	P	102,302	P	206,498
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified to profit and loss in subsequent periods:				
Unrealized gain on fair value of hedging instruments		1,363		899
		1,363		899
TOTAL COMPREHENSIVE INCOME	**P**	**103,665**	**P**	**207,397**
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company		103,665		207,397
Non-controlling interests		-		-
	P	**103,665**	**P**	**207,397**

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

	Three Months ended March 31			
		2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	P	118,822	P	203,692
Adjustments for:				
Depletion and depreciation		295,231		665,687
Unrealized foreign exchange (gain) losses and others		2,865		(3,280)
Amortization of Asset Retirement Obligation		5,087		2,809
Amortization of prepaid expenses		-		8,379
Equity loss in investment		13,609		(10,717)
Reversal of receivable previously written off		-		(737,815)
Interest income		(148)		(231)
Operating income before working capital changes		435,467		128,524
Decrease (increase) in:				
Accounts receivable		121,823		52,155
Inventories		(374,631)		(307,767)
Other current assets		(83,992)		2,759
Other noncurrent assets		122,341		-
Increase (Decrease) in:				
Accounts payable and accrued liabilities		(229,865)		(99,197)
Non current liabilities		39,558		(1,304,808)
Cash generated (used) from operations		30,701		(1,528,334)
Interest paid				799
Net cash from (used in) operating activities		30,701		(1,527,535)
CASHFLOWS FROM INVESTING ACTIVITIES				
Increase in deferred exploration costs and other noncurrent assets		(42,212)		(218,205)
Additions to property, plant and equipment		(264,867)		(251,612)
Decrease in investment in associate		-		21,435
Advances to related parties		-		1,385,700
Net cash from (used in) investing activities		(307,079)		937,318
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Availment of loans		206,460		-
Payments of:				
Capitalized interest expenses		(28,668)		(19,252)
Short-term loans		(152,295)		-
Net cash used in financing activities		25,497		(19,252)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		15		899
NET DECREASE IN CASH AND CASH EQUIVALENTS		(250,867)		(608,569)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		795,708		870,967
CASH AND CASH EQUIVALENTS AT END THE PERIOD	P	544,842	P	262,398

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company												
			Retained Earnings										
	Capital Stock	Additional Paid-in Capital	Unappropriated	Appropriated	Other reserves	Net Unrealized Gain on finandial assets measured at FVOCI	Equity Conversion Option	Cumulative gain on hedging instruments	Net revaluation Surplus	Effect of transaction with Non-controlling Interest	Sub-total	Non-controlling Interest	Total
BALANCES AT DECEMBER 31, 2019	4,940,399	1,143,981	3,471,281	10,500,000		37,745	1,225,518	-	1,572,385	77,892	22,969,201	(273)	22,968,928
Net income (loss)	-	-	102,302	-		-	-	-	-	-	102,302	-	102,302
Other comprehensive income (loss):													
Items to be reclassified to profit and loss in subsequent periods:													
Unrealized gain on fair value of hedging instruments								1,363			1,363		1,363
Total comprehensive income (loss)	-	-	102,302	-		-	-	1,363	-	-	103,665	-	103,665
Declaration of dividends			(49,404)								(49,404)		(49,404)
BALANCES AT MARCH 31, 2020 (Unaudited)	**4,940,399**	**1,143,981**	**3,524,179**	**10,500,000**	**-**	**37,745**	**1,225,518**	**1,363**	**1,572,385**	**77,892**	**23,023,462**	**(273)**	**23,023,189**
BALANCES AT DECEMBER 31, 2018	4,940,399	1,143,981	4,203,947	10,500,000	35,341	-	1,225,518	-	1,572,385	77,892	23,699,463	(258)	23,699,205
Net income (loss)			206,498								206,498		206,498
Other comprehensive income (loss):													
Unrealized gain on fair value of hedging instruments								**899**			899		899
Total comprehensive income (loss)	-	-	206,498	-		-	-	899	-	-	207,397	-	207,397
Declaration of dividends											-		-
BALANCES AT MARCH 31, 2019 (Unaudited)	**4,940,399**	**1,143,981**	**4,410,445**	**10,500,000**	**35,341**	**-**	**1,225,518**	**899**	**1,572,385**	**77,892**	**23,906,860**	**(258)**	**23,906,602**

PHILEX MINING CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

		Three Months Ended March 31	
		2020	2019
Current Ratio	Current Assets over Current Liabilities	0.63	0.71
Debt-to-equity Ratio	Total Liabilities over Total Equity	0.65	0.66
Asset-to-equity Ratio	Total Assets over Equity	1.65	1.66
Net Income Ratio	Net Income over Net Revenue	0.06	0.14

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF ACCOUNTS RECEIVABLE
As of March 31, 2020
(In Thousands)

Accounts Receivable- Trade	P 210,207
Others	84,271
	P 294,479

AGING OF ACCOUNTS RECEIVABLE - TRADE
As of March 31, 2020

	0-30 days	**31-60 days**	**Total**
IXM S.A.	P -	P 64,876	P 64,876
Pan Pacific Copper Ltd.	145,331	-	145,331
	P 145,331	**P 64,876**	**P 210,207**

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF LOANS PAYABLE

As of March 31, 2020

(In thousands)

Banco de Oro	P	658,840
Philippine National Bank		1,423,140
Bank of the Philippine Islands		506,800
Total	**P**	**2,588,780**

PHILEX MINING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020
(Amounts in Thousands, Except Amounts Per Unit and Number of Shares)

1. Basis of Preparation, Statement of Compliance, Changes in Accounting Policies and Disclosures and Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation

The unaudited consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited consolidated financial statements of Philex Mining Corporation (the Parent Company) and its subsidiaries (the Group) do not include all the information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2019.

The unaudited consolidated financial statements of the Group have been prepared using the historical cost basis, except for mine products inventories that are measured at net realizable value (NRV), and for financial assets measured at fair value through other comprehensive income (FVOCI) and derivative financial instruments that are measured at fair value through profit or loss (FVTPL). The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency, rounded off to the nearest thousands, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines. The Group prepared its consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRSs), except for the Parent Company's mine product inventories that are measured at NRV which was permitted by the Philippine SEC. The significant accounting policies followed by the Group are disclosed below.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. The adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

- *Annual Improvements to PFRSs* 2015-2017 Cycle
    - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
    - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. The adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

2. Significant Judgments and Estimates and Assumptions

The preparation of the unaudited consolidated financial statements in accordance with accounting principles generally accepted in the Philippines requires the management of the Group to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of any contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting assumptions, estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements:

Determination of the functional currency
The Parent Company and most of its local subsidiaries based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine peso. It is the currency of the primary economic environment in which the Parent Company and most of its local subsidiaries primarily operates.

Recognition of deferred income tax assets
The Group reviews the carrying amounts at each end of reporting period and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The sufficiency of future taxable profits requires the use of assumptions, judgments and estimates, including future prices of metals, volume of inventories produced and sold, and amount of costs and expenses that are subjectively determined like depreciation.

Classification of financial instruments
Under PFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under IFRS 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Group's financial assets:

- Trade receivables (subject to provisional pricing) previously classified as loans and receivables are carried at amortized cost and the embedded derivative are closed to receivables. Under PFRS 9, the exposure of the trade receivable to future commodity price movements will cause the trade receivable to fail the SPPI test. Therefore, the entire receivable is now required to be measured at FVTPL, with subsequent changes in fair value recognized in the statements of comprehensive income each period until final settlement.

- Equity investments previously classified as AFS financial assets are now classified and measured as FVOCI. The Group elected to classify irrevocably its equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

The Group determines the classification at initial recognition and re-evaluates this classification, where allowed and appropriate, at every reporting date.

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

Financial Risks Management Objectives and Policies
The Group's principal financial instruments, other than derivatives, comprise mainly of cash and cash equivalents, accounts receivable, financial assets measured at FVOCI, short-term bank loan and accounts payable and accrued liabilities. The main purpose of these financial instruments is to provide financing for the Group's operations and capital-intensive projects.

The BOD is mainly responsible for the overall risk management and approval of the risk strategies and principles of the Group. The BOD has approved its formalized hedging policy in relation to entering into commodity derivatives in order to manage its financial performance.

Financial Risks
The main risks arising from the Group's financial instruments are credit and concentration risks, liquidity risk, and market risk. The market risk exposure of the Group can be further classified to foreign currency risk, cash flow interest rate risk, equity price risk, and commodity price risk. The BOD reviews and approves the policies for managing some of these risks and they are summarized as follows:

Credit and concentration risks

Credit risk is the risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. To avoid such losses, the Group's primary credit risk management strategy is to trade only with recognized, creditworthy third parties. At present, 60% of the Parent Company's annual production of concentrates is sold to Pan Pacific. The balance of the Parent Company's annual production of concentrates is contracted with IXM and Transamine which is covered by several short-term agreements up to March 2020 and June 2019, respectively.

Credit risk may also arise from the Group's other financial assets, which comprise of cash and cash equivalents. The Group's exposure to credit risk could arise from default of the counterparty, having a maximum exposure equal to the carrying amount of these instruments.

The table below summarizes the Group's exposure to credit risk for the components of the unaudited consolidated balance sheet as of March 31, 2020:

Cash and cash equivalents:	
Cash with banks	₱ 479,707
Short-term deposits	64,380
Accounts receivable:	
Trade	210,207
Others	84,271
Gross maximum credit risk exposure	₱838,565

The table below shows the credit quality of the Group's financial assets by class as of March 31, 2020 based on the Group's credit evaluation process:

	Neither Past Due nor Impaired		Past Due and Individually Impaired	Total
	High-Grade	Standard		
Cash and cash equivalents:				
Cash with banks	₱479,707	₱–	₱–	₱479,707
Short-term deposits	64,380	–	–	64,380
Accounts receivable:				
Trade	210,207	–	–	210,207
Others	84,271	–	–	84,271
Total	₱838,565	₱–	₱–	₱838,565

Credit quality of cash and cash equivalents and accounts receivable are based on the nature of the counterparty and the Group's evaluation process.

High-grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience.

Liquidity risk

Liquidity risk is the risk where the Group becomes unable to meet its obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary.

The table below summarizes the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as of March 31, 2020:

	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	₱544,842	–	₱–	₱544,842
Accounts receivable:				
Trade	–	210,207	–	210,207
Others	–	84,271	–	84,271
Financial assets measured at FVOCI				
Quoted equity investments	67,863	–	–	67,863
Unquoted equity investments	53,035	–	–	53,035
Total undiscounted financial assets	₱665,740	₱294,478	₱–	₱960,218

	On Demand	Within 1 Year	More than 1 Year	Total
Other financial liabilities				
Short-term loans				
Principal	₱–	₱2,588,780	₱–	₱2,588,780
Interest	–	3,578	–	3,578
Long-term loans				
Principal	–	–	7,200,000	7,200,000
Interest			27,000	27,000
Accounts payables and accrued liabilities	–	1,241,462	–	1,241,462
Other payables	585,771	–	–	585,771
Total undiscounted financial assets	₱585,771	₱3,833,820	₱7,227,000	₱11,646,591

Market risks

Foreign currency risk

Foreign currency risk the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from sales in currencies other than its functional currency. All of the Parent Company's sales are denominated in US Dollar. Also, the Parent Company is exposed to foreign exchange risk arising from its US Dollar-denominated cash and cash equivalents and trade receivables and loans payable.

As the need arises, the Group enters into structured currency derivatives to cushion the effect of foreign currency fluctuations.

The following table summarizes the impact on the unaudited consolidated income before income tax of reasonable possible changes in the exchange rates of US Dollar against the Peso:

US$ Appreciate (Depreciate)	Effect on Consolidated Income before Income Tax
5%	(₱104,124)
(5%)	104,124

Equity Price Risk

Equity price risk is the risk where the fair values of investments in quoted equity securities could increase or decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Management monitors the movement of the share prices pertaining to the Group's investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as financial assets measured at FVOCI.

The effect on equity, as a result of a possible change in the fair value of the Group's quoted equity instruments held as financial assets measured at FVOCI as at March 31, 2020 that could be brought by changes in equity indices with all other variables held constant is as follows:

Currency	Change in Quoted Prices of Investments Carried at Fair Value	Effect on Equity
Peso	Increase by 1%	₱30.53
	Decrease by 1%	(30.53)

Commodity price risk

The Parent Company's mine products revenues are based on international commodity quotations (i.e., primarily on the LME and London Bullion Market Association quotes) over which the Parent Company has no significant influence or control. This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash inflows.

The table below shows the effect on income before income tax should the change in the prices of copper and gold occur based on the inventory of the Parent Company as of March 31, 2019:

Change in metal prices (Gold)	Effect on income before income tax
Increase by 12%	₱137,746
Decrease by 12%	(137,746)

Change in metal prices (Copper)	Effect on income before income tax
Increase by 28%	₱195,190
Decrease by 28%	(195,190)

4. Segment Information

The Group is organized into business units on their products and activities and has two reportable business segments: the mining segment, and the energy and hydrocarbon segment until July 15, 2016, when the deconsolidation of the energy and hydrocarbon

took place. The operating businesses are organized and managed separately through the Parent Company and its subsidiaries according to the nature of the products provided, with each segment representing a strategic business unit that offers different products to different markets.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net (loss) income for the year, earnings before interest, taxes, depreciation and depletion, and amortization (EBITDA), and core net (loss) income.

Net (loss) income for the year is measured consistent with consolidated net (loss) income in the consolidated statements of income. EBITDA is measured as net income excluding interest expense, interest income, (benefit from) provision for income tax, depreciation and depletion of property, plant and equipment and effects of non-recurring items.

EBITDA is not a uniform or legally defined financial measure. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. The Group relies primarily on the results in accordance with PFRSs and uses EBITDA only as supplementary information.

The Group uses using core net (loss) income in evaluating total performance. Core income is the performance of business segments based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company excluding the effects of non-recurring items, net of their tax effects. Non-recurring items represent (losses) gains that, through occurrence or size, are not considered usual operating items, such as foreign exchange (losses) gains, (losses) gains on derivative instruments, (losses) gains on disposal of investments, and other non-recurring (losses) gains.

The following table shows the Group's reconciliation of core net income to the consolidated net income for the three months ended March 31, 2020 and 2019.

		2020		2019
Core Net Income (Loss)	P	102,718	P	(111,589)
Non-Recurring gains (losses)				
Foreign exchange (losses) gains		(593)		940
Gain on reversal of Receivable previously written-off		-		737,815
Provisions for impairment of assets and others		-		(420,385)
Net tax effect on foreign exchange (losses) gains		177		(283)
Net income attributable fo parent company		102,302		206,498
Net income attributable to non-controlling interests		-		-
Net income	P	102,302	P	206,498

Core net (loss) income per share is computed as follows:

	2020	2019
Core net income (loss)	₱102,718	(₱111,589)
Divided by weighted average number of common shares outstanding	4,940,399,068	4,940,399,068
Core net income (loss) per share	₱0.0208	(₱0.0226)

The Group's EBITDA as of March 31, 2020 and 2019 amounted to ₱418,684 and ₱217,183, respectively.

5. **Revenues**

Adoption of PFRS 15 using modified retrospective approach as of March 31, 2020 and March 31, 2019:

	2020		
	Revenue from contracts with customers	**Provisional pricing adjustment**	**Total revenue**
Gold	**₱1,117,429**	**(₱10,664)**	**₱1,106,765**
Copper	**714,872**	**(119,510)**	**595.362**
Silver	**14,443**	**(1,749)**	**12,694**
	₱1,846,744	**(₱131,923)**	**₱1,714,821**

	2019		
	Revenue from contracts with customers	Provisional pricing adjustment	Total revenue
Gold	₱679,904	(₱1,813)	₱678.091
Copper	762,008	23,065	785.073
Silver	13,403	(870)	12,533
	₱1,455,315	₱20,382	₱1,475,697

All revenue from sale of gold, copper and silver are recognized at a point in time when control transfers.

The new revenue standard requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

6. Other Income (Charges)

The following table presents the composition of Others-net in the Consolidated Statements of Income as of March 31, 2020 and 2019.

	2020	2019
Reversal of receivable previously written-off	₱–	₱737,815
Write-off of fixed assets	–	(329,385)
Others	(27,837)	(104,921)
	(₱27,837)	₱303,509

7. Basic/Diluted Earnings Per Share

Basic and diluted earnings per share as of March 31, 2020 and 2019 are computed as follows:

	2020	2019
Net income attributable to equity holders of the Parent Company	₱102,303	₱206,498
Divided by weighted average number of common shares outstanding during year	4,940,399,068	4,940,399,068
Basic earnings per share	₱0.0207	₱0.0418

Diluted earnings per share as of March 31, 2020 and 2019 are computed as follows:

	2020	2018
Net income attributable to equity holders of the Parent Company	₱102,303	₱206,498
Divided by weighted average number of common shares adjusted for the effect of exercise of stock options	4,940,399,068	4,940,399,068
Diluted earnings per share	₱0.0207	₱0.0418

Weighted average number of common shares for basic earnings per share	4,940,399,068	4,940,399,068
Dilutive effect of outstanding stock options	–	–
Weighted average number of common shares adjusted for the effect of exercise of stock options	4,940,399,068	4,940,399,068

8. Events After End of Reporting Period

There are no known event that will trigger direct or contingent financial obligation that is material to the Company other than those discussed in Part 1 of this report.