

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

ROMEO B. BACHOCO

(Contact Person)

(632) 8631-13-81

(Company Telephone Number)

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Month Day
(Calendar Year)

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(Form Type)

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Month Day
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

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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 September 30, 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 September 30, 2021)

Amount of Debt Outstanding – Php10,009,961,028 (As of September 30, 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 ☒ No ☐

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

Yes ☒ No ☐

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Consolidated Financial Statements for the period ended June 30, 2021 are hereto attached.

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

Status of Operations

Padcal Operation

Extension of Mine Life

In June 2021, the Philex Board of Directors approved the extension of the life of Padcal Mine from December 2022 to December 2024. The Company continues to benefit from the current high level of copper and gold prices and the global outlook. The positive trend of the metal prices has allowed the extension of the Padcal life of mine for another two years to December 2024 after identifying additional mineable reserves in the Sto. Tomas orebody of Padcal. The extension of the life of mine of Padcal will ensure the continuous employment of 1,831 Padcal employees, including almost 500 service providers and support the social development of the Host Local Government Units under the Social Development and Monitoring Program (SDMP). It will provide additional taxes to both the local and national government that would augment funds for government projects especially in this time of COVID- 19 pandemic. It will also give more time for the Company to bring the Silangan Project to development and commissioning stages.

Covid-19

The global pandemic caused by the spread of Covid-19 caused disruption to all businesses and the Company is no exception. The Company revisited and calibrated its strategic and operating plans to mitigate with the impact of Covid-19 to its business and stakeholders. In compliance with the government mandated Covid-19 protocols, Padcal Mine continues to operate under the strictest health protocols to maintain a safe working environment for its employees, and adopted and implemented regular surveillance and contact tracing activities as well as implemented stricter entry and exit controls in the mine camp. While keeping the employees in a safe workplace

and community, the Company continue calibrate operating processes and activities to ensure a profitable business for all its stakeholders.

Since the start of the 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. In fact, the entire workforce strives to overcome those challenges as can be seen in the excellent first half 2021 performance, a testament to the resiliency of the Company workforce in operating under the pressure of a very challenging environment brought about by the pandemic.

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.

The issuance of Executive Order No. 130 in April 2021 has given a positive outlook to the mining in the country. The Company believes that E.O. 130 which aims to strengthen the implementing programs in mining, environmental protection and responsible mining and the recent government pronouncements would increase the level of interest and confidence of investors, both local and foreign, and lenders to mining industry and would benefit the Company as it prepare for the launch of its Silangan Project.

Silangan Project

The Company and SMMCI finalized and completed 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 Silangan Project is ready for implementation with all the needed government permits, studies and programs for its development. The tenure of the project was further secured after the Mine and Geosciences Bureau (MGB) approved the advance renewal of the Mineral Production Sharing Agreement (MPSA) No. 149-99-XIII, covering the Boyongan orebody, in December 10, 2020. The MPSA's validity was extended to 2049.

In the July 2021 Board meeting, the Board of Directors of Philex has approved the In-Phase Development Plan for the Silangan Project. The Company appointed BDO Capital as its financial advisor to assist in the fund raising for the In-Phase Development Plan of the Project. With the In-Phase Development Plan, the capital expenditure requirement will be made in stages, and can be funded from a variety of potential resources including internally-generated cash and potentially through equity and debt from investors and creditors.

The Company is confident that development of the Silangan Project will commence in 2Q2022 with the Front End Engineering and Design works already commencing this October 2021. Based on the In-Phase Development Plan, the commercial operations of the Project is targeted 1Q2025.

Review of Financial Results

Total operating revenues for the nine months ended September 30, 2021 (9M2021) amounted to Php7.742 billion, significantly higher by 22% compared with Php6.332 billion reported in the nine months of 2020 (9M2020). The excellent level of operating revenues was primarily due to the continuous soaring of copper prices that averaged 55% higher for the period and the sustained level of gold prices. The increase due to higher metal prices was partially offset by the slightly lower metal output and foreign exchange rate. Metal prices, particularly copper, boosted revenues for this period 23% higher than last year. After smelting charges, the net revenues amounted to Php7.220 billion for 9M2021, compared with Php5.854 billion in 9M2020.

Similarly, total operating revenues for the third quarter of 2021 (3Q2021) were higher by 13% at Php2.656 billion, against the Php2.350 billion revenues reported in the third quarter of 2020 (3Q2020). The increase in operating revenue was due to significantly higher copper prices by 48% and slightly higher foreign exchange rates, despite lower gold prices by 8%, decrease in metal output due mainly to lower metal recoveries and copper ore grade. After deducting smelting charges, net revenues for 3Q2021 amounted to Php2.473 billion, 14% higher than the net revenues of Php2.174 billion for the same period in 2020.

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 9M2021 was slightly lower reaching 41,295 ounces compared with 43,136 ounces in 9M2020. On the hand, gold averaged at US\$1,786 per ounce, 2% higher than the US\$1,750 per ounce gold price realized in 9M2020. With higher prices, gold revenues which represent 47% of total revenues was consequently higher at Php3.635 billion compared with Php3.725 billion in 9M2020, 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 slightly lower foreign exchange rates.

For 3Q2021, gold production was at 14,270 ounces, lower than the gold production of 14,804 ounces for 3Q2020 due to lower metal recovery despite slightly higher tonnage and gold grades. Gold revenues for 3Q2021 was, consequently, lower at Php1.291 billion compared with Php1.347 billion in 3Q2020 principally from lower gold output coupled with the lower average of gold prices for the quarter. Realized gold prices averaged at US\$1,761 per ounce, lower than the average price of US\$1,915 per ounce in 3Q2020 and average prices for the first two quarters in 2021.

Despite the momentary dip in gold prices, the current level of gold prices remain to be favorable to the Company and is expected to increase gold revenues.

Copper

Copper production in 9M2021, slightly decreased to 19,745,345 pounds compared with the production of 20,239,676 pounds in 9M2020, due mainly to slightly lower grades and metal recovery. Realized copper prices for the same period averaged at US\$4.14 per pound, 55% higher against US\$2.68 per pound in 9M2020. The significantly higher realized copper prices increased copper revenues by 58% at Php4.038 billion compared with Php2.550 billion in 9M2020. The favorable level of copper prices has remained as Padcal's cushion against the impact of lower foreign exchange rates applied on revenues. Copper accounted for 52% of total revenues for the period.

In 3Q2021, copper production was lower at 6,539,863 pounds compared with 6,698,578 pounds for 3Q2020 due mainly to lower ore grade and metal recovery. Copper prices which started to move upward in early 2020 averaged at US\$4.24 per pound in 3Q2021 from US\$3.95 per pound in 1Q2021 and US\$4.37 per pound in 2Q2021, significantly higher by 48% compared with US\$2.86 per pound in 3Q2020. As a result of higher average realized copper prices, copper revenues increased by 37% at Php1.343 billion, maintaining this quarterly level in 2021, from Php978 million in 3Q2020.

Silver

Revenues from silver made up the remaining 1% of the Company's total revenue and amounted to Php69 million for 9M2021, higher by 20% against last year's Php57 million for the same period in 2020, mainly from higher realized prices, partially offset by slightly lower foreign exchange rates and metal production. Revenues for 3Q2021 amounted to Php22 million, 11% lower than the revenues of Php25 million for 3Q2020.

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 hedging contracts on January 4, 2021 covering the period January to March 2021. On March 10, 2021, a second gold and copper hedging contract was signed 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	1,760	Apr 2021	05/05/21	(3)
03/10/21	1,900	1,680	1,733	1,850	May 2021	06/02/21	(11)

03/10/21	1,900	1,680	1,733	1,835	Jun 2021	07/02/21	(9)
03/10/21	1,900	1,680	1,733	1,806	Jul 2021	08/03/21	(7)
03/10/21	1,900	1,680	1,733	1,784	Aug 2021	09/02/21	(5)
03/10/21	1,900	1,680	1,733	1,779	Sep 2021	10/04/21	(4)
Total							(27)

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	4.23	Apr 2021	05/05/21	-
03/10/21	992,079	3.80	4.27	4.62	May 2021	06/02/21	(17)
03/10/21	992,079	3.80	4.27	4.36	Jun 2021	07/02/21	(4)
03/10/21	992,079	3.80	4.27	4.28	Jul 2021	08/03/21	(1)
03/10/21	992,079	3.80	4.27	4.24	Aug 2021	09/02/21	-
03/10/21	992,079	3.80	4.27	4.23	Sep 2021	10/04/21	-
Total							(26)

In 9M2021, a net hedging loss of Php27 million for gold and Php26 million for copper were realized. As of September 30, 2021, there were no outstanding hedging contracts.

As a subsequent event, in early October 2021, the Company further entered into new copper and gold collar hedging contracts covering the period October 2021 to March 2022. For copper, 992,079 pounds of monthly production was hedged at a strike price of US\$3.90 per pound for the put and US\$4.50 per pound for the call. While for gold, 1,900 ounces of monthly production was hedged at a strike price of US\$1,700 per ounce for the put and US\$1,800 per ounce for the call.

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 (excluding premium cost of Php2 million) 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 5,973,659 tonnes for 9M2021, slightly higher than the tonnage of 5,956,279 tonnes in 9M2020 as mining and milling operations were not affected by any unforeseen breakdowns or power outages. Mining from higher grade ore sources remains as Padcal's strategy to report higher level of metal production.

Gold production, though higher than target, was slightly lower at 41,295 ounces for 9M2021 compared with 43,136 ounces in 9M2020 mainly due to expected lower gold grades this year that averaged at 0.284 grams per tonne (g/t) in 9M2021 against 0.286 g/t in 9M2020. Gold recovery was also lower at 75.7% in 9M2021 versus 78.8% for 9M2020. In 3Q2021, gold output was also lower at 14,270 ounces against 14,804 ounces in 3Q2020 as a result of lower gold recovery, despite higher tonnage and gold grades.

For copper, metal production slightly decreased to 19,745,345 pounds in 9M2021 compared with the production for the 9M2020 of 20,239,676 pounds, but higher compared with target. The decrease was due mainly to slightly lower ore grades that averaged at 0.186% in 9M2021 versus 0.189% in 9M2020. Metal recovery for copper was also slightly lower at 80.7% compared to 81.5% for the same period last year. On the other hand, these 9M2021 ore grades and recovery were more than what were expected. Similarly, for 3Q2021, copper production slightly decreased by 2% at 6,539,863 pounds against 6,698,578 pounds due mainly to lower ore grades that averaged at 0.184% compared with 0.189% in 3Q2020 and lower metal recovery, despite higher tonnage.

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 Ph4.843 billion for 9M2021 from Ph4.686 billion in 9M2020. The increase in Opex was due to higher Cash Production Costs and revenue-related costs such as Excise Taxes and Royalties. The higher power rates starting 2021 contributed to the increase in Cash Production Costs. Depreciation of recently acquired equipment, and amortization for additional costs incurred in maintaining the tailings storage facility accounted for the increase in Depreciation, Depletion and Amortization. However, due to the extension of Padcal's mine life to December 2024, depreciation, depletion and amortization rates were adjusted accordingly thus the net decrease for these accounts compared to 2020 numbers. G&A slightly decreased to Ph182 million in 9M2021 from Ph200 million for the same period in 2020.

Smelting Charges amounted to Ph521 million for 9M2021, 9% higher than the Ph478 million in 9M2020, due mainly to higher unit deduction costs on account of higher metal prices, despite the lower copper concentrates of 44,163 dry metric tons (DMT) in 9M2021 from 44,359 DMT in 9M2020, as well as lower treatment and refining rates.

For 3Q2021, total Opex slightly increased to Ph1.603 billion from Ph1.582 billion in 3Q2020 on account of higher cash production costs and revenue-related costs particularly the excise taxes and royalties, partially offset by the decrease in Depletion, Depreciation and Amortization and G&A. Smelting charges for 3Q2021 also increased to Ph184 million from Ph176 million for the same quarter in 2020 on account mainly from higher unit deduction costs for copper, partially offset by the impact of lower copper concentrates production and treatment and refining rates.

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 3% to Ph702 per tonne (based on total production costs of Ph4.191 billion) for 9M2021 from Ph684 per tonne (based on total production costs of Ph4.076 billion) in 9M2020.

Likewise, operating costs (consisting of total production costs, smelting charge, excise taxes, and royalties) also increased to Php868 per tonne in 9M2021 from Php833 per tonne in 9M2020. The increase in cost per tonne was mainly attributable to the higher power rates and higher excise taxes and royalties. Total operating costs for purposes of computing the break-even costs amounted to Php5.183 billion in 9M2021, higher compared with Php4.964 billion in 9M2020.

For 3Q2021, total production cost per tonne was higher at Php690 per tonne (based on total production cost of Php1.385 billion) as against Php684 per tonne (based on total production cost of Php1.357 billion) for the same period in 2020. Similarly, operating cost per tonne was higher to Php863 per tonne (based on total operating cost of Php1.731 billion) from Php852 per tonne (based on total operating cost of Php1.691 billion) in 3Q2020. Higher cost per tonne was realized for the third quarter on account of higher cash production costs, smelting charges, excise taxes and royalties.

The operating cost per ounce of gold and per pound of copper for 9M2021 based on co-production method were US\$1,199 per ounce and US\$2.78 per pound, compared with US\$1,344 per ounce gold and US\$2.06 per pound copper in 9M2020, 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 while the proportion of gold has gone down having an impact on the lower operating cost per ounce this year.

For 3Q2021, the operating cost per unit for gold decreased to US\$1,140 per ounce (versus US\$1,401 per ounce in 3Q2020) as only 49% of costs was allocated to gold based on revenue contribution against 57% in 3Q2020, while per unit for copper increased to US\$2.75 per pound (versus US\$2.09 per pound in 3Q2020) on account of higher cost allocation to copper of 51% this 3Q2021 against 42% in 3Q2020.

Other Income (Charges)

The Company recorded a Net Other Charges of Php253 million in 9M2021 versus Php4 million in 9M2020. The Net Other Charges in 9M2021 consisted mainly of various provisions, losses from foreign exchange transactions basically from restatement of the Company's net foreign currency-denominated liabilities and share in net losses of associates, with partial offset from the reversal of previous impairment provisions on account of the extension of Padcal's mine life for another two years up to December 2024. For 3Q2021, the Company, however, reported a Net Other Income amounting to Php12 million mainly from the reversal of previous impairment provision, net of various provisions, losses from Forex transactions and equity share in net losses of associates, compared with Php46 million in 3Q2020 primarily due to the gain from Forex transactions.

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 M 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. The total provision for income tax for 9M2021 amounted to Php244 million, net of the impact of the CREATE, compared to Php246

million in the 9M2020. For 3Q2021, the Company recorded a total provision for income tax already at the lower income tax rate of Php161 million as against Php145 million for 3Q2020.

Core and Reported Net Income

The Company continues to benefit from the strong copper and gold prices allowing the Company to post a Core Net Income of Php1.865 billion, higher by 116% compared with the Core Net Income of only Php865 million in 9M2020. Core Net Income for 3Q2021 amounted Php716 million versus Php462 million in 3Q2020.

EBITDA also significantly increased to Php3.194 billion or 57% higher than the Php2.038 billion for 9M2020. EBITDA for 3Q2021 was Php1.168 billion, higher compared with Php910 million in 3Q2020. 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) doubled to Php1.880 billion from Php918 million for the same period in 2020. For 3Q2021, Reported Net Income reached Php721 million, 46% higher than the Php494 million in 3Q2020.

FINANCIAL CONDITION REVIEW

Current Assets

The Company's Current Assets as of September 30, 2021 increased to Php4.928 billion from Php3.445 billion as of December 31, 2020. The increase of Php1.483 billion was mainly due to the high value of shipment proceeds remaining the cash balance of the Company and the increase in mine products inventory given that a full load of copper concentrates was in inventory awaiting scheduled shipment on the second week of October 2021.

Cash and Cash Equivalents

The Cash and Cash Equivalents amounted to Php2.049 billion as of September 30, 2021 from Php1.191 billion as of December 31, 2020. The high value of shipment proceeds, net of repayment of loan and cash dividend accounted for the increase in cash and cash equivalent for the period.

Accounts Receivable

The Company's Accounts Receivable slightly decreased to Php338 million as of September 30, 2021 from Php370 million as at end 2020. This account 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 September 30, 2021, Trade Receivables amounted to Ph266 million and Other Receivables of Php72 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 September 30, 2021 consisted of the remaining value of three shipments (versus four shipments in the fourth quarter of 2020 as of December 31, 2020) awaiting final pricing, were with Pan Pacific and IXM. The QP for Pan Pacific is 3MAMA for copper and 1MAMA for gold while the QP for IXM is 1MAMA for copper and MOSS for gold.

Inventories

Total Inventories, consisting of materials and supplies and mine products, amounted to Php2.123 billion as of September 30, 2021, an increase of 58% from Php1.343 billion as at end 2020.

As of September 30, 2021, inventory for materials and supplies amounted to Php717 million or about 35% of total inventory while mine products inventory, which is valued at net realizable value, amounted to Php1.406 billion or 66% 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 in the second week of October 2021.

Other Current Assets

Other Current Assets, composed primarily of input Value-Added Tax (VAT) claims for refund on purchases of materials, supplies and equipment, decreased to Php417 million from Php540 million in 2020, following the utilization of tax credit certificates from VAT claims against the Company's income tax liabilities for 1Q2021 that was due in April 2021.

Non-Current Assets

Non-Current Assets of Php36.015 billion as of September 30, 2021 slightly increased from Php35.495 billion as of December 31, 2020. This comprised mainly of Property, Plant and Equipment, Investment in Associates and Deferred Exploration Costs. PPE and Deferred Exploration Costs represent 77% of total assets, signifying the capital intensive nature of the business.

Property, Plant and Equipment

Property, Plant and Equipment (PPE) slightly decreased to Php3.560 billion as of September 30, 2021 from Php3.043 billion in 2020. The increase in PPE represents actual expenditures on Padcal's mine development activities and acquisition of mine equipment for the period, net of depreciation, depletion and amortization. The depreciation, depletion and amortization already considered the impact of the life extension of Padcal effective the second quarter of this year. PPE also includes the reversal of impairment of Php699 million as a result of the mine life extension and higher metal price assumptions. 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, slightly increased to Php125 million from Php114 million as at end 2020.

Investment in Associates

Investment in Associates decreased to Php3.651 billion as of September 30, 2021 from Php4.161 billion as of December 31, 2020, mainly from the Company's share in the net losses of associates in 9M2021 of Php510 million.

Deferred Exploration Costs

Deferred Exploration Costs increased to Php27.885 billion as of September 30, 2021 from Php27.365 billion in 2020, on account of the pre-development expenditures related to Silangan Project with cumulative amount of Php25.582 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 slightly decreased to Php291 million as of September 30, 2021 from Php310 million in 2020, 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 Php40.943 billion as of September 30, 2021 from Php38.939 billion as of December 31, 2020, primarily from the higher cash balance and mine products inventory.

Current Liabilities

Current Liabilities slightly increased to Php4.419 billion as of September 30, 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 Php1.479 billion (US\$29 million) as of September 30, 2021 from Php1.777 billion (US\$37 million) in 2020. Philex continued its debt reduction program that started in early 2020 with an interim re-avowment of US\$2 million at the onset of COVID19 as contingency fund should there be disruptions in the company's business operations related to COVID19. Philex made a total loan repayment of US\$4 million on a year to date which reduced the total loan of Philex to US\$23 million as of September 30, 2021 from US\$31 million in 2020. Total outstanding loan including the short term loan of SMMCI of US\$6 million amounted to US\$29 million as of September 30, 2021.

Accounts Payable and Accrued Liabilities

As of September 30, 2021, Accounts Payable and Accrued Liabilities amounted to Php2.230 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 amounted to Php2.2 million as of September 30, 2021 from Php123 million as of December 31, 2020. The significant decrease was due to the payment 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. The final payment was made in July 2021 to support the working capital requirements of the PXP Energy.

Income Tax Payable

As of September 30, 2021, Income Tax Payable amounted to Php192 million, which included the tax payable pertaining for 3Q2021 that is due in November 2021 and the tax payable covering 4Q2020 that was due in April 2021. A portion of the 1Q2021 income tax due was settled using the application of tax credit certificates from VAT claims. Balance as of December 31, 2020 was Php74 million.

Dividends Payable

Dividends Payable amounted to Php516 million as of September 30, 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 September 30, 2021, Non-Current Liabilities amounted at Php10.406 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 Php1.433 billion arising from the acquisition of Anglo's 50% stake in the Silangan companies and Php424 million for accelerated deductions, substantially decreased to Php1.857 billion as of September 30, 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 Php8.531 billion as of September 30, 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 the 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. The amount of Php137 million that is required under the Company's MGB-approved Final Mine Rehabilitation and Development Program has been fully funded.

Total Liabilities

As of September 30, 2021, Total Liabilities amounted to Php14.825 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, and loan repayment.

Shareholders' Equity

The Company's Total Equity as of September 30, 2021 increased to Php26.118 billion from Php24.226 billion as of December 31, 2020 on account mainly of the net income of Php1.880 billion the Company recognized for 9M2021.

Retained Earnings amounted to Php16.839 billion from Php15.234 billion, inclusive with the 9M2021 Net Income of Php1.880 billion and net of cash dividend declared on February 24, 2021.

Net Unrealized Gain on Financial Assets Measured at FVOCI increased to Php41 million from Php32 million. Equity Conversion Options 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. Net Revaluation Surplus slightly increased to Php1.850 billion from Php1.572 billion in 2020. The balances of Effect of Transactions with Non-Controlling Interests and the Non-Controlling Interests were unchanged 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 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 Covid-19 pandemic, the Company's net cash generated in operating activities amounted to Php2.585 billion in the 9M2021, compared with Php1.523 billion for the same period in 2020 (9M2020).

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 Php1.011 billion in 9M2021 as against Php843 million in the same period in 2020. Actual capital expenditures were lower at Php554 million in 9M2021 compared with Php643 million in 9M2020. Expenditures on deferred exploration costs pertained substantially to Silangan Project primarily the capitalized interests on loans and convertible notes.

Net cash used in financing activities amounted to Php716 million 9M2021 compared with Php490 9M2020. The Company repaid a portion of its short-term bank loans by Php387 million or US\$8 million in 9M2021, reducing the Philex loan to US\$23 million as of September 30, 2021 from \$31 million as at end 2020.

Capital Expenditures and Exploration Costs

<i>(in Php Millions)</i>	9M2021	9M2020
Padcal		
Mine Development	239	427
Tailings Pond Structures	141	71
Machinery and Equipment	178	146
Total	559	644
Silangan Project		
Deferred Exploration Costs	137	127
Machinery and Equipment	(5)	(1)
Total	132	126
Mine Exploration Projects	5	10
Total	692	780
Consolidated		
Deferred Exploration Costs	142	137

Property, Plant and Equipment	554	643
Total	696	780

Capital Expenditures totalled to Php692 million for 9M2021 and Php780 million for 9M2020 period in 2020.

Padcal operations accounted for 81% of total programmed spending at Php559 million in 9M2021 as compared to Php644 in 9M2020.

Silangan Project comprised of 19% of the capital expenditures amounting to Php132 million in 9M2021 and Php126 million for 9M2020.

Other mining exploration projects has a minimal amount of Php5 million in 9M2021 compared to Php10 million in 9M2020, 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 the nine months ended September 30, 2021, the Company recorded zero Lost Time Accident-Fatal (LTA-F) incident compared to one LTA-F in 9M2020. Meanwhile, in terms of Lost Time Accident Non-Fatal events, there were six (6) recorded in 9M2021 which is the same for 9M2020.

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.

	9M2021	9M2020
Earnings Per Share	Php0.3810	Php0.1861
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 5,973,659 tonnes in 9M2021, slightly higher compared with 5,956,279 tonnes in 9M2020.

Copper output reached 19,745,345 pounds, 2% lower than 9M2021's 20,239,676 pounds. Similarly, gold production was 4% lower at 41,295 ounces, compared with 43,136 ounces in 9M2020, 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 9M2021, the total production cost (mine site cost and expenses excluding smelting charges, excise tax and royalties) per tonne of ore milled was Php702, with total production cost of Php4.191 billion over ore milled of 5,973,659 tonnes. This was 2% higher than the cost per tonne of Php684 from the total production cost of Php4.076 billion over ore milled of 5,956,279 tonnes in 9M2020. The higher cost per tonne in 9M2021 was primarily due to higher production cost.

The operating costs and expenses (all cost and expenses excluding G&A) per tonne of ore milled in 9M2021 was Php868 from the total operating cost and expenses of Php5.183 billion, 4% higher than the Php833 from the operating costs and expenses of Php4.964 billion in 9M2020. 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\$1,199 per ounce in 9M2021 compared with US\$1,344 per ounce in 9M2020, while operating cost applicable to copper produced amounted to US\$2.78 per pound in 9M 2021 compared with US\$2.06 per pound in 9M2020. 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 endeavour, 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 9M 2021, the amount spent on mining exploration including that of Silangan Project amounted to Php142 million compared with Php137 million in 9M2020. As of September 30, 2021, total deferred exploration costs amounted to Php27.885 billion, comprising 68% 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 September 30, 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. In February 2015, the Company infused all outstanding advances amounting to Php7.208 billion as equity. Additional advances, which were intended to be converted into equity, amounted to Php2.428 billion as of September 30, 2021 from Php2.327 billion as of December 31, 2020.

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 various equity in oil assets. 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 with PMC subscribing to 260 million common shares of PXP Energy for a total consideration of Php3.081 billion. PXP Energy's proceeds from the subscription agreement were 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 July 31, 2021, the Company has fully paid its outstanding subscription payable to PXP Energy amounting to Php121 million, the balance as of December 31, 2020 of the total subscription of Php3.081 billion in PXP Energy. This additional subscription has 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 Php8.531 billion and Php8.182 billion as of September 30, 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 cyclicity 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: October 29, 2021

**PHILEX MINING CORPORATION
AND SUBSIDIARIES**

**UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
September 30, 2021**

Pasig City, Philippines

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, except Par Value per Share)

		September 30 2021 (Unaudited)		December 31 2020 (Audited)
Current Assets				
Cash and cash equivalents	P	2,049,354	P	1,191,479
Accounts receivable - net		338,143		369,898
Inventories - net		2,122,856		1,343,366
Other current assets - net		417,267		539,950
Total Current Assets		4,927,620		3,444,693
Noncurrent Assets				
Property, plant and equipment - net		3,560,522		3,042,982
Financial assets measured at FVOCI		125,212		113,973
Investment in associates - net		3,651,022		4,161,328
Deferred exploration costs		27,885,472		27,365,125
Pension asset - net		291,421		310,332
Other non current assets		501,469		500,882
Total Noncurrent Assets		36,015,118		35,494,622
TOTAL ASSETS	P	40,942,738	P	38,939,315
Current Liabilities				
Loans payable	P	1,479,000	P	1,776,851
Accounts payable and accrued liabilities		2,230,199		1,692,763
Subscription payable		2,231		123,345
Income tax payable		191,607		74,300
Dividends payable		515,862		553,610
Total Current Liabilities		4,418,899		4,220,869
Noncurrent Liabilities				
Bonds payable		8,530,961		8,182,002
Deferred tax liabilities - net		1,857,373		2,293,314
Provision for losses and mine rehabilitation costs		17,496		16,911
Total Noncurrent Liabilities		10,405,830		10,492,227
Total Liabilities		14,824,729		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		6,339,165		4,734,469
Appropriated		10,500,000		10,500,000
Net unrealized gain on financial assets measured at FVOCI		41,367		31,859
Equity conversion option		1,225,518		1,225,518
Net revaluation surplus		1,849,971		1,572,385
Effect of transactions with non-controlling interests		77,892		77,892
		26,118,293		24,226,503
Non-controlling Interests		(284)		(284)
Total Equity		26,118,009		24,226,219
TOTAL LIABILITIES & EQUITY	P	40,942,738	P	38,939,315

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Amounts in Thousands, except Earnings Per Share)

	Nine Months ended			
	September 30			
	2021		2020	
REVENUES (Note 5)	P	7,220,228	P	5,854,318
COSTS AND EXPENSES				
Production costs		3,301,390		3,134,794
Depletion, amortization and depreciation		889,609		940,884
Excise taxes and royalties		470,301		410,053
General and administrative expenses		181,672		200,139
		4,842,972		4,685,870
INCOME FROM OPERATIONS		2,377,256		1,168,448
OTHER (CHARGES) INCOME				
Foreign exchange (losses) gains - net		(53,526)		87,297
Share in net losses of associates		(510,306)		(40,311)
Interest income		1,374		642
Reversal of impairment loss - net of provisions		374,241		(1,900)
Others - net		(64,949)		(49,804)
		(253,166)		(4,076)
INCOME BEFORE INCOME TAX		2,124,090		1,164,372
PROVISION (BENEFIT FROM) FOR INCOME TAX				
Current		378,265		160,076
Deferred		(134,598)		86,036
		243,667		246,112
NET INCOME	P	1,880,423	P	918,260
Net Income Attributable to:				
Equity holders of the Parent Company		1,880,423		918,260
Non-controlling interests		-		-
	P	1,880,423	P	918,260
BASIC/DILUTED EARNINGS PER SHARE	P	0.381	P	0.186

PHILEX MINING CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, except Earnings Per share)

	3rd Quarter ended September 30			
	2021		2020	
REVENUES	2,472,756		2,174,369	
COSTS AND EXPENSES				
Production costs	1,105,076		1,041,553	
Depletion, amortization and depreciation	279,705		315,759	
Excise taxes and royalties	162,307		157,714	
General and administrative expenses	56,036		66,705	
	1,603,124		1,581,731	
INCOME FROM OPERATIONS	869,632		592,638	
OTHER (CHARGES) INCOME				
Foreign exchange gains (losses) - net	(35,162)		55,405	
Share in net losses of associates	(494,630)		(13,093)	
Interest income	406		276	
Reversal of impairment loss - net of provisions	524,241		(1,900)	
Others - net	17,445		5,138	
	12,300		45,826	
INCOME BEFORE INCOME TAX	881,932		638,464	
PROVISION (BENEFIT FROM) FOR INCOME TAX				
Current	191,616		100,088	
Deferred	(31,006)		44,664	
	160,610		144,752	
NET INCOME	P 721,322	P	493,712	
Net Income Attributable to:				
Equity holders of the Parent Company	721,322		493,712	
Non-controlling interests	-		-	
	P 721,322	P	493,712	
BASIC/DILUTED EARNINGS PER SHARE	P 0.146	P	0.100	
DILUTED EARNINGS PER SHARE	P 0.146	P	0.100	

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

	Nine Months ended September 30	
	2021	2020
NET INCOME	P 1,880,423	P 918,260
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Unrealized loss on fair value of hedging instruments		(16,243)
Income tax effect on remeasurement gains on pension obligations	15,757	-
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Income tax effect on net revaluation surplus	277,586	-
Unrealized loss on financial assets measured at FVOCI	9,508	-
	302,851	(16,243)
TOTAL COMPREHENSIVE INCOME	P 2,183,274	P 902,017
Total Comprehensive Income Attributable to:		
Equity holders of the Parent Company	2,183,274	902,017
Non-controlling interests	-	-
	P 2,183,274	P 902,017

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

	Nine Months ended	
	September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 2,124,090	P 1,164,372
Adjustments for:		
Depletion and depreciation	900,093	953,049
Unrealized foreign exchange (gains) losses and others - net	79,017	(120,808)
Share in net losses of associates	510,306	40,311
Movement in pension assets-net	18,911	24,764
Reversal of (provision for) impairment - net of general provisions	(374,241)	1,900
Interest income	(1,374)	(642)
Operating income before working capital changes	3,256,802	2,062,946
Decrease (increase) in:		
Inventories	(706,384)	(663,211)
Other current assets	122,683	58,699
Accounts receivable	31,755	27,943
Increase in accounts payable and accrued liability	179,490	225,414
Cash generated from operations	2,884,346	1,711,791
Income taxes paid	(260,958)	(113,291)
Interest paid	(40,160)	(76,185)
Interest received	1,374	642
Net cash flows generated from operating activities	2,584,602	1,522,957
CASHFLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(726,591)	(724,403)
Increase in deferred exploration costs and other noncurrent assets	(163,776)	(73,040)
Payment of subscription payable to PXP	(121,114)	(19,701)
Payment of mine rehabilitation costs	-	(25,627)
Net cash flows used in investing activities	(1,011,481)	(842,771)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term loans	-	304,960
Payments of:		
Short-term bank loans	(386,600)	(750,415)
Dividends	(329,232)	(44,679)
Net cash flows used in financing activities	(715,832)	(490,134)
EFFECT OF EXCHANGE RATE CHANGES		
ON CASH AND CASH EQUIVALENTS	586	2,631
NET DECREASE IN CASH AND CASH EQUIVALENTS	857,875	192,683
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,191,479	795,709
CASH AND CASH EQUIVALENTS AT END THE PERIOD	P 2,049,354	P 988,392

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

	Attributable to Equity Holders of the Parent Company													Non-controlling Interest	Total
	Capital Stock	Additional Paid-in Capital	Retained Earnings		Other reserves	Net Unrealized Gain (Loss) on AFS Financial Assets	Net Unrealized Gain on financial 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		
BALANCES AT DECEMBER 31, 2020	4,940,399	1,143,981	4,734,469	10,500,000		-	31,859	1,225,518	-	-	1,572,385	77,892	24,226,503	(284)	24,226,219
Net income (loss)	-	-	1,880,423	-			-	-	-	-	-	-	1,880,423	-	1,880,423
Other comprehensive income (loss):															
Items to be reclassified to profit and loss in subsequent periods:															
Income tax effect on remeasurement gains on pension obligation	-	-	15,757	-			-	-	-	-	-	-	15,757	-	15,757
Items not to be reclassified to profit and loss in subsequent periods:															
Unrealized loss on financial assets measured at FVOCI - net of related deferred income tax	-	-	-	-			9,508	-	-	-	-	-	9,508	-	9,508
Income tax effect on revaluation surplus	-	-	-	-			-	-	-	-	277,586	-	277,586	-	277,586
Total comprehensive income (loss)	-	-	1,896,180	-			9,508	-	-	-	277,586	-	2,183,274	-	2,183,274
Declaration of dividends			(291,484)										(291,484)		(291,484)
BALANCES AT SEPTEMBER 30, 2021 (Unaudited)	4,940,399	1,143,981	6,339,165	10,500,000	-	-	41,367	1,225,518	-	-	1,849,971	77,892	26,118,294	(284)	26,118,010
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)			918,260										918,260		918,260
Other comprehensive income (loss):															
Unrealized gain on fair value of hedging instruments									(16,243)				(16,243)		(16,243)
Total comprehensive income (loss)	-	-	918,260	-		-	-	-	(16,243)	-	-	-	902,017	-	902,017
Declaration of dividends			(49,404)										(49,404)		(49,404)
BALANCES AT SEPTEMBER 30, 2020 (Unaudited)	4,940,399	1,143,981	4,340,137	10,500,000	-	37,745	-	1,225,518	(16,243)	-	1,572,385	77,892	23,821,814	(273)	23,821,541

PHILEX MINING CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

		Nine Months Ended September 30	
		2021	2020
Current Ratio	Current Assets over Current Liabilities	1.12	0.81
Debt-to-equity Ratio	Total Liabilities over Total Equity	0.57	0.63
Asset-to-equity Ratio	Total Assets over Equity	1.57	1.63
Net Income Ratio	Net Income over Net Revenue	0.26	0.16

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF LOANS PAYABLE

As of September 30, 2021

(In thousands)

Banco de Oro	P	204,000
Philippine National Bank		969,000
Bank of the Philippine Islands		306,000
Total	P	1,479,000

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF ACCOUNTS RECEIVABLE

As of September 30, 2021

(In Thousands)

Accounts Receivable- Trade	P 266,340
Others	71,803
	P 338,143

AGING OF ACCOUNTS RECEIVABLE - TRADE

As of September 30, 2021

	0-30 days	31-60 days	Total
IXM S.A.	P -	P 266,340	P 266,340
	P -	P 266,340	P 266,340

PHILEX MINING CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 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 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 unaudited 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 in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements as at and for the year ended December 31, 2020, except for the adoption of Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, Interest Rate Benchmark Reform - Phase 2, which is effective as at January 1, 2021. The amendments provide temporary reliefs which address the financial reporting effects of interbank offered rate is replaced with an alternative nearly risk-free interest rate. The adoption of the amendments did not have any significant impact in the Group's unaudited interim consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 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. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotational period.

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.

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 Bloomberg 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 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.

There is an impairment reversal of ₱699,241 and ₱103,000 recognized in September 30, 2021 and December 31, 2020, respectively, respectively due to improvement in metal prices and extension of Padcal's mine life in 2021. The recoverable amount as at September 30, 2021 and December 31, 2020 was based in value in use and was determined at the level of CGU consisting of the Group's mine and mining properties. In determining the value in use for the CGU, the cash flows were discounted at a rate of 8.50%.

Estimation of Useful Lives of Property, Plant and Equipment

The Group estimates the useful lives of depreciable property, plant and equipment, except for mine and mining properties, based on internal technical evaluation and experience. These estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence, and other limits on the use of the assets. For mine and mining properties which were depreciated based on units-of production, the Group estimates and periodically reviews the remaining recoverable reserves to ensure that remaining reserves are reflective of the current condition of the mine and mining properties.

Estimation of Ore Reserves

Ore reserves were determined using various factors such as market price of metals and production costs among others. These are economically mineable reserves based on the current market condition and concentration of mineral resource. Reserves are key inputs to depletion, amortization and decommissioning provisions. On June 30, 2011, the Padcal Mine life had been extended from 2017 to 2020. On March 20, 2015, the Padcal Mine life has been extended from 2020 to 2022. On June 25, 2021, the Padcal Mine life has been extended for another two (2) years, extending the life of Padcal Mine until December 31, 2024. The extension of mine life is due to the additional reserves from the mineral resources delineated below the current mining level.

Impairment of Deferred Exploration Costs

The Group reviews the carrying values of its deferred exploration costs whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves and future plans of the prospective mine project.

An impairment loss is recognized when the carrying values of these assets are not recoverable and their historical cost exceeds their fair value.

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, 68% of the Parent Company's period production of concentrates is sold to Pan Pacific. The balance of the Parent Company's annual production of concentrates is contracted with IXM.

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

The table below summarizes the Group's exposure to credit risk for the components of the unaudited consolidated balance sheet as of September 30, 2021:

Cash and cash equivalents:	
Cash with banks	₱ 902,277
Short-term deposits	1,145,447

Accounts receivable:	
Trade	266,340
Others	69,273
Financial asset measured at FVOCI	
Quoted equity investments	72,177
Unquoted equity investments	53,035
Gross maximum credit risk exposure	P2,508,549

The table below shows the credit quality of the Group's financial assets by class as of September 30, 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	P902,277	P–	P–	P902,277
Short-term deposits	1,145,447	–	–	1,145,447
Accounts receivable:				
Trade	266,340	–	–	266,340
Others	67,868	–	1,405	69,273
Financial asset measured at FVOCI				
Quoted equity investments	72,177			72,177
Unquoted equity investments	53,035			53,035
Total	P2,507,144	P–	P1,405	P2,508,549

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

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

Liquidity risk

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

The table below summarizes the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as of September 30, 2021:

	On Demand	Within 1 Year	More than 1 Year	Total
Other financial liabilities				
Short-term loans				
Principal	P-	P1,479,000	P-	P1,479,000
Interest	-	1,611	-	1,611
Long-term loans				
Principal	-	-	7,200,000	7,200,000
Interest			540,000	540,000
Accounts payables and accrued liabilities	-	1,901,630	-	1,901,630
Other payables	515,862	-	-	515,862
Total undiscounted financial assets	P515,862	P3,382,241	P7,740,000	P11,638,103

	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	P2,049,354	-	-	P2,049,354
Accounts receivable:				
Trade	-	266,340		266,340
Others	-	67,868		67,868
Financial assets measured at FVOCI				
Quoted equity investments	72,177	-		72,177
Unquoted equity investments	53,035	-		53,035
Total undiscounted financial assets	P2,174,566	P334,208	-	2,508,774

Market risks

Foreign currency risk

Foreign currency risk is the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from sales in currencies other than its functional currency. All of the Parent Company's sales are denominated in US Dollar. Also, the Parent Company is exposed to foreign exchange risk arising from its US Dollar-denominated cash and cash equivalents 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
4%	(P36,824)
(4%)	36,824

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 September 30, 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%	P82.42
	Decrease by 2%	(82.42)

Commodity price risk

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

The table below shows the effect on income before income tax should the change in the prices of copper and gold occur based on the inventory of the Parent Company as of September 30, 2021:

	Effect on income before income tax
Change in metal prices (Gold)	
Increase by 13%	P472,598
Decrease by 13%	(472,598)
	Effect on income before income tax
Change in metal prices (Copper)	
Increase by 22%	P888,276
Decrease by 22%	(888,276)

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 September 30, 2021 and 2020.

	September 30			
		2021		2020
Core Net Income	P	1,864,796	P	864,612
Non-Recurring (losses) gains:				
Foreign exchange gains (losses) and others		(53,526)		87,297
Share in provision for impairment of PXP assets		(541,875)		(6,130)
Reversal of impairment loss - net of provisions		374,241		(1,900)
Change in tax rate		223,406		-
Net tax effect on foreign exchange losses		13,381		(25,619)
Net income attributable to parent company		1,880,423		918,260
Net income attributable to non-controlling interests		-		-
Net income	P	1,880,423	P	918,260

Core net income per share is computed as follows:

	2021	2020
Core net income	₱1,864,796	₱864,612
Divided by weighted average number of common shares outstanding	4,940,399,068	4,940,399,068
Core net income per share	₱0.377	₱0.0175

5. Revenues

Adoption of PFRS 15 using modified retrospective approach as of September 30, 2021 and September 30, 2020:

	2021		
	Revenue from contracts with customers	Provisional pricing adjustment	Total revenue
Gold	₱3,035,390	₱355,103	₱3,390,493
Copper	3,332,930	432,720	3,765,650
Silver	59,344	4,741	64,085
			₱7,220,228

	2020		
	Revenue from contracts with customers	Provisional pricing adjustment	Total revenue
Gold	₱3,435,214	₱8,809	₱3,444,023
Copper	2,450,327	(92,966)	2,357,361
Silver	54,664	(1,730)	52,934
			₱5,854,318

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

6. Income Taxes

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

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

Applying the provisions of the CREATE Act, the Group have been subjected to lower regular corporate income tax rate of 25% or the reduced MCIT rate of 1% of gross income effective July 1, 2020. Likewise, the impact on the December 31, 2020 consolidated financial statements had the CREATE Act been substantially enacted as of then, that were adjusted in 2021.

7. Basic/Diluted Earnings Per Share

Basic and diluted earnings per share as of September 30, 2021 and 2020 are computed as follows:

	2021	2020
Net income attributable to equity holders of the Parent Company	P1,880,423	P918,260
Divided by weighted average number of common shares outstanding during year	4,940,399,068	4,940,399,068
Basic earnings per share	P0.381	P0.186

Diluted earnings per share as of September 30, 2021 and 2020 are computed as follows:

	2021	2020
Net income attributable to equity holders of the Parent Company	P1,880,423	P918,260
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	P0.381	P0.186

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.