COVER SHEET

10044

SEC Registration Number

PHILEX MINING CORPORATION

(Company's Full Name)

2nd Floor, LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila

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

ROMEO B. BACHOCO

(Contact Person)

(632) 8631-13-81

(Company Telephone Number)

12 31

Month *Day*

(Calendar Year)

17-Q

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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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, 2021

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, 2021)

Amount of Debt Outstanding – Php9,879,260,646 (As of March 31, 2021)

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, 2021 are hereto attached.

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

Status of Operations

Padcal Operation

The Padcal Mine continues to operate under the strictest health protocols to maintain a safe working environment for its employees during this challenging period of the covid-19 pandemic and at the same time to keep the business going for the sake of all its stakeholders.

From the outbreak of Covid-19 pandemic in March 2020, the Philippine government has issued several health and safety guidelines and has placed local government units under different community quarantine classification depending on the severity of covid-19 transmission. Philex, as an export-oriented company, was allowed to continue its operation subject to full compliance to IATF-DOH guidelines particularly in relation to work arrangements for employees, both in the head office and in Padcal mine. Despite the early challenges in its supply chain particularly in the procurement of critical materials and supplies, the Company was able to maintain sufficient inventory levels for the continued operation of Padcal Mine. As a result, Philex had fulfilled its commitment on copper concentrate shipments to its customers that ensured payment of its obligations to its lenders, suppliers, contractors and most importantly to its employees.

From August 2020 to present, National Capital Region (where Philex head office is situated) and Benguet (the province covering the Padcal Mine) have transitioned to various community quarantine classification with specific applicable guidelines This did not affect the operations of the Company and the work arrangements of the workforce given that mining is allowed to operate under any of the quarantine classifications subject to applicable health protocols as mandated by IATF-DOH.

The Company also responded to the call for concerted efforts by Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources' (DENR) directive allowing mining companies to support the Bayanihan Heal as One Act mandated by the Republic of the Philippines on March 23, 2020.

Silangan Project

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 financial advisers to secure funding for the project to proceed with its development plan.

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

The approved DMPF for underground sub-level cave mining method includes the approved Three Year Development and/or Utilization Work Program (3YD/UWP), the Environmental Protection and Enhancement Program (EPEP), Final Mine Rehabilitation and Decommissioning Plan (FMRDP) and Social Development and Management Program (SDMP). A revised 3YD/UWP covering three years was submitted to the MGB Central Office in December 2020.

The search for investors for the Silangan Project continues and is faced with challenges in light of the global pandemic brought about by COVID19.

Review of Financial Results

Total operating revenues for the first quarter ended March 31, 2021 (1Q2021) amounted to Php2.530 billion significantly higher compared with Php1.860 billion reported for the same period in 2020 (1Q2020). The increase in operating revenues was mainly due to the increase in copper prices, sustained increasing level of gold prices and slightly higher copper output. The increase due to higher metal prices was partially offset by lower foreign exchange. Metal prices, particularly copper, boosted revenues for this quarter 36% higher than last year. After smelting charges, the net revenues amounted to Php2.370 billion for 1Q2021, compared with Php1.713 billion in 1Q2020.

Padcal continues to strategize in achieving higher production than targets to take advantage of soaring metal prices. Previously implemented production improvement programs to address various operational and technical issues contributed to the attainment of higher tonnage and higher metal output within efficiently managed operating costs and expenses.

Gold

Gold production in 1Q2021 was slightly lower reaching 13,413 ounces compared with 14,159 ounces in 1Q2020. Gold prices for the same period was substantially above last year's prices.

Gold averaged at US$1,781 per ounce, 11% higher than the US$1,600 per ounce gold price realized in 1Q2020. With higher prices, gold revenues which represent 46% of total revenues was consequently higher at Php1.165 billion compared with Php1.148 billion in 1Q2020, despite slightly lower gold output. The current level of gold prices remain to be very favorable to the Company and is expected to continue to boost the revenues despite unfavorable foreign exchange rates.

Copper
Copper production in 1Q2021, on the other hand, slightly increased to 6,769,970 pounds, almost at par with the production of 6,738,408 pounds in 1Q2020, due to higher tonnage. Realized copper prices for the same period averaged at US$3.95 per pound, 68% higher against US$2.35 per pound in 1Q2020. The almost doubled copper revenues for the quarter of Php1.340 billion compared with Php697 million in 1Q2020 was brought about by the significant soaring of copper prices that started in the third quarter of 2020, despite the 5% decline in foreign exchange rates. Copper, now the highest portion of total revenues, accounted for 53% of the total.

Silver
Revenues from silver made up the remaining 1% of the Company's total revenue and amounted to Php25 million for 1Q2021, higher against last year's Php15 million for the same period, mainly from higher metal price, partially offset by lower foreign exchange rates.

Hedging Strategy
As part of the risk management strategy, the Company regularly monitors the prices of gold and copper in the world market as a basis of assessing the need to enter into hedging contracts to mitigate the risk of the potential impact of fluctuations of the metal prices to the Company's revenues. Based on the Company's outlook of the movement of gold and copper prices for 2021, the Company entered into gold and copper hedge contracts on January 4, 2021 covering the period January to March 2021 and another on March 10, 2021 covering the period of April to September 2021.

2021 Gold Collar Hedge							
Deal Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php Millions)*
		Put	Call	Settlement			
01/04/21	1,900	1,830	2,050	1,868	Jan 2021	02/02/21	-
01/04/21	1,900	1,830	2,050	1,811	Feb 2021	03/02/21	2
01/04/21	1,900	1,830	2,050	1,720	Mar 2021	04/06/21	10
03/10/21	1,900	1,680	1,733	-	Apr 2021	05/05/21	-
03/10/21	1,900	1,680	1,733	-	May 2021	06/02/21	-
03/10/21	1,900	1,680	1,733	-	Jun 2021	07/02/21	-
03/10/21	1,900	1,680	1,733		Jul 2021	08/03/21	-
03/10/21	1,900	1,680	1,733		Aug 2021	09/02/21	-
03/10/21	1,900	1,680	1,733		Sep 2021	10/04/21	-
						Total	12

2021 Copper Collar Hedge							
Deal Date	Quantity (Pounds)	Copper Prices (US$ Per Pound)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php Millions)*
		Put	Call	Settlement			
01/04/21	740,752	3.25	3.95	3.62	Jan 2021	02/02/21	-
01/04/21	740,752	3.25	3.95	3.84	Feb 2021	03/02/21	-
01/04/21	740,752	3.25	3.95	4.08	Mar 2021	04/06/21	(5)
03/10/21	992,079	3.80	4.27		Apr 2021	05/05/21	-
03/10/21	992,079	3.80	4.27		May 2021	06/02/21	-
03/10/21	992,079	3.80	4.27		Jun 2021	07/02/21	-
03/10/21	992,079	3.80	4.27		Jul 2021	08/03/21	-
03/10/21	992,079	3.80	4.27		Aug 2021	09/02/21	-
03/10/21	992,079	3.80	4.27		Sep 2021	10/04/21	-
						Total	(5)

In 1Q2021, a hedging gain of Php12 million for gold was realized while for copper the Company recognized a hedging loss of Php5 million. The unrealized MTM gain on outstanding contracts as of March 31, 2021 amounted to Php7 million.

For 2020, the Company entered into gold put option hedging contracts in January 2020 covering the period January to June 2020, as follows:

2020 Gold Put Options						
Deal Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)		Period Covered	Settlement Date	Realized Gain (in Php M)
		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	1,681	Apr. 2020	05/04/20	-
01/13/20	1,500	1,450	1,716	May 2020	06/02/20	-
01/13/20	1,500	1,450	1,733	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. The Company did not exercise any of the gold put options contracts as settlement prices were favorably higher than the strike price of US$1,450 per ounce.

In May, 2020, the Company made an assessment of the trend of the metal prices for the period July to December 2020. As a result, the Company entered into additional gold and copper hedge contracts as follows:

2020 Gold Collar Hedge							
Deal Date	Quantity (Ozs.)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php M)*
		Put	Call	Settlement			
05/15/20	1,900	1,650	1,855	1,842	July 2020	08/04/20	-
05/15/20	1,900	1,650	1,855	1,970	Aug. 2020	09/02/20	(11)
05/15/20	1,900	1,650	1,855	1,923	Sept. 2020	10/02/20	(6)
05/15/20	1,900	1,650	1,855	1,901	Oct. 2020	11/03/20	(4)
05/15/20	1,900	1,650	1,855	1,867	Nov. 2020	12/02/20	(1)
05/15/20	1,900	1,650	1,855	1,829	Dec. 2020	01/05/21	(0.04)
						Total	(22)

2020 Copper Collar Hedge							
Deal Date	Quantity (Pounds)	Copper Prices (US$ Per Pound)			Period Covered	Settlement Date	Realized Gain (Loss) *(in Php M)*
		Put	Call	Settlement			
05/18/20	992,000	2.10	2.60	2.88	July 2020	08/04/20	(14)
05/18/20	992,000	2.10	2.60	2.95	Aug. 2020	09/02/20	(17)
05/18/20	992,000	2.10	2.60	3.04	Sept. 2020	10/02/20	(21)
						Total	(52)

The Company recorded realized hedging losses of Php22 million for gold and Php52 million for copper for 2020. No unrealized MTM gain (loss) in 2020 as all hedging contracts matured as of December 31, 2020.

Operational Overview

The Padcal Mine milled a total of 2,024,534 tonnes for 1Q2021, slightly higher than the tonnage of 1,969,490 tonnes in 1Q2020 as mining and milling operations were not affected by any unforeseen breakdowns or power outages. Moreover, Padcal continues to implement strategies aiming to produce higher levels of metals by mining from higher grade ore sources.

Gold production, though higher than target, was slightly lower at 13,413 ounces for 1Q2021 compared with 14,159 ounces in 1Q2020 mainly due to lower gold grades that averaged at 0.273 grams per tonne (g/t) in 1Q2021 against 0.284 g/t in 1Q2020. Gold recovery was also slightly lower at 75.5% in 1Q2021 versus 78.9% for the same period in 2020.

On the other hand, copper production slightly increased to 6,769,970 pounds in 1Q2021 compared with last year's production for the same period of 6,738,408 pounds, and much higher compared with target. The increase was due mainly to higher tonnage, with partial offset from slightly lower ore grades that averaged at 0.187% in 1Q2021 versus 0.188% in 1Q2020. Metal

recovery for copper was also slightly lower at 81.3% compared to the same period last year. Again, this 1Q2021 ore grades and recovery were more than what were expected.

Operating Costs and Expenses

The Company's total operating costs and expenses (Opex), which included Cash Production Costs, Excise Tax and Royalties, and Depletion, Depreciation and Amortization, and General and Administrative Expenses (G&A), reached Php1.647 billion for 1Q2021 from Php1.552 billion in 1Q2020. The increase in Opex was due to higher tonnage that correspondingly increased Cash Production Costs and Depreciation, Depletion and Amortization, as well as revenue-related costs such as Excise Taxes and Royalties. The higher power rates starting 2021 also contributed to the increase in Cash Production Costs with partial offset from lower consumption of materials and supplies for the period. Depreciation of recently acquired equipment, and amortization for additional costs incurred in maintaining the tailings storage facility also accounted for the increase in Depreciation, Depletion and Amortization. G&A, however, slightly decreased to Php66 million in 1Q2021 from Php73 million for the same period in 2020.

Smelting Charges amounted to Php160 million for 1Q2021, 9% higher than the Php147 million in 1Q2020, due mainly to higher copper concentrates produced of 15,175 dry metric tons (DMT) in 1Q2021 from 14,447 DMT in 1Q2020 and due to the slight increase in copper production. Treatment and refining rates were lower in 1Q2021.

Break-even Costs - Costs Per Tonne / Per Ounce / Per Pound

Total production costs (including depletion, depreciation and amortization) on a per unit basis increased by 2% to Php706 per tonne for 1Q2021 from Php691 per tonne in 1Q2020. Likewise, operating costs (consisting of total production costs, smelting charge, excise taxes, and royalties) also increased to Php860 per tonne in 1Q2021 from Php825 per tonne in 1Q2020. The increase in cost per tonne was mainly attributable to the higher power rates, depreciation of newly acquired equipment, additional amortization of TSF civil works and higher excise taxes and royalties. Total operating costs for purposes of computing the break-even costs amounted to Php1.742 billion in 1Q2021, higher compared with Php1.626 billion in 1Q2020.

The operating cost per ounce of gold and per pound of copper for 1Q2021 based on co-production method were US$1,263 per ounce and US$2.80 per pound, compared with US$1,330 per ounce gold and US$1.95 per pound copper in 1Q2020, respectively. Costs allocated to copper significantly increased following the higher percentage of copper in the total revenues on account of the increase in copper prices.

Other Income (Charges)

The Company recorded a Net Other Charges of Php210 million in 1Q2021 versus Php42 million in 1Q2020. The Net Other Charges in 1Q2021 consisted mainly of various provisions and share in net losses of associates covering PXP Energy Corp. and Lepanto.

Provision for (Benefit from) Income Tax

The Company recognized the impact of Republic Act No. 11534 known as “Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”, particularly the reduction of corporate income tax rate from 30% to 25% effective July 1, 2020. The Net Benefit from Income Tax of Php46 million consisted of Php128 million provision for income tax on the 1Q2021 taxable income and a credit of Php174 million as retroactive adjustment on current and deferred income tax pertaining to the taxable income apportioned for the second half of 2020.

Core and Reported Net Income

The significant upward movement of gold and copper prices continued to the 2021 allowing the Company to post a core net income of Php540 million, five times higher than the core net income of Php103 million in 1Q2020.

EBITDA also significantly increased by 141% to Php1.011 billion for 1Q2021 from Php419 million for the same period last year. 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.

Reported Net Income (the same as the Net Income Attributable to the Equity Holders as income attributable to non-controlling interest was nil) also increased to Php560 million from Php102 million in 1Q2020.

FINANCIAL CONDITION REVIEW

Current Assets

The Company’s Current Assets as of March 31, 2021 increased to Php4.033 billion from Php3.445 billion as of December 31, 2020. The increase of Php588 million was mainly due to the increase in mine products inventory given that a significant volume of production remained in inventory awaiting scheduled shipment in April 2021 following a slight delay of the vessel due to bad weather condition..

Cash and Cash Equivalents

The Cash and Cash Equivalents amounted to Php826 million as of March 31, 2021 from Php1.191 billion as of December 31, 2020. The repayment of loan and cash dividend accounted for the decrease in cash and cash equivalent for the period.

Accounts Receivable

The Company’s Accounts Receivable slightly increased to Php399 million as of March 31, 2021 from Php370 million as at end 2020. This account is consisted 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, 2021, Trade Receivables amounted to Php309 million and Other Receivables of Php90 million.

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 Trade Receivables as of March 31, 2021 consisted of the remaining value of four shipments (versus same number of shipments in the fourth quarter of 2020 as of December 31, 2020) awaiting final pricing, all were with Pan Pacific. The QP for Pan Pacific is 3MAMA for copper and 1MAMA for gold.

Inventories

Total Inventories, consisting of materials and supplies and mine products, amounted to Php2.259 billion as of March 31, 2021 and Php1.343 billion as at end 2020, or a 68% increase.

As of March 31, 2021, inventory for materials and supplies amounted to Php846 million or about 37% of total inventory while mine products inventory, which is valued at net realizable value, amounted to Php1.412 billion or 63% of total inventory. On the other hand, materials and supplies inventory was Php733 million as of December 31, 2020, while mine products inventory amounted to Php611 million. Though materials and supplies increased due to the build-up of critical inventories amidst the pandemic, the Company continues to implement inventory reduction programs to consume its existing inventory given the nearing end of mine life. Mine products inventory significantly increased due to the value of one full shipment that remained in inventory pending actual shipment on early April 2021 as a result of the bad weather condition that affected the arrival of the contracted vessel.

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 Php542 million from Php540 million in 2020, due mainly to additional VAT receivable for the period.

Non-Current Assets

Non-Current Assets amounted to Php35.462 billion as of March 31, 2021, almost no movement from Php35.495 billion as of December 31, 2020 which comprised mainly of Property, Plant and Equipment, Investment in Associates and Deferred Exploration Costs. PPE and Deferred Exploration Costs represent 70% of total assets, signifying the capital intensive nature of the business.

Property, Plant and Equipment

Property, Plant and Equipment (PPE) slightly decreased to Php2.870 billion as of March 31, 2021 from Php3.043 billion in 2020. The decrease in PPE represents higher amount of depreciation, depletion and amortization compared to actual expenditures on Padcal's mine development activities and acquisition of mine equipment for the period. In 2020, the Company recorded a reversal of Php103 million of the 2019 impairment provision amounting to Php1.457 billion which was on top of the impairment of Php1.332 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 and the impact of financial assumptions particularly gold and copper prices and foreign exchange rates on financial projections.

Financial Assets Measured at FVOCI

Financial Assets Measured at FVOCI, consisting mainly of shares in gold and country clubs, did not change at Php114 million from the 2020 balance.

Investment in Associates

Investment in Associates decreased to Php4.151 billion as of March 31, 2021 from Php4.161 billion as of December 31, 2020, mainly from the Company's share in the net losses of associates in 1Q2021 of Php10 million.

Deferred Exploration Costs

Deferred Exploration Costs increased to Php27.515 billion as of March 31, 2021 from Php27.365 billion in 2020, on account of the pre-development expenditures related to Silangan Project with cumulative amount of Php25.216 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 remained at Php310 million as of March 31, 202, which 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 also remained at Php501 million and consisted mainly of the non-current portion of SMMCI input Value-Added Tax amounting to Php434 million.

Total Assets

Total Assets of the Company increased to Php39.495 billion as of March 31, 2021 from Php38.939 billion as of December 31, 2020, primarily from the higher balance of mine products inventory.

Current Liabilities

Current Liabilities slightly increased to Php4.557 billion as of March 31, 2021 from Php4.221 billion as of December 31, 2020, due mainly to the increase in accounts payable and outstanding cash dividend checks.

Loans Payable

The balance of Loans Payable decreased to Php1.598 billion (US$33 million) as of March 31, 2021 from Php1.777 billion (US$37 million) in 2020. Philex continued its debt reduction program that started in early 2020. 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, but later on continued repaying its loan. For 1Q2021, Philex made a total loan repayment of US$4 million which reduced the total loan of Philex to US$27 million as of March 31, 2021 from US$31 million in 2020.

On the other hand, SMMCI outstanding short term loan remained at US$6 million as of March 31, 2021.

Accounts Payable and Accrued Liabilities

As of March 31, 2021, Accounts Payable and Accrued Liabilities amounted to Php1.985 billion from Php1.693 billion in 2020. 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. The strategy of building up critical inventories under the current challenging supply chain environment due to the Covid19 pandemic has also increased the Company's outstanding liabilities to suppliers.

Subscription Payable

Subscription Payable remained at Php123 million as of march 31, 2021, 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. In 2020, the Company partially paid its subscription payable with PXP Energy based on availability of cash.

Income Tax Payable

As of March 31, 2021, Income Tax Payable amounted to Php180 million, which included the tax payable pertaining to 1Q2021 that is due in May 2021 and the tax payable covering 4Q2020 that was due in April 2021. Balance as of December 31, 2020 was Php74 million.

Dividends Payable

Dividends Payable amounted to Php670 million as of March 31, 2021 from Php554 million in 2020. The Philex Board of Directors approved on February 24, 2021 the declaration of regular cash dividend of 5.9 centavos payable on March 26, 2021.

Non-Current Liabilities

As of March 31, 2021, Non-Current Liabilities amounted at Php10.143 billion, lower than the Php10.492 billion as of December 31, 2020, comprising mainly of Deferred Tax Liabilities and Bonds Payable.

Deferred Income Tax Liabilities

Deferred Income Tax Liabilities, mainly consisting of Php1.388 billion arising from the acquisition of Anglo's 50% stake in the Silangan companies and Php457 million for accelerated deductions, substantially decreased to Php1.845 billion as of March 31, 2021 from Php2.293 billion in 2020 following the passing the CREATE bill reducing the corporate income tax rate to 25% from 30%.

Bonds Payable

Loans and Bonds Payable increased to Php8.281 billion as of March 31, 2021 from Php8.182 billion in 2020. 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 Php7.2 Billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at Php18,000 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 Php17 million, almost the same as the 2020 balance. A total of Php128 million has been spent for Final Mine Rehabilitation and Development Program (FMRDP) out of the Php137 million requirement under the Company's MGB-approved FMRDP.

Total Liabilities

As of March 31, 2021, Total Liabilities amounted to Php14.700 billion, slightly lower than the Php14.713 billion in 2020, mainly due to retroactive adjustment on deferred tax liabilities on account of the CREATE bill.

Shareholders' Equity

The Company's Total Equity as of March 31, 2021 increased to Php24.794 billion from Php24.226 billion as of December 31, 2020 on account mainly of the net income of Php560 million the Company recognized for 1Q2021.

Retained Earnings amounted to Php15.518 billion from Php15.234 billion, inclusive with the 1Q2021 Net Income of Php560 million and net of cash dividend declared on February 24, 2021.

Net Unrealized Gain on Financial Assets Measured at FVOCI remained at Php32 million, Similarly, Equity Conversion Options also remained at Php1.226 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 Php7.200 billion. The Company recorded Php7 million of unrealized marked-to-market gain on its outstanding gold and copper hedging contracts as of March 31, 2021. Net Revaluation Surplus slightly increased to P1.850 billion from Php1.572 billion in 2020. 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 exploratory drilling works within and around the Sto. Tomas ore body with the aim to further extend mine life of Padcal and for pre-development works of the Silangan Project. With the risks inherent in the business associated with metal prices, foreign exchange rates, regulatory environment, and the changing economic and market conditions as well as the global impact of the Covid19 pandemic, the Company managed its cash flow requirement having a minimal net cash from operating activities of Php51 million in 1Q2021, compared with Php31 million for the same period in 2020.

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

Net cash used in investing activities, principally for capital expenditures and exploration costs, amounted to Php214 million in 1Q2021 as against Php307 million in 1Q2020. Capital expenditures were lower at Php173 million in 1Q2021 compared with Php265 million in 1Q2020. Expenditures on deferred exploration costs pertained substantially to Silangan Project.

Net cash used in financing activities amounted to Php203 million in 1Q2021 compared with net cash from financing activities of Php25 million in 1Q2020. The Company repaid a portion of its short-term bank loans by P193 million or US$4 million in 1Q2021, reducing the Philex loan to US$27 million as of March 31, 2021 from $31 million as at end 2020.

Capital Expenditures and Exploration Costs

(in Php Millions)	**1Q2021**	**1Q2020**
Padcal		
Mine Development	85	223
Tailings Pond Structures	35	7
Machinery and Equipment	55	35
Total	174	264
Silangan Project		
Deferred Exploration Costs	40	41
Machinery and Equipment	(1)	1
Total	39	42
Mine Exploration Projects	0.3	1
Total	214	307
Consolidated		
Deferred Exploration Costs	41	42
Property, Plant and Equipment	173	265
Total	214	307

Capital Expenditures totalled to Php214 million for 1Q2021 and Php307 million for 1Q2020.

Padcal operations accounted for 81% of total programmed spending at Php174 million in 1Q2021 as compared to Php264 million in 1Q2020.

Silangan Project comprised of 18% of the capital expenditures amounting to Php39 million in 1Q2021 versus Php42 million in 1Q2020.

Other mining exploration projects has a minimal amount in 1Q2021 and 1Q2020, mainly on activities to comply with minimum regulatory requirements for the tenements.

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 1Q2021 and in 1Q2020, the Company recorded nil Lost Time Accident-Fatal (LTA-F) incident. Meanwhile, in terms of Lost Time Accident Non-Fatal events, there were four (4) recorded in 1Q2021 versus six (6) in 1Q2020.

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.

	1Q2021	**1Q2020**
Earnings Per Share	P0.113	P0.0207
Total Outstanding Shares	4,940,399,068	4,940,399,068

All options granted under the Philex Stock Option Plan have expired following the expiration of the 7-yr term of the Plan in 2020.

Tonnes Milled and Metals Produced

Tonnes milled and ore grade determine the volume of concentrates to be produced and sold. Tonnes milled were 2,024,534 tonnes in 1Q2021, slightly higher compared with 1,969,490 tonnes in 1Q2020.

Copper output reached 6,769,970 pounds, also slightly higher than 6,738,408 pounds in 1Q2020, while gold production was down by a margin at 13,413 ounces, compared with 14,159 ounces in 1Q2020, as a result of lower ore grades and metal recovery.

Break-even Production and Operating Cost Per Unit

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 1Q2021, the total production cost (mine site cost and expenses excluding smelting charges, excise tax and royalties) per tonne of ore milled was Php706, with total production cost of Php1.429 billion over ore milled of 2,024,534 tonnes. This was 2% higher than the cost per tonne of Php691 from the total production cost of Php1.360 billion over ore milled of 1,969,490 tonnes in 1Q2020. The higher cost per tonne in 1Q2021 was primarily due to higher power rates, depreciation of newly acquired equipment and additional amortization of TSF civil works .

The operating costs and expenses (all cost and expenses excluding G&A) per tonne of ore milled in 1Q2021 was Php860 from the total operating cost and expenses of Php1.742 billion, 4% higher than the Php825 from the operating costs and expenses of Php1.626 billion in 1Q2020. In addition to the increase in production costs, the increase in excise taxes and royalties on account of higher revenues also contributed to the higher operating cost per tonne.

Using co-production method, the operating cost applicable to gold produced amounted to US$1,263 per ounce in 1Q2021 compared with US$1,330 per ounce in 1Q2020, while operating cost applicable to copper produced amounted to US$2.80 per pound in 1Q2021 compared with US$1.95 per pound in 1Q2020. 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. Due to the significant increase in copper prices, costs allocated to copper based on its revenue contribution consequently increased against last year.

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 1Q2021, the amount spent on mining exploration including that of Silangan Project amounted to Php41 million compared with Php42 million in 1Q2020. As of March 31, 2021,
total deferred exploration costs amounted to Php27.515 billion, comprising 70% of the Company's Total Assets, compared with Php27.365 billion as of December 31, 2020.

Subsidiaries and Related Party Transactions

The Company's significant related party transactions as of March 31, 2021 and December 31, 2020, 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, amounting to Php2.332 billion as of March 31, 2021 from Php2.327 billion as of December 31, 2020. In February 2015, the Company infused all outstanding advances amounting to Php7.208 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 Php3.081 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 Php738 million. In 2019, PXP Energy paid Php2.897 billion to PMC to settle all PXP Energy advances, including the Brixton receivables which reduced the advances to nil since December 31, 2019 from Php1.387 billion as at end 2018.

As of March 31, 2021, the Company has an outstanding subscription payable to PXP Energy amounting to Php121 million after settling Php2.960 billion of the total subscription of Php3.081 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 Php7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at Php18,000 per share one year after the issue date. The carrying value of loans payable amounted to Php8.281 billion and Php8.182 billion as of March 31, 2021 and December 31, 2020, 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: May 12, 2021

PHILEX MINING CORPORATION
AND SUBSIDIARIES

UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
March 31, 2021

Pasig City, Philippines

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

		March 31 2021 (Unaudited)		December 31 2020 (Audited)
Current Assets				
Cash and cash equivalents	P	825,986	P	1,191,479
Accounts receivable - net		398,898		369,898
Inventories - net		2,258,875		1,343,366
Derivative assets		6,827		-
Other current assets - net		542,008		539,950
Total Current Assets		4,032,594		3,444,693
Noncurrent Assets				
Property, plant and equipment - net		2,870,520		3,042,982
Financial assets measured at fair value through other comprehensive income (FVOCI)		113,973		113,972
Investment in associates - net		4,151,228		4,161,328
Deferred exploration costs		27,514,685		27,365,125
Pension asset - net		310,332		310,332
Other non current assets		501,190		500,882
Total Noncurrent Assets		35,461,928		35,494,622
TOTAL ASSETS	**P**	**39,494,522**	**P**	**38,939,315**
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	P	1,598,448	P	1,776,851
Accounts payable and accrued liabilities		1,984,864		1,692,763
Subscription payable		123,345		123,345
Income tax payable		180,208		74,300
Dividends payable		670,152		553,610
Total Current Liabilities		4,557,017		4,220,869
Noncurrent Liabilities				
Loans and bonds payable		8,280,813		8,182,002
Deferred tax liabilities - net		1,844,716		2,293,314
Provision for losses and mine rehabilitation costs		17,495		16,911
Total Noncurrent Liabilities		**10,143,024**		**10,492,227**
Total Liabilities		**14,700,041**		**14,713,096**
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		5,018,318		4,734,469
Appropriated		10,500,000		10,500,000
Net unrealized gain on financial assets measured at FVOCI		31,859		31,859
Equity conversion option		1,225,518		1,225,518
Cumulative loss on hedging instruments		6,827		-
Net revaluation surplus		1,849,971		1,572,385
Effect of transactions with non-controlling interests		77,892		77,892
		24,794,765		24,226,503
Non-controlling Interests		(284)		(284)
Total Equity		**24,794,481**		**24,226,219**
TOTAL LIABILITIES & EQUITY	**P**	**39,494,522**	**P**	**38,939,315**

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

	Three Months ended March 31			
		2021		2020
REVENUES (Note 5)	**P**	**2,370,062**	**P**	**1,712,538**
COSTS AND EXPENSES				
Production costs		1,090,526		1,064,747
Depletion, depreciation and amortization		338,818		295,231
Excise taxes and royalties		151,965		118,570
General and administrative expenses		65,984		73,276
		1,647,293		**1,551,824**
INCOME (LOSS) FROM OPERATIONS		**722,769**		**160,714**
OTHER INCOME (CHARGES)				
Share in net losses of associates		(10,100)		(13,609)
Foreign exchange (losses) gains - net		(5,041)		(594)
Interest income - net		266		148
Others - net (Note 6)		(194,329)		(27,837)
		(209,204)		**(41,892)**
INCOME BEFORE INCOME TAX		**513,565**		**118,822**
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current		105,918		(5,929)
Deferred		(151,927)		22,449
		(46,009)		16,520
NET INCOME	**P**	**559,574**	**P**	**102,302**
Net income attributable to:				
Equity holders of the Parent Company		559,574		102,302
Non-controlling interests		-		(0)
	P	**559,574**	**P**	**102,302**
BASIC/DILUTED EARNINGS PER SHARE	**P**	**0.1133**	**P**	**0.0207**

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

	Three Months ended March 31			
		2021		**2020**
NET INCOME	P	559,574	P	102,302
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified to profit and loss in subsequent periods:				
Net effect of implementation of CREATE bill on 2020 provision for income tax		15,758		-
Unrealized gain on fair value of hedging instruments		6,827		1,363
Items not to be reclassified to profit and loss in subsequent periods:				
Net effect of implementation of CREATE bill on 2020 deferred income tax		277,586		-
		300,171		1,363
TOTAL COMPREHENSIVE INCOME	**P**	**859,745**	**P**	**103,665**
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company		859,745		103,665
Non-controlling interests		-		-
	P	**859,745**	**P**	**103,665**

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

	Three Months ended March 31	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 513,565	P 118,822
Adjustments for:		
Depletion and depreciation	345,230	295,231
Unrealized foreign exchange (gain) losses and others	14,937	2,865
Amortization of Asset Retirement Obligation	566	5,087
Equity loss in investment	10,100	13,609
Interest income	(266)	(148)
Operating income before working capital changes	884,131	435,467
Decrease (increase) in:		
Accounts receivable	(28,669)	121,823
Inventories	(915,510)	(374,631)
Other current assets	(9,194)	(83,992)
Other noncurrent assets	-	122,341
Increase (Decrease) in:		
Accounts payable and accrued liabilities	229,953	(229,865)
Non current liabilities	(109,305)	39,558
Net cash from (used in) operating activities	51,407	30,701
CASHFLOWS FROM INVESTING ACTIVITIES		
Increase in deferred exploration costs and other noncurrent assets	(40,762)	(42,212)
Additions to property, plant and equipment	(172,767)	(264,867)
Advances to related parties	(46)	-
Net cash from (used in) investing activities	(213,574)	(307,079)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of loans	-	206,460
Payments of:		
Capitalized interest expenses	(9,986)	(28,668)
Short-term loans	(193,340)	(152,295)
Net cash used in financing activities	(203,326)	25,497
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	15
NET DECREASE IN CASH AND CASH EQUIVALENTS	(365,493)	(250,867)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,191,479	795,708
CASH AND CASH EQUIVALENTS AT END THE PERIOD	P 825,986	P 544,842

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 Unreaized Gain (Loss) on AFS Financial Assets	Net Unrealized Gain on finandial assets measured at FVOCI	Equity Conversion Option	Cumulative gain on hedging instruments	Cumulative translation adjustments	Net revaluation Surplus	Effect of transaction with Non-controlling Interest	Sub-total	Non-controlling Interest	Total
BALANCES AT DECEMBER 31, 2020	4,940,399	1,143,981	4,734,470	10,500,000		-	31,859	1,225,518	-	-	1,572,385	77,892	24,226,504	(284)	24,226,220
Net income (loss)	-	-	559,574	-			-	-	-	-	-	-	559,574	-	559,574
Other comprehensive income (loss):															
Items to be reclassified to profit and loss in subsequent periods:															
Unrealized gain on fair value of hedging instruments									6,827				6,827		6,827
Adjustment on 2020 tax provision due to implementation of CREATE bill	-	-	15,758	-			-	-	-	-	-	-	15,758	-	15,758
Items not to be reclassified to profit and loss in subsequent periods:															
2020 net effect of CREATE bill on deferred	-	-	-				-	-	-	-	277,586	-	277,586	-	277,586
Total comprehensive income (loss)	-	-	575,332	-			-	-	6,827	-	277,586	-	859,745	-	859,745
Declaration of dividends			(291,484)							-			(291,484)		(291,484)
BALANCES AT MARCH 31, 2021 (Unaudited)	**4,940,399**	**1,143,981**	**5,018,318**	**10,500,000**	**-**	**-**	**31,859**	**1,225,518**	**6,827**	**-**	**1,849,971**	**77,892**	**24,794,765**	**(284)**	**24,794,481**
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):															
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**

PHILEX MINING CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

		Three Months Ended March 31	
		2021	2020
Current Ratio	Current Assets over Current Liabilities	0.88	0.71
Debt-to-equity Ratio	Total Liabilities over Total Equity	0.59	0.66
Asset-to-equity Ratio	Total Assets over Equity	1.59	1.66
Net Income Ratio	Net Income over Net Revenue	0.24	0.14

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF ACCOUNTS RECEIVABLE
As of March 31, 2021
(In Thousands)

Accounts Receivable- Trade	P 309,402
Others	89,496
	P 398,898

AGING OF ACCOUNTS RECEIVABLE - TRADE
As of March 31, 2021

	0-30 days	31-60 days	Total
IXM S.A.	P -	P 309,402	P 309,402
	P -	**P 309,402**	**P 309,402**

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF LOANS PAYABLE

As of March 31, 2021

(In thousands)

Banco de Oro	P	388,240
Philippine National Bank		919,028
Bank of the Philippine Islands		291,180
Total	**P**	**1,598,448**

PHILEX MINING CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021
(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 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 for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. The Parent Company 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 Parent Company's financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- 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 consolidated financial statements in accordance with accounting principles generally accepted in the Philippines requires the management of the Group to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of any contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

Judgments

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

Determination of the Functional Currency

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

Recognition of Deferred Tax Assets

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

inventories produced and sold, and amount of costs and expenses that are subjectively determined like depreciation.

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, 72% 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 up to March 2021.

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, 2021:

Cash and cash equivalents:	
Cash with banks	₱ 606,258
Short-term deposits	218,721
Accounts receivable:	
Trade	309,402
Others	85,812
Financial asset measured at FVOCI	
Quoted equity investments	60,938
Unquoted equity investments	53,035
Gross maximum credit risk exposure	₱1,334,166

The table below shows the credit quality of the Group's financial assets by class as of March 31, 2021 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	₱606,258	₱–	₱–	₱606,258
Short-term deposits	218,721	–	–	218,721
Accounts receivable:				
Trade	309,402	–	–	309,402
Others	84,407	–	1,405	85,812
Financial asset measured at FVOCI				
Quoted equity investments	60,938			60,938
Unquoted equity investments	53,035			53,035
Total	₱1,332,761	₱–	₱1,405	₱1,334,166

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, 2021:

	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	₱824,979	–	₱–	₱824,979
Accounts receivable:				
Trade	–	309,402	–	309,402
Others	–	85,812	–	85,812
Financial assets measured at FVOCI				
Quoted equity investments	60.938	–	–	60,938
Unquoted equity investments	53,035	–	–	53,035
Total undiscounted financial assets	₱938,952	₱395,214	₱–	₱1,334,166

	On Demand	Within 1 Year	More than 1 Year	Total
Other financial liabilities				
Short-term loans				
Principal	₱–	₱1,598,448	₱–	₱1,598,448
Interest	–	2,406	–	2,406
Long-term loans				
Principal	–	–	7,200,000	7,200,000
Interest			567,000	567,000
Accounts payables and accrued liabilities	–	1,647,629	–	1,647,629
Other payables	670,152	–	–	670,152
Total undiscounted financial liabilities	₱670,152	₱3,248,483	₱7,767,000	₱11,685,635

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
29%	(₱277,927)
(29%)	277,927

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, 2021 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 2%	₱61.05
	Decrease by 2%	(61.05)

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, 2021:

Change in metal prices (Gold)	Effect on income before income tax
Increase by 19%	₱221,415
Decrease by 19%	(221,415)

Change in metal prices (Copper)	Effect on income before income tax
Increase by 23%	₱308,168
Decrease by 23%	(308,168)

4. Segment Information

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

Core net income (loss) is presented because the Group believes it is an important measure of its 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.

Core net income (loss) is not a uniform or legally defined financial measure. The Group relies primarily on the results in accordance with PFRSs and uses core net income (loss) only as supplementary information.

The following table shows the Group's reconciliation of core net income to the consolidated net income for the three months ended March 31, 2021 and 2020.

		2021		2020
Core Net Income	P	539,601	P	102,718
Non-Recurring gains (losses)				
Foreign exchange losses		(5,042)		(593)
Provision for losses		(150,000)		-
Retroactive income tax provision adjustment on income attributable to second half of 2020		173,753		-
Net tax effect on foreign exchange losses		1,260		177
Net income attributable fo parent company		559,574		102,302
Net income attributable to non-controlling interests		-		-
Net income	P	559,574	P	102,302

Core net income per share is computed as follows:

	2021	2020
Core net income	₱539,601	₱102,718
Divided by weighted average number of common shares outstanding	4,940,399,068	4,940,399,068
Core net income per share	₱0.1092	₱0.0208

5. **Revenues**

Adoption of PFRS 15 using modified retrospective approach as of March 31, 2021 and March 31, 2020:

	2021		
	Revenue from contracts with customers	**Provisional pricing adjustment**	**Total revenue**
Gold	**₱1,106,570**	**₱12,991**	**₱1,119,561**
Copper	**1,174,081**	**54,075**	**1,228,156**
Silver	**22,249**	**96**	**22,345**
	₱2,302,900	**₱67,162**	**₱2,370.062**

	2020		
	Revenue from contracts with customers	Provisional pricing adjustment	Total revenue
Gold	₱1,115,956	(₱10,664)	₱1,105,292
Copper	714,079	(119,510)	594,569
Silver	14,426	(1,749)	12,677
	₱1,844,461	(₱131,923)	₱1,712,538

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, 2021 and 2020.

	2021	2020
Provision for losses	(₱150,000)	₱–
Others	(44,039)	(27,837)
	(₱194039)	(₱27,837)

7. Income Taxes

On March 26, 2021, President Rodrigo Duterte signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 introduces reforms to the corporate income tax and incentive systems. It takes effect 15 days after its complete publication in the Official Gazette or in newspaper of general circulation on April 11, 2021.

Even though some of the provisions have retroactive effect to July 1, 2020, the passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company recorded the 5% reduction on corporate income tax rate, pertaining to the taxable income apportioned for the second half of 2020, effective July 1, 2020 on its financial report as of March 31, 2021.

8. Basic/Diluted Earnings Per Share

Basic and diluted earnings per share as of March 31, 2021 and 2020 are computed as follows:

	2021	2020
Net income attributable to equity holders of the Parent Company	₱559,574	₱102,303
Divided by weighted average number of common shares outstanding during year	4,940,399,068	4,940,399,068
Basic earnings per share	₱0.1133	₱0.0207

Diluted earnings per share as of March 31, 2021 and 2020 are computed as follows:

	2021	2020
Net income attributable to equity holders of the Parent Company	₱559,574	₱102,303
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	₱0.1133	₱0.0207

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

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 other than those discussed in Part 1 of this report.