

## **PHILEX MINING CORPORATION**

### **MANAGEMENT REPORT**

#### **I. Consolidated Audited Financial Statements**

The consolidated financial statements of the Company and its subsidiaries for the period ended December 31, 2022 in compliance with SRC Rule 68, as amended are attached to the Information Statement and are incorporated by reference.

#### **II. Information on Independent Accountants and Other Related Matters**

The financial statements of the Company were audited by SyCip Gorres Velayo & Co., the independent auditor, for the period ended December 31, 2022, 2021 and 2020 (“**Independent Auditor**”). The Independent Auditor has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in the Company. The Independent Auditor will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

The engagement of the Independent Auditor and the handling partner is approved by the Board of Directors of the Company in consultation with its Audit Committee and by the shareholders of the Company. The Company has complied with Rule 68, paragraph 3(b)(iv) of the Securities Regulation Code and the Company’s Manual on Corporate Governance requiring the rotation of Independent Auditors or handling partner after five years of engagement.

There are no disagreements with the Independent Auditor on matters relating to accounting principles or practices, financial statements or auditing scope or procedures.

##### External Audit Fees and Services

##### **Audit and Audit-Related Fees**

For the past three fiscal years, the Company’s Independent Auditor was engaged primarily to express an opinion on the financial statements of the Company and its subsidiaries. The audit, however, included the auditors providing assistance to the Company in the review of its income tax return in as far as ensuring the agreement of the reported income and costs and expenses in the return with the recorded amounts in the books. The procedures conducted for this engagement included those that are necessary under auditing standards generally accepted in the Philippines but did not include detailed verification of the accuracy and completeness of the reported income and costs and expenses. The audit fees for these services for the entire Philex Group (excluding PXP Energy group) Php4.90 million in 2022, Php4.73 million in 2021, Php4.73 million in 2020 and Php4.30 million for 2019.

##### **Tax Fees**

The Company has not engaged the Independent Auditor for any tax-related services for 2022 as well as in the three prior years.

##### **All Other Fees**

The Independent Auditor was engaged by the Company to review and report on the Interim Financial Statements as at September 30, 2021 and issue a Comfort Letter in relation to the Company’s Stock Right Offering in 2022. Total fees for these engagements amounted to Php5.5 million.

The Independent Auditor was also engaged by Silangan Mindanao Mining Company Inc. (SMMCI), a subsidiary of PMC, to re-confirm or re-evaluate in 2020 the previously issued opinion on the outstanding value-added tax receivable of SMMCI based on the existing registration of the SMMCI with the Board of Investments. The engagement fee amounted to

Php400 thousand. Other than such engagement, the Company has not engaged to do other engagements in 2022 and in the three prior years.

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

### **Audit Committee's Approval of Policies and Procedures**

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

### **Changes in and Disagreements with Independent Auditor on Accounting and Financial Disclosures**

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

There has been no disagreement with the Independent Auditor on accounting and financial disclosure.

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

### **For the Years Ended December 31, 2022, 2021, 2020 and 2019**

Information on the Company's results of operations and financial condition presented in the 2022 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements are incorporated herein by reference.

### **Operations Overview**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2022 vs 2021 (%)</b>	<b>2021 vs 2020 (%)</b>	<b>2020 vs 2019 (%)</b>
Tonnes Milled	7,431,651	7,945,879	7,837,536	8,112,791	(6)	1	(3)
Copper Concentrates	57,421	58,679	58,101	55,962	(2)	1	4
Gold:							
Ounces	48,567	55,149	56,000	53,064	(12)	(2)	6
Head Grade (g/t)	0.269	0.285	0.283	0.264	(6)	0.4	7
Recovery	75%	76%	78%	77%	(0.3)	(3)	1
Copper:							
Pounds	25,085,952	26,200,259	26,378,914	25,737,207	(4)	(1)	2
Head Grade (%)	0.190	0.186	0.188	0.177	3	(1)	6
Recovery	80%	81%	81%	81%	(0.1)	(1)	-

As in the past recent years, the Company strategically overcome every recurring and intermittent factors that continue to post challenges to the operation, hampering a sustainable performance of the Padcal Mine. Delivery of targeted tonnage in 2022 was restricted by unscheduled breakdowns of ageing mill equipment and supply chain disruptions as the world traversed the period of the Covid19 pandemic to normal setting. The continued focus of the Management in the prevention of recurring equipment breakdown as well as investing in new LHDs and improvement in the execution of the mining plan, mitigated the negative impact to metal output of these problems. The Company milled a total of 7,431,651 tonnes in 2022, 6% lower than the 7,945,879 tonnes in 2021 while 2021 tonnage was slightly higher than the 7,837,536 tonnes in 2020. Tonnage in 2020 was lower by 3% than that of 2019 at 8,112,791 tonnes.

As a continuing strategy, the Company focuses on the continued calibration and refinement of measures to mitigate the effect of delayed arrival of critical parts, materials and supplies experienced globally. Overall, the Padcal Mine was able to overcome internal and external factors that may have significantly compromised the achievement of the targeted production outputs.

## Review of Financial Results

<i>(in Php Millions except for metrics, units, prices and forex)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2022 vs 2021 (%)</b>	<b>2021 vs 2020 (%)</b>	<b>2020 vs 2019 (%)</b>
<b>Gold:</b>							
Revenues	4,625	4,885	4,794	3,740	(5)	2	28
Ounces Produced	48,567	55,149	56,000	53,064	(12)	(2)	6
Realized Price	\$1,790	\$1,785	\$1,757	\$1,388	0.3	2	27
<b>Copper:</b>							
Revenues	5,383	5,516	3,579	3,592	(2)	54	(0.4)
Pounds Produced	25,085,952	26,200,259	26,378,914	25,737,207	(4)	(1)	2
Realized Price	\$3.96	\$4.24	\$2.87	\$2.72	(7)	48	6
Silver Revenues	80	87	77	67	(8)	13	15
Foreign Exchange Rate	Php54.91	Php49.87	Php49.12	Php51.49	10	2	(5)
Gross Revenues	10,088	10,488	8,450	7,399	(4)	24	14
Net Revenues	9,262	9,797	7,834	6,790	(5)	25	15

Gross Revenues generated in 2022 amounted to Php10.088 billion, 4% lower than revenues in 2021 of Php10.488 billion, which was 24% higher than the revenues of Php8.450 billion in 2020. The 2020 revenues were similarly higher by 14% than the revenues of Php7.399 billion in 2019. The decline in revenues in 2022 was brought about by the decrease in metal output for gold and copper as well as lower average copper price. Copper revenues comprised 53% of total revenues, a slight decrease from its 2021 level, while gold revenues remained at 46% level with the remaining 1% attributable to silver.

Gold revenues amounting to Php4.625 billion decreased by 5% from Php4.885 billion in 2021 which increased by 2% from the Php4.794 billion in 2020 (2021 was significantly higher by 28% than revenues of Php3.740 billion in 2019). The decrease in gold revenues was mainly attributable to the 12% decrease in gold output with partial offset from favorable gold prices that averaged at US\$1,790 per ounce compared with US\$1,785, US\$1,757 and US\$1,388 for years 2021, 2020 and 2019, respectively. Gold production decreased to 48,567 ounces in 2022 from 55,149 ounces in 2021 and 56,000 ounces in 2020, mainly from lower tonnage and gold grades. Average gold prices, on the other hand, increased to US\$1,790 per ounce in 2022 from US\$1,785 per ounce in 2021, US\$1,757 in 2020 and US\$1,388 in 2019.

Copper revenues amounted to Php5.383 billion in 2022, 2% lower than Php5.516 billion in 2021, which were 54% higher than Php3.579 billion in 2020 (2020 was slightly lower than the Php3.592 billion in 2019). Both lower copper output and lower average copper price contributed to the lower copper revenues in 2022. Copper production was at 25,085,952 pounds in 2022, 4% lower than the 26,200,259 pounds in 2021, was also lower than the 26,378,914 pounds in 2020 (2020 was higher than the 25,737,207 pounds copper production in 2019). Similarly, average copper price was also lower in 2022 at US\$3.96 per pound compared with US\$4.24 per pound in 2021, which increased significantly by 48% from US\$2.87 per pound in 2020 (2020 was also higher than the US\$2.72 per pound in 2019).

Silver, accounting 1% of total revenues, contributed Php80 million in 2022, slightly lower compared with Php87 million in 2021, which was higher compared to Php77 million in 2020 (2020 was also higher than Php67 million in 2019).

The favorable foreign exchange rate (Forex) in 2022 that averaged Php54.91, 10% higher than the average Forex in 2021 of Php49.87 partially offset the impact of lower metal output and average copper price in the 2022 revenues. The 2021 Forex was slightly higher compared to 2020 Forex of Php49.12 that was lower versus Php51.49 in 2019.

In 2022, Revenues, net of smelting charges, decreased by 5% to Php9.262 billion from Php9.797 billion in 2021, which was 25% higher than Php7.834 billion in 2020 (2020 was also higher by 15% compared with Php6.790 billion in 2019).

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, the Company entered into various collar hedging contracts in 2022 as follows:

2022 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			
10/01/21	1,900	1,700	1,800	1,817	Jan. 2022	02/02/22	(2)
10/01/21	1,900	1,700	1,800	1,857	Feb. 2022	03/02/22	(6)
10/01/21	1,900	1,700	1,800	1,948	Mar. 2022	04/02/22	(15)
01/14/22	1,900	1,725	1,922	1,934	Apr. 2022	05/09/22	(1)
01/14/22	1,900	1,725	1,922	1,850	May 2022	06/09/22	-
01/14/22	1,900	1,725	1,922	1,835	June 2022	07/08/22	-
01/14/22	1,900	1,725	1,922	1,738	July 2022	08/05/22	-
01/14/22	1,900	1,725	1,922	1,766	Aug. 2022	09/08/22	-
01/14/22	1,900	1,725	1,922	1,684	Sept. 2022	10/07/22	-
01/14/22	1,900	1,725	1,922	1,665	Oct. 2022	11/08/22	5
01/14/22	1,900	1,725	1,922	1,726	Nov. 2022	12/07/22	7
01/14/22	1,900	1,725	1,922	1,795	Dec. 2022	01/09/23	
Total							(12)

2022 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			
10/04/21	992,081	3.90	4.51	4.43	Jan. 2022	02/02/22	-
10/04/21	992,081	3.90	4.51	4.51	Feb. 2022	03/03/22	-
10/04/21	992,081	3.90	4.51	4.64	Mar. 2022	04/02/22	(7)
11/24/21	992,081	3.75	4.95	4.62	Apr. 2022	05/09/22	-
11/24/21	992,081	3.75	4.95	4.25	May 2022	06/09/22	-
11/24/21	992,081	3.75	4.95	4.10	June 2022	07/08/22	-
11/24/21	992,081	3.75	4.95	3.42	July 2022	08/05/22	18
11/24/21	992,081	3.75	4.95	3.61	Aug. 2022	09/08/22	8
11/24/21	992,081	3.75	4.95	3.51	Sept. 2022	10/07/22	14
11/24/21	992,081	3.75	4.95	3.46	Oct. 2022	11/08/22	17
11/24/21	992,081	3.75	4.95	3.64	Nov. 2022	12/07/22	6
11/24/21	992,081	3.75	4.95	3.80	Dec. 2022	01/09/23	-
Total							56

For 2022, the Company recognized net hedging losses of Php12 million for gold and net hedging gain of Php56 million for copper.

As of December 31, 2022, the following hedging contracts remain outstanding:

	Deal Date	Monthly Quantity	Metal Prices		Period Covered
			Put	Call	
Gold	12/09/22	1,850 ozs	US\$1,750/oz	US\$1,903/oz	Jan-June 2022

The unrealized MTM loss for the outstanding contracts as of December 31, 2022 amounted to Php7 million.

In December 9, 2022, the Company entered into a gold collar contracts covering the period January to June 2023 at 1,850 ounces per month with strike price of US\$1,750 per ounce for the put option and US\$1,903 per ounce for the call option.

In January 2023, the Company further entered into copper put option contracts covering the period January to June 2023 at 992,081 pounds per month with strike price of US\$3.75 per pound. Total amount of premium to secure the put option contracts amounted to Php18 million.

For 2021, hedging contracts entered into by the Company are as provided in the tables below:

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	June 2021	07/02/21	(9)
03/10/21	1,900	1,680	1,733	1,806	July 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	Sept. 2021	10/04/21	(4)
10/01/21	1,900	1,700	1,800	1,776	Oct. 2021	11/02/21	-
10/01/21	1,900	1,700	1,800	1,820	Nov. 2021	12/02/21	(2)
10/01/21	1,900	1,700	1,800	1,788	Dec. 2021	01/05/22	-
Total							(29)

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	992,081	3.80	4.27	4.23	Apr. 2021	05/05/21	-
03/10/21	992,081	3.80	4.27	4.62	May 2021	06/02/21	(17)
03/10/21	992,081	3.80	4.27	4.36	June 2021	07/02/21	(4)
03/10/21	992,081	3.80	4.27	4.28	July 2021	08/03/21	(0.5)
03/10/21	992,081	3.80	4.27	4.24	Aug. 2021	09/02/21	-
03/10/21	992,081	3.80	4.27	4.23	Sept. 2021	10/04/21	-
10/04/21	992,081	3.90	4.51	4.44	Oct. 2021	11/02/21	-
10/04/21	992,081	3.90	4.51	4.43	Nov. 2021	12/02/21	-
10/04/21	992,081	3.90	4.51	4.33	Dec. 2021	01/05/22	-
Total							(26)

For 2021, net hedging losses of Php29 million for gold and Php26 million for copper were realized.

As of December 31, 2021, the following hedging contracts remain outstanding:

	Deal Date	Monthly Quantity	Metal Prices		Period Covered
			Put	Call	
Gold	10/01/21	1,900 ozs	US\$1,700/oz	US\$1,800/oz	Jan-Mar 2022
Copper	10/04/21	992,081 lbs	US\$3.90/lb	US\$4.51/lb	Jan-Mar 2022
	11/24/21	992,081 lbs	US\$3.75/lb	US\$4.95/lb	Apr-Dec 2022

The unrealized MTM gain for the outstanding contracts as of December 31, 2021 amounted to Php11 million for gold and Php13 million for copper.

In January 2022, the Company further entered into additional gold collar contracts covering the period April to December 2022 at 1,900 ounces per month with strike price of US\$1,725 per ounce for the put option and US\$1,922 per ounce for the call option.

For 2020, the Company entered into gold and copper hedges are as provided in the tables below:

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

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 favourably 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 (Ounces)	Gold Prices (US\$ Per Ounce)			Period Covered	Settlement Date	Realized Loss (in Php Millions)
		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 Loss (in Php Millions)
		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)

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

For 2019, the Company recognized a net hedging loss of Php53 million on its gold hedge as provided in the table below:

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

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

## Operating Costs and Expenses

Operating cost and expenses ("Opex"), which included Production Costs, Excise Tax and Royalties, and Depletion, Depreciation and Amortization, and General and Administrative Expenses (G&A), were at Php7.120 billion in 2022, higher by 8% than the Php6.598 billion in 2021, which was 5% higher than the Php6.298 billion in 2020 (2020 was, however, significantly lower than the Php6.917 billion in 2019). The 8% increase in Opex was mainly due to higher Production Costs on account of the significant increase in the cost of materials and supplies and logistics expenses influenced by inflationary pressures and depreciation of the Peso currency against US dollar, as well as the effect of the higher coal prices that directly impacted power generating cost starting the latter part of the third quarter in 2022. Similarly, Depletion, Depreciation and Amortization (DDA) also increased in 2022 as an effect of the reversal of provisions on impairment of mining assets in 2021. The Opex for 2021 increased by 5% compared to 2020 due to higher Production Cost, and Excise Tax and Royalties on account of

the 25% increase in net revenue in 2021 with partial offsetting from the decrease in DDA, as well as G&A. For the 2020 Opex, the decrease against 2019 was brought about by the lower Production Costs, and Depletion, Depreciation and Amortization. This was partially offset by higher Excise Taxes and Royalties on account of significantly higher revenues, the basis in computing taxes and royalties.

Production Costs increased by 8% in 2022 at Php4.865 billion compared with Php4.488 billion in 2021 due to higher power costs attributable to the higher coal prices, the significant increase in commodity prices of materials and supplies such as diesel fuel and lubricants, and higher maintenance costs of mill equipment. For 2021, Production Costs also increased Php4.488 billion compared to Php4.216 billion in 2020 due mainly to higher power costs on account of higher power rate under the new power contract, materials and supplies following higher consumption for equipment parts in addition to the slightly elevated purchase costs of materials and suppliers, increasing lubes and fuel prices, and labor costs based on the recently concluded renewal of the Collective Bargaining Agreements at the Padcal Mine. For 2020, the production costs decreased from Php4.388 billion in 2019, attributed to the continued implementation of efficient operating practices and prudent cost management reducing consumption of materials and supplies in 2020 in addition to the benefit from lower contracted power rates.

Depletion, Depreciation and Amortization (DDA) increased by 16% at Php1.413 billion in 2022 from Php1.218 billion in 2021. The increase was mainly from the impact of further reversal of previously recorded provision on impairment of mining assets following the extension of Padcal's life of mine in 2021. For 2021, DDA slightly decreased to Php1.218 billion in 2021 against 2020 despite the impact of the reversal of the 2019 impairment provision and additional depreciation for new acquisitions and amortization for additional costs related to the tailings storage facility. While for 2020, DDA has significantly gone down to Php1.252 billion from Php1.814 billion in 2019 as a result mainly of the recognition of the impairment provision against mine and mining assets in 2019 that reduced the rate per tonne for the depletion and block amortization expenses, net of additional depreciation, and amortization on account new acquisitions and TSF costs, respectively, in 2020.

G&A slightly decreased to Php250 million in 2022 from Php253 million in 2021 which was 12% lower than the Php287 million in 2020 (2020 was maintained at Php287 million level vs 2019 after a continuous reduction for the past three years as a result of the conscientious spending for Head Office administrative activities). The significant decrease in 2021 was due to lower salaries and wages on account of lower manpower.

Excise Taxes and Royalties also decreased by 7% in 2022 at Php592 million versus Php639 million in 2021. The decrease was due to the 5% decrease in net revenues, the basis in computing excise taxes and royalties. On the other hand, Excise Taxes and Royalties in 2021 significantly increased to Php639 million from Php543 million in 2020 on account of the 25% increase in net revenues. Similarly in 2020, these costs increased by 27% compared to Php427 million in 2019 mainly for the reason of higher net revenues.

Smelting Charges significantly increased by 19% at Php826 million from Php691 million in 2021 due to higher freight charges that more than doubled in 2022, higher value of unit deductions for gold and higher Treatment and Refining Charges (TCRC). For 2021, Smelting Charges also increased by 12% compared with 2020 due to higher value of unit deductions as a result of the high level of metal prices, and higher freight charges despite slightly lower TCRC on concentrate shipments in 2021. This is following a slight increase in 2020 to Php616 million from Php610 million in 2019 primarily from higher metal production in 2020.

#### **Break-even Production and Operating Cost per Unit**

<i>(in Php Millions except for unit costs)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2022 vs 2021 (%)</b>	<b>2021 vs 2020 (%)</b>	<b>2020 vs 2019 (%)</b>
Production Cost	4,865	4,488	4,216	4,388	8	6	(4)

Depletion, Amortization and Depreciation*	1,413	1,218	1,252	1,814	16	(3)	(31)
Total Production Cost	6,278	5,706	5,468	6,202	10	4	(12)
Excise Tax and Royalties	592	639	543	427	(7)	18	27
Smelting Charges	826	691	616	610	19	12	1
Total Operating Cost	7,696	7,036	6,627	7,239	9	6	(8)
Break-even Costs:							
Production Cost Per Tonne	Php845	Php718	Php698	Php724	18	3	(4)
Operating Cost Per Tonne	Php1,036	Php886	Php846	Php852	17	5	(1)
Operating Cost Per Ounce of Gold	US\$1,347	US\$1,202	US\$1,362	US\$1,296	12	(12)	5
Operating Cost Per Pound of Copper	US\$2.98	US\$2.85	US\$2.22	US\$2.54	4	28	(13)

\*Included depreciation of assets written-off in 2019 amounting to Php329 million that was not included in the breakeven costs computation

Production Cost per Tonne, consisting of cash and non-cash (representing Depletion, Depreciation and Amortization), increased 18% further to Php845 in 2022 from its level of Php718 in 2021, primarily from higher power costs as well as maintenance costs. For 2021, Production Cost per Tonne slightly increased compared with Php698 in 2020 due mainly to higher costs on power, materials and supplies and labor. For 2020, the production cost per tonne decreased from Php724 in 2019 on account of lower materials and supplies and power costs.

With higher production cost per tonne coupled with the increase in Smelting Charges, the Operating Cost per Tonne significantly increased by 17% to Php1,036 from Php886 in 2021 which was also 5% higher than the Php846 in 2020 (2020 was slightly lower than the Php852 in 2019).

Break-even Operating Cost (using co-production method) per ounce of gold and per pound of copper were higher at US\$1,347 per ounce gold and US\$2.98 per pound copper compared with US\$1,202 per ounce gold and US\$2.85 per pound copper in 2021. There was no significant change in the cost allocation which was based on the revenue contribution of gold and copper thus no significant impact on the higher breakeven costs. The increase was primarily on higher operating costs caused by the increase in power rates and higher costs of materials and supplies as well as the reverse impact of lower metal output that increased cost per unit. For 2021, Break-even Operating Cost for gold decreased while that for copper increased compared with US\$1,362 per ounce and US\$2.22 per pound in 2020, respectively, in 2020. Costs allocation to gold and copper was based on their revenue contribution. Gold revenue in 2021 was lower compared at 46% of total revenues compared to 57% in 2020 thus a lower allocation in operating costs, while copper contributed 53% in total revenues in 2021 as against 42% only in 2020. This resulted in the lower cost per ounce gold and higher cost per pound copper. On the other hand for 2020, on the basis of gold's and copper's contributions to revenue, cost per ounce gold was higher while cost per pound copper was lower compared with US\$1,296 per ounce gold and US\$2.54 per pound copper in 2019, respectively.

#### Net Other Income (Charges)

<i>(in Php Millions)</i>	2022	2021	2020	2019
Reversal of (provisions for) Impairment Losses – net of other provisions and reversals	126	272	(2)	(849)
Foreign Exchange Gain (Losses) – Net	83	(46)	99	93
Share in Net Losses of Associates	(27)	(529)	(47)	(118)
Interest Income	25	2	1	2
Others – Net	(20)	(98)	(56)	(4)
<b>Total</b>	<b>187</b>	<b>(399)</b>	<b>(5)</b>	<b>(877)</b>

The Company recorded Php187 million net other income in 2022 from a net other charges of Php399 million in 2021 and Php5 million in 2020. The net other income in 2022 is the combined

effect Reversal of (Provisions for) Impairment Losses – Net of Other Provisions and Reversals of the Php126 million, Foreign Exchange (Forex) Gain of Php83 million, Interest Income of Php25 million, and the Share in Net Losses of Associates of Php27 million and other charges of Php20 million.

With the modification of the terms extending the maturity date of the convertible notes issued by Silangan Mindanao Exploration Co., Inc., a subsidiary of Philex, the Company recorded a gain amounting to Php500 million. The gain was offset by the provisions on possible impairment of Php290 million on its mining assets and Php84 million on possible inventory obsolescence, resulting to a net amount of Php126 million. Further to the specific assessment and identification of mining assets for possible impairment, the Company regularly assesses the viability of its continued operation of the Padcal Mine, recoverability of costs on existing mine exploration projects and other investments on a regular basis using an acceptable financial model. As a result of this exercise, the Company determined in 2022 that the recorded impairment reserve to-date was sufficient after the several reversals made in 2021 and in 2020 coming from the impact of higher metal prices on the life-of-mine financial projections of the Company as well as the extension of the Padcal mine life in 2021 for another two years to end 2024 then for another three years extension up to 2027 as determined in December 2022. The 2021 and 2020 reversals were, however, offset by various provisions which include additional provisions on inventory items at the Padcal Mine that were assessed to be obsolete due either to change in technology or phasing out of the main equipment.

For 2022, the Company recorded a net Forex gain of Php83 million mainly from the benefit of higher forex on dollar denominated money placements, net of the unrealized forex loss recognized on the restatement of dollar denominated short-term loans at cut-off date. In 2021, the Company recorded a net forex loss on short-term loans of Php46 million, compared with a forex gain of Php99 million in 2020 following the depreciation of Philippine Peso against US Dollar in 2021. In 2020, forex appreciated thus the gain of Php99 million compared to a gain also in 2019 of Php93 million.

In 2022, the Company recorded a Share in Net Losses of Associates of Php27 million, much lower than the Php529 million in 2021 which included PXP Energy's impairment provision of the carrying value of its oil and gas assets related to Peru Block Z-38. The 2021 Share in Net Losses of Associates of Php47 million was lower compared with Php118 million in 2019.

The overall Net Other Income amounted to Php187 million compared to Net Other Charges of Php399 million in 2021, Php5 million in 2020 and Php877 million in 2019.

### **Core Net Income, EBITDA and Consolidated Net Income**

The Company's Core Net Income in 2022 amounting to Php1.733 billion was 32% lower than the Php2.533 billion in 2021. The significant drop in Core Net Income was brought about by the 5% decrease in revenues and 8% increase in operating costs. Sustained higher level of gold prices and favorable exchange rate partially mitigated the negative impact of lower metal output and lower copper prices that greatly affected the level of revenues in 2022. For 2021, favorable and sustained higher level of gold and copper prices allowed the Company to post a core net income of Php2.533 billion, 118% above the Php1.162 billion in 2020, which excludes extraordinary and non-recurring transactions and reflects the Company's operational performance. This was the result of the 25% increase in revenues, coupled with the steady management of operating costs. The 2020 core net income was also substantially higher than the core net income of Php156 million in 2019. The 2020 results benefited from higher gold and copper production from sustained better ore grades and from favorable realized gold and copper prices as copper started to soar in the third quarter of 2020.

Following lower Core Net Income, EBITDA decreased by 18% to Php3.525 billion in 2022 from Php4.317 billion in 2021. EBITDA for 2021, on the other hand, significantly increased by 60% to Php4.317 billion from Php2.703 billion in 2020. The healthy cash generation of the Company as a result of favorable metal prices provided sufficient funds to finance additional capital expenditures for continued operation of the Padcal Mine. For 2020, EBITDA also increased from Php1.664 billion in 2019. The Company's core net income and EBITDA exclude non-

recurring transactions to clearly reflect and provide results based on the normal operating parameters of the business. Non-core items consisted mainly of Forex gain (losses) and net provisions for impairment of assets.

The operating challenges of meeting production targets, unfavorable copper prices and uncontrollable increase in global prices of materials and supplies also affecting local power rates resulted to a lower Consolidated Net Income (the same as the Net Income Attributable to the Equity Holders as income attributable to non-controlling interest was nil) of Php1.796 billion in 2022 versus to the Consolidated Net Income of Php2.431 billion in 2021, due to excellent operating performance. For 2021, the Company posted a Consolidated Net Income of Php2.431 billion from Php1.228 billion in 2020, which was a turnaround from a loss of Php648 million in 2019 after recording the non-cash net impairment provisions of Php849 million.

#### Reconciliation of Core Net Income to Consolidated Net Income

<i>(in Php Millions)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Core Net Income	1,733	2,533	1,162	156
Non-Recurring Gains (Losses):				
Net Provisions for Impairment of Assets	126	272	(2)	(849)
Foreign Exchange Gain (Losses)	83	(46)	99	93
Write-off of Fixed Assets	-	-	-	(329)
Effect of CREATE Law	-	335	-	-
Share in Provision for Impairment in PXP assets	-	(674)	(2)	(80)
Net Tax Effect of Aforementioned Adjustments	(146)	11	(29)	361
Net Income (Loss) Attributable to Equity Holders	1,796	2,431	1,228	(648)
Net Income Attributable to Non-Controlling Interest	-	-	-	-
<b>Consolidated Net Income</b>	<b>1,796</b>	<b>2,431</b>	<b>1,228</b>	<b>(648)</b>

#### Other Comprehensive Income

The Company's Other Comprehensive Income (OCI) included unrealized gains or losses related to derivatives, pension plans and other financial assets. In 2021, the income tax effect of other financial transactions as a result of the effectivity of CREATE law reducing the income tax rate from 30% to 25% was also included under OCI. The OCI amounted to Php15 million in 2022 compared with Php332 million in 2021, Php78 million in 2020, and a loss of Php82 million in 2019). For 2022, the Company recorded Loss on Fair Value of Derivatives of Php6 million (versus Php24 million in 2021 and, nil in 2020 and 2019), Remeasurement Gains on Pension Obligation Plans of Php2 million (versus Php72 million in 2021, Php120 million in 2020 and a loss of Php121 million in 2019) and Unrealized Gain on Financial Assets of Php20 million (versus Php10 million in 2021 and Php2 million in 2019, and a loss of Php6 million in 2020). The corresponding income tax effect on Remeasurement Gains on Pension Obligation Plans were Php2 million in 2021 and Php36 million in 2020 and Php36 million in 2019. The Company also recorded Php278 million income tax effect on net revaluation surplus in 2021.

Total Other Comprehensive Income for 2022 amounted to Php15 million compared with Php332 million for 2021, Php78 million for 2020 and a loss of Php82 million for 2019. This resulted to a Total Comprehensive Income of Php1.811 billion for 2022, lower than the Php2.764 billion for 2021 as a result of lower Consolidated Net Income in 2022. The 2021 Total Comprehensive Income was, however, significantly higher than the Php1.307 billion for 2020, due to the Consolidated Net Income of Php2.431 billion that was twice the net income of Php1.228 billion for 2020. For 2020, the total comprehensive income was a turn-around from the loss of Php730 million in 2019.

#### FINANCIAL CONDITION REVIEW

##### Financial Condition Summary

<i>(in Php Millions except ratios)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Cash and Cash Equivalents	3,925	2,891	1,191	796
Non-Current Assets	36,836	36,134	35,495	34,977

Total Assets	43,259	41,856	38,939	37,899
Loans and Bonds Payable	1,617	10,131	1,777	2,532
Non-Current Liabilities	7,631	1,834	10,492	10,001
Equity Attributable to Equity Holders of Parent Company	30,870	26,699	24,227	22,969
Non-Controlling Interests	(0.3)	(0.3)	(0.3)	(0.3)
Total Equity	30,869	26,698	24,226	22,969
Liquidity Ratios:				
Current Ratio	1.35	0.43	0.82	0.59
Quick Ratio	0.95	0.25	0.37	0.25
Solvency and Debt to Equity Ratios:				
Debt-to-Equity Ratio	0.40	0.57	0.61	0.65
Solvency Ratio	0.26	0.24	0.17	0.08
Financial Leverage Ratios:				
Asset-to-Equity Ratio	1.40	1.57	1.61	1.65
Profitability Ratios:				
Return on Assets	4.22%	6.02%	3.20%	(1.65%)
Return on Equity	6.24%	9.55%	5.21%	(2.78%)
Net Profit Margin	19.39%	24.82%	15.68%	(9.54%)

### **Current Assets**

As of December 31, 2022, Current Assets amounted to Php6.423 billion, 12% higher than the Php5.722 billion in 2021 on account of higher cash and cash equivalents, other current assets and accounts receivable – net. For 2021, Current Assets were 66% higher than the Php3.445 billion in 2020 mainly from of higher cash and cash equivalents, accounts receivable and inventories. Similarly, in 2020, the current assets were higher than the Php2.921 billion in 2019.

### **Cash and Cash Equivalents**

The Cash and Cash Equivalents amounted to Php3.925 billion as of December 31, 2022, 36% higher than the Php2.891 billion as of December 31, 2021 which was 143% above the Php1.191 billion as of December 31, 2020 (versus Php796 million in 2019). The net proceeds of the Company's Stock Rights Offering that was invested in Silangan Mindanao Exploration Co., Inc. (SMECI) in October 2022 which amount was subsequently invested by SMECI into Silangan Mindanao Mining Co., Inc. (SMMCI) remained in the Cash and Cash Equivalents of SMMCI as only an insignificant was utilized for initial development activities of the Silangan Project. On a regular basis, the monthly main source of cash is dependent on the timing of shipments of the copper concentrates to the Company's customers overseas. Cash generated from operations was primarily used for the day to day operating expenses and capital expenditures for the mine development and mill operations as well as advances to Silangan to partially finance its pre-development expenditures. Previous years' use of cash included short-term repayment under the Company's loan reduction program.

### **Accounts Receivable**

The Company's Accounts Receivables are largely composed of Trade Receivables from sales of the Company's copper concentrates or gold bullion and Other Receivables that include advances to employees for conduct of transactions in the ordinary course of business. As of December 31, 2022, Accounts Receivables amounted to Php581 million, consisting of Trade Receivables of 443 million, Loans receivable of Php31 million and Other Receivables of Php107 million. The 2022 balance increased from Php467 million in 2021, consisting of Trade Receivables of Php384 million and Other Receivables of Php83 million, compared with Php370 million in 2020 (comprising of Trade Receivables of Php284 million and Other Receivables of Php86 million), and Php416 million in 2019 (comprising of Trade Receivables of Php338 million and Other Receivables of Php78 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 3-4 days after presentation of sales and shipping documents, with the balance payable upon final pricing determination based on agreed quotational period ("QP"). QP is determined either Prior Month

of Shipment Schedule ("MOSS") or Month After Month of Arrival ("MAMA") in destination. Trafigura Pte. Ltd., the third offtaker for contract year 2022-2023 follows the same QP of MOSS or MAMA.

The Trade Receivables as of December 31, 2022 consisted of the remaining value of four shipments (versus four shipments also in the fourth quarter of 2021 as of December 31, 2021 with IXM S.A.) awaiting final pricing, were with Trafigura Pte. Ltd. The QP for the outstanding shipments is 3MAMA for copper and 1MAMA for gold.

As of December 31, 2021, Trade Receivable consisted of the remaining value of four shipments in the fourth quarter of 2021 awaiting final pricing which were all with IXM S.A. The QP terms for IXM S.A. are MOSS for copper and MOSS or 3MAMA for gold. For 2020, the trade receivables consisted mainly of the remaining value of four shipments in the fourth quarter of 2020 awaiting final pricing, of which three were with IXM S.A., and the one with Pan Pacific. The QP for the Pan Pacific shipments is 3MAMA for copper and 1MAMA for gold, while for IXM S.A., the QP is MOSS for copper and MOSS or 3MAMA for gold. While for 2019, the trade receivable balance represented uncollected 10% of four outstanding shipments.

In March 2022, the Company granted loans to its associate, PXP Energy Corporation, where Philex owns 30.4% interest, through the issuance of the later of covering Promissory Notes (PNs). Under the PNs, total loans to PXP Energy amounted to US\$600,000, payable on demand and subject to an interest of 3.5% p.a. over LIBOR (6 months) that is payable quarterly. Total interest received for 2022 amounted to Php1.5 million.

### Inventories

Total Inventories, comprising of materials and supplies (M&S) and mine products, amounted to Php1.151 billion, 40% lower than the Php1.926 billion as of December 31, 2021, compared with Php1.343 billion in 2020 and Php1.044 billion in 2019. The decrease was due to the lower value of Mine Products inventory as a result of lower metal content compared with ending inventory as of December 31, 2021. M&S inventory was also lower in 2022 following management initiative to reduce inventory considering the limited life of the Padcal Mine. In 2022, total inventories comprised 62% of mine products and 38% of M&S, while for 2021 mine products represented about 66% of total inventories with M&S representing the remaining 34%, compared with M&S at 55% and mine products at 45% in 2020 (from 88% M&S and 12% mine products in 2019).

Mine products inventory amounted to Php710 million while M&S supplies amounted to Php441 million in 2022. Mine Products inventory which is valued at net realizable value was based on 4,981 WMT as of December 31, 2022 compared with the Php1.264 billion as of December 31, 2021 which included one full ship load of copper concentrate finally scheduled for shipment early 2022. Mine products inventories in 2020 and 2019 were Php611 million and Php129 million, respectively. On the other hand, M&S supplies continued to decrease following the implementation of inventory reduction program resulting to Php441 million in 2022 from Php663 million in 2021, Php733 million in 2020, and Php915 million in 2019. Also in 2020, the Company recorded an allowance for inventory obsolescence of Php105 million to cover inventory items no longer useful during the life of mine which has gone down to Php51 million in 2021 then increase again to Php107 million in 2022 as a result of periodic audit and assessment of inventory obsolescence.

### Other Current Assets

Other Current Assets, composed primarily of input VAT claims on purchases of materials, supplies and equipment, increased to Php766 million from Php438 million in 2021, Php540 million in 2020, and Php666 million in 2019. Based on the 2022 issued guidelines on VAT zero-rating which retroacts to December 10, 2021, all purchases of goods and services by Philex Mining shall be subject to 12% VAT but can still be refunded to Philex, being an exporter, by the Bureau of Internal Revenue for VAT on local purchases and by Bureau of Customs for VAT on importations. This resulted to the significant net increase in VAT receivable in 2022, net of VAT refunds received in 2022. Prior to the 2022 VAT guidelines, the Company was subject to

12% VAT only on its importations and received also actual refund of VAT claims from the BIR in the form of either cash or TCC. In 2022, a total of Php148 million VAT receivable was refunded to the Company while Php91 million, Php178 million, and Php93 million were refunded in 2021, 2020, and 2019, respectively. TCCs previously received were utilized by the Company to partially pay its income tax obligations. As of December 31, 2022, a total of Php60 million in TCC form remained unutilized.

## **Non-Current Assets**

Non-Current Assets slightly increased to Php36.836 billion as of December 31, 2022 compared with Php36.134 billion as of December 31, 2021 from Php35.495 billion as at end 2020, and Php34.977 billion in 2019. Non-Current Assets comprised mainly of Deferred Exploration Costs ("DEC"), Investment in Associates and Property, Plant and Equipment ("PPE"). DEC and PPE represent 97% of total non-current assets, signifying the capital-intensive nature of the business.

### Deferred Exploration Costs

Deferred Exploration Costs ("DEC") increased to Php29.492 billion as of December 31, 2022 from Php28.100 billion as of December 31, 2021, Php27.365 billion as at end 2020 from Php26.616 billion in 2019 on account of the pre-development expenditures related to Silangan Project with cumulative amount of Php27.174 billion or 92% of total DEC. All expenditures related to early works program and land banking transactions for the Silangan Project were also included in the DEC of the Project.

The Company continues to assess the potentials of ore sources within and surrounding areas of Padcal for possible mine life extension.

<i>(in Php Millions)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Silangan Project	27,174	25,794	25,066	24,349
Kalayaan Project	2,755	2,753	2,752	2,746
Bulawan and Vista Alegre Projects	633	633	698	633
Lascogon Project	289	289	289	289
Sibutad Project	236	236	236	235
Bumolo Project	211	210	210	210
Clifton Project	135	135	135	135
Southwest Project	110	110	110	110
Sanfran/Tambis Project	92	92	92	92
Tapsan Project	149	149	149	148
Other Exploration Costs	1,533	1,524	1,453	1,494
<b>Total</b>	<b>33,317</b>	<b>31,925</b>	<b>31,190</b>	<b>30,441</b>
<b>Less: Impairment Provisions</b>	<b>(3,825)</b>	<b>(3,825)</b>	<b>(3,825)</b>	<b>(3,825)</b>
<b>Total Deferred Exploration Costs-Net</b>	<b>29,492</b>	<b>28,100</b>	<b>27,365</b>	<b>26,616</b>

### Investment in Associates

Investment in Associates amounted to Php3.606 billion as of December 31, 2022, slightly decreased from Php3.632 billion as of December 31, 2021, compared with Php4.161 billion as of December 31, 2020 (from Php4.208 billion as of December 31, 2019). The annual decrease in amount was mainly from the Company's share in the net losses of associates in 2022, 2021, 2020 and 2019 which included impairment provisions. For 2021, the significant decrease in the investment in associates was due to impairment provision recorded by PXP Energy of the carrying value of its oil and gas assets related to Peru Block Z-38.

### Property, Plant and Equipment

Property, Plant and Equipment significantly decreased to Php2.730 billion as of December 31, 2022 from Php3.429 billion as of December 31, 2021, compared with Php3.043 billion as of December 31, 2020 (from Php3.185 billion in 2019). The 20% decrease in 2022 was due to higher amount of Depletion, Depreciation and Amortization (DDA) compared to the regular additions to PPE which were the actual expenditures on Padcal's mine development activities

and acquisition of mine equipment for the period. The DDA in 2022 already considered the impact of the Padcal Mine life extension declared in the second quarter of 2021. For 2021, the increase in PPE was mainly due to the reversal of 2019 impairment provision amounting to Php699 million on top of the Php103 million reversal in 2020. The 2019 impairment provision amounting to Php1.457 billion was on top of previous year's impairment. The annual impairments recorded in the financial statements 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. For 2020, the decrease in PPE was due to the higher amount of DDA of Php1.294 billion compared to Php1.048 billion spent for the additional capital expenditures for Padcal's Mine development activities and mine equipment acquisition for that year.

#### Pension Asset

Pension Asset slightly decreased to Php341 million as of December 31, 2022 from Php353 million as of December 31, 2021 based on the latest actuarial report from Php310 million as of December 31, 2020 (from Php224 million in 2019). Pension Asset represents the excess of the fair value of plan assets against the present value of defined benefit obligations under the Company's retirement plan, net of SMMCI pension obligation.

#### Financial Assets Measured at FVOCI

Financial Assets Measured at FVOCI, consisting mainly of shares in golf and country clubs, amounted to Php145 million as of December 31, 2022 from Php125 million as of December 31, 2021, compared with Php114 million as of December 31, 2020 (from Php121 million as at end 2019).

#### Other Non-Current Assets

Other Non-Current Assets increased to Php523 million as of December 31, 2022 from Php495 million as of December 31, 2021, compared with Php501 million as of December 31, 2020 (from Php623 million in 2019). This included SMMCI's input Value-Added Tax amounting to Php462 million in 2022, Php435 million in 2021, Php434 million in 2020 and Php433 million in 2019.

### **Total Assets**

As of December 31, 2022, Total Assets of the Company amounted to Php43.259 billion, a 3% increase from the balance of Php41.856 billion as of December 31, 2021, compared with Php38.939 billion as at end 2020 (Php37.899 billion in 2019). The increase in 2022 was primarily from the balance of the net proceeds of the Philex Stock Rights Offering that was invested in Silangan Mindanao Exploration Co., Inc. (SMECI) in October 2022 which amount was subsequently invested by SMECI into Silangan Mindanao Mining Co., Inc. (SMMCI), and the programmed 2022 expenditures for the development of the Silangan Project.

### **Current Liabilities**

Current Liabilities significantly decreased to Php4.758 billion as of December 31, 2022 from Php13.324 billion as of December 31, 2021, compared with Php4.221 billion as of December 31, 2020 (from Php4.929 billion in 2019). With the extension of the term of the convertible notes under Bonds Payable, the same was reclassified to Non-Current Liabilities thus the 64% decrease in Current Liabilities. In 2021, the reclassification of the Bonds Payable to Current Liabilities on account of its maturity on December 18, 2022, net of bank loan repayments, caused the significant increase on Currently Liabilities in 2021. In the previous years, repayment of short-term bank loans comprised the decrease in balances of Current Liabilities.

#### Loans and Bonds Payable

Following the reclassification of the bonds payable to current in 2021 on account of its original maturity date of December 18, 2022, the remaining bonds payable was reclassified back to

Non-Current Liabilities after the extension of its maturity for more than a year. With such reclassification, only the balance of the short-term loans remained under Loans and Bonds Payable amounting to Php1.617 billion as of December 31, 2022 from Php10.131 billion as of December 31, 2021, consisting of Php8.652 billion for bonds payable and Php1.479 billion for loans payable. The increase in loan balance at Php1.617 billion as at year-end 2022 was due to the restatement of the dollar denominated short-term loans (corresponding to US\$29 million) to Philippine peso at a higher closing exchange rate of Php55.755/US\$1, compared with Php1.479 billion or US\$29 million in 2021 and Php1.777 billion or US\$37 million in 2020 (from Php2.532 billion or US\$50 million in 2019). Of the US\$29 million loan balance as of December 31, 2022, US\$23 million was directly under Philex and US\$6 million was under SMMCI which loans were used for the cash requirement of SMMCI.

Debt reduction program was started at the early part of 2020 and continued to 2021. However, at the onset of COVID-19, 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. Immediately thereafter, the Company resumed repaying its loan. For 2020, the total Parent Company debt repayment was US\$15 million, reducing loan balance from US\$46 million as at end-2019 to US\$31 million as of December 31, 2020. For 2021, the Company made additional loan repayment of US\$8 million that reduced the Company's loan from US\$31 million to US\$23 million. No loan repayment was made in 2022.

On the other hand, SMMCI outstanding short term loan remained at US\$6 million as of December 31, 2022 from its balance of \$4 million as of December 31, 2019 as no repayment was made on the loan since availment. The additional loan availment of SMMCI was used for pre-development operating and capex requirement of SMMCI.

#### Accounts Payable and Accrued Liabilities

As of December 31, 2022, Accounts Payable and Accrued Liabilities slightly increased to Php2.671 billion from Php2.556 billion as of December 31, 2021, compared with Php1.693 billion in 2020 (from Php1.608 billion in 2019). This composed primarily of payables to suppliers and contractors of which no material amount has been left unpaid within terms acceptable and agreed upon with suppliers and contractors. The reduction in 2022 was from ordinary payment transactions, while the significant increase in 2021 was due to additional accruals.

#### Subscription Payable

As of December 31, 2022, Subscription Payable retained its 2021 balance of Php3 million from a significant decrease from Php123 million as of December 31, 2020 (from Php187 million in 2019), due to the final settlement of the Company's subscription in PXP Energy shares which increased the Company's interest in PXP Energy from 19.8% to 30.4% in 2018.

#### Income Tax Payable

Income Tax Payable amounted to Php124 million as of December 31, 2022, compared with Php181 million as of December 31, 2021, and Php74 million as at end 2020 (versus Php53 million as at end 2019). The tax amount is due and payable no later than April 17, 2023.

#### Dividends Payable

Dividends Payable amounted to Php343 million as of December 31, 2022 from Php452 million as of December 31, 2021, and Php554 million as of December 31, 2020 (from Php550 million in 2019). On February 23, 2023, the Philex Board of Directors (BOD) declared a regular cash dividend of 2 centavos per share to shareholders on record as of March 13, 2023, payable on March 24, 2023, which represented 7% of the Company's 2022 Core Net Income.

In March 2022, the Philex BOD declared a regular cash dividend of 5 centavos per share, payable in April 2022 for the 2021 results. Similarly in February 2021, the Philex BOD declared a regular cash dividend of 5.9 centavos per share, payable in March 2021 for the 2020 results.

The Philex BOD also declared in February 2020 a regular cash dividend of 1 centavo per share, payable in March 2020 for 2019 results.

### **Non-Current Liabilities**

Non-Current Liabilities significantly increased to Php7.631 billion as of December 31, 2022 following the reclassification of bonds payable to Non-Current Liabilities following the extension of the maturity of the remaining convertible note. As of December 31, 2021, Non-Current Liabilities decreased to Php1.834 billion from Php10.492 billion as of December 31, 2020 (from Php10.001 billion in 2019). The significant decrease in 2021 was due to the reclassification of bonds payable to Current Liabilities section on account of its original maturity on December 18, 2022.

#### **Bonds Payable**

Bonds Payable decreased to Php5.908 billion as of December 31, 2022 from Php8.652 billion as of December 31, 2021 on account of the settlement of the amount due to a noteholder upon maturity on December 18, 2022. The convertible notes issued to the other noteholder was extended for another three years from original maturity date of December 18, 2022, with the sole option of the SMECI and Philex to extend the term further for another three at intervals of 1.5 years. The balances of Bonds Payable in 2020 and 2019 were Php8.182 billion and Php7.743 billion, respectively. The year-end balances included the changes in the amounts corresponding 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 Philex 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 Philex Mining and fund further exploration works of SMMCI. The original maturity date was December 18, 2022.

#### **Deferred Income Tax Liabilities**

Deferred Income Tax Liabilities amounted to Php1.721 billion as of December 31, 2022, consisting mainly of Php1.388 billion arising from the acquisition of Anglo's 50% stake in the Silangan companies and Php333 million mainly for accelerated deductions, compared with Php1.816 billion as of December 31, 2021, and Php2.293 billion in 2020 (from Php2.219 billion in 2019). Following the implementation of the CREATE Law reducing the applicable income tax rate from 30% to 25% starting July 1, 2020 effective 15 days from the approval of such on March 26, 2021, the Company reassessed its income tax liabilities included the deferred income tax liabilities which resulted to a retroactive tax adjustment of Php467 million, consisting of current of Php19 million and deferred of Php448 million.

#### **Provision for Losses and Mine Rehabilitation Costs**

Provision for Losses and Mine Rehabilitation Costs decreased to Php2 million as of December 31, 2022 from Php17 million as of December 31, 2021 and 2020 (from Php39 million in 2019). The Company spent nil in 2022, Php8 million in 2021, Php26 million in 2020, and Php43 million in 2019, for the requirement under the Company's approved Final Mine Rehabilitation and Development Program (FMRDP) for a total of Php137 million. The FMRDP has been fully funded.

### **Total Liabilities**

As of December 31, 2022, Total Liabilities amounted to Php12.389 billion, compared with Php15.157 billion as of December 31, 2021, and Php14.713 billion in 2020 (from Php14.930 billion in 2019). The 18% decrease in 2022 was due to the settlement of the convertible notes of a noteholder upon maturity on December 18, 2022. In 2021, the increase was mainly from various accruals while the decrease in 2020 was from the implementation of the debt reduction program.

### **Total Equity**

Total Equity amounted to Php30.869 billion as of December 31, 2022, an increase of 16% from Php26.698 billion as of December 31, 2021 on account of the net income realized in 2022 and issuance of new Philex common shares under the Stock Rights Offering (SRO) that was completed on August 3, 2022, compared with Php24.226 billion as of December 31, 2020 (from Php22.969 billion in 2019).

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Common Shares	5,782,399,068	4,940,399,068	4,940,399,068	4,940,399,068
Stock Options	-	-	-	16,460,000

Total Capital Stock increased to Php5.782 billion as of December 31, 2022 from Php4.940 billion for the previous years due to the issuance of new 842 million common shares under the Philex SRO that was completed on August 3, 2022 and with the listing of the new common shares at the Philippine Stock Exchange on the same date. The exercise price under the SRO was Php3.15 per common share resulting to an increase in Additional Paid-in Capital (APIC) of Php1.810 billion in 2022. The balance of APIC as of December 31, 2022 amounted to Php2.885 billion, a net increase of Php1.741 billion from the Php1.144 billion as of December 31, 2021 and previous years, net of SRO expenditures chargeable to APIC.

Retained Earnings (RE) increased to Php18.994 billion, consisting of Php8.494 billion as Unappropriated RE and Php10.500 billion as Appropriated RE, compared with Php17.444 billion as of December 31, 2021 from Php15.234 billion in 2020 (from Php13.971 billion in 2019). The Board of Directors approved the appropriation of Php10.00 billion and Php500 million on December 13, 2013 and February 28, 2017, respectively, for the development and construction of the Silangan Project which appropriation remained the same since 2017. Unappropriated RE increased to Php8.494 billion as of December 31, 2022 compared with Php6.944 billion as of December 31, 2021, due to the net income of Php1.796 billion, net of the cash dividend payment of Php247 million in 2022, compared with Php4.734 billion in 2020 (from Php3.471 billion in 2019).

Equity Conversion Option amounting to Php1.226 billion in 2014 corresponding to the value of the conversion options of the 8-year convertible bonds issued by SMECI decreased to Php858 million as of December 31, 2022 upon partial settlement of bonds payable in December 2022. The corresponding value of the conversion option of Php368 million was recorded as Equity Reserves as of December 31, 2022.

Net Unrealized Gain on Financial Assets Measured at FVOCI and Derivative increased to Php55 million as of December 31, 2022, compared with Php17 million as of December 31, 2021, and Php32 million as of December 31, 2020 (from Php38 million in 2019). Net Revaluation Surplus, which relates to the step acquisition of common shares in SMECI and SMMCI in 2009, remained at Php1.850 million as of December 31, 2022 from an increase in 2021 from its previous balance of Php1.572 billion due to the impact of the CREATE Law increasing corporate income tax rate from 30% to 25%. The Effect of Transactions with Non-Controlling Interests also remained at Php78 million from its previous years' balance while Non-Controlling Interests remained insignificant.

### **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 development works of the Silangan Project. Despite the risks inherent in the business associated with metal prices, foreign exchange rates, regulatory environment, and the changing economic and market conditions as well as the global impact of the COVID-19 pandemic, the Company's net cash generated in operating activities amounted to Php3.291 billion in 2022, compared to Php3.777 billion in 2021, Php2.375 billion in 2020 and Php1.232 billion in 2019.

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

Net cash used in investing activities in 2022, principally for capital expenditures and deferred exploration costs amounted to Php1.746 billion in 2022 versus Php1.299 billion in 2021 and 2020 and Php1.784 billion in 2019. Capital expenditures increased to Php1.020 billion in 2022 from Php751 million in 2021 compared to Php923 million in 2020 and Php1.071 billion in 2019. The Company focused on implementing activities to comply with the minimum regulatory requirements under existing exploration permits.

Net cash used in financing activities amounted to Php514 million in 2022 compared to Php780 million in 2021 and Php683 in 2020 (versus net cash from financing activities of Php473 million in 2019). The Company partially repaid its loan by Php387 million or US\$8 million in 2021 and Php638 million or US\$13 in 2020 while in 2019, the Company availed additional Php474 million (US\$ 9 million) to finance the capital expenditures of Padcal Mine and initial pre-development works in the Silangan Project.

### Capital Expenditures and Deferred Exploration Costs

<i>(in Php Millions)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Padcal and Others:				
Mine Development	458	352	522	552
Tailings Pond Structures	181	182	148	165
Machinery and Equipment	376	224	256	366
Total	1,015	758	926	1,083
Silangan Project:				
Deferred Exploration Costs	745	221	214	641
Machinery and Equipment	4	(7)	(3)	(12)
Total	749	214	211	629
Mine Exploration Projects	13	6	31	32
Total	762	979	1,168	1,745
By Recording:	1,778			
Deferred Exploration Costs	759	228	245	673
Property, Plant and Equipment	1,020	751	923	1,071
Total	1,778	979	1,168	1,745

Total Capital Expenditures and Deferred Exploration Costs amounted to Php1.778 billion in 2022, compared with Php979 million in 2021, Php1.168 billion in 2020 and Php1.745 billion in 2019. In 2022, the Company spent Php1.020 billion for the sustaining mine development at Padcal, the acquisition of mine and mill equipment to augment Padcal's aging machinery and equipment and the civil works to maintain the stability of the existing tailings facilities. The Company funded in 2019 the completion of Silangan DFS and land banking activities in preparation for the commencement of the Silangan Project development phase. In January 2022, the Company completed the Silangan In-Phase Mine Plan feasibility study. With the infusion of cash from the proceeds of SRO, some development works for the Silangan project already started.

Padcal operations accounted for 57% of total actual spending at Php1.015 billion in 2022 as compared to Php758 million in 2021, Php926 million in 2020 and Php1.083 billion in 2019.

Silangan Project comprised 42% of the capital expenditures amounting to Php749 million in 2022 versus Php214 million in 2021, Php211 million in 2020 and Php629 million in 2019. In 2022, the increase from 2021 was mainly due to the completion of the Silangan In-Phase Mine Plan feasibility study and the implementation of some of the development works of the Silangan project.

Other mining exploration projects constituted a total amount of Php13 million in 2022 compared to Php6 million in 2021 compared to Php31 million in 2020 and Php32 million in 2019. These activities focused on complying with minimum regulatory requirements and confirmatory drillings necessary to evaluate the possible extension of the life of Padcal Mine.

## **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 2022, the Company reported for its Padcal Mine two LAT-F incident, one incident in 2021 same as 2020 and five incidents in 2019. Meanwhile, in terms of Lost Time Accident Non-Fatal events, there were ten in 2022, eight in 2021, six recorded in 2020 and five in 2019.

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

### Earnings (Loss) 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.

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Earnings (Loss) Per Share	0.339	0.492	P0.249	(P0.131)
Total Average Outstanding Shares	5,291,232,401	4,940,399,068	4,940,399,068	4,940,399,068
Total Outstanding Shares	5,782,399,068	4,940,399,068	4,940,399,068	4,940,399,068

As of December 31, 2021, there were no outstanding stock options as all granted options already expired. The covering 2011 Stock Option Plan has also reached the end of its 7-year term thus already terminated by virtue of the expiration of the last grant issued under the Plan in 2020. In the previous years from 2018 to 2020, the outstanding stock options were considered anti-dilutive based on the lower market price of the Company's shares compared to the exercise price, thus the diluted earnings per share in 2020, 2019 and 2018 were the same as the basic earnings (loss) per share of the Company in the said periods.

### Tonnes Milled and Metals Produced

Tonnes milled and ore grade determine the volume of concentrates produced and sold. Tonnes milled totalled to 7,431,651 in 2022, lower than tonnage of 7,945,879 in 2021 and tonnage of 7,837,5361 in 2020 but higher than 8,112,791 in 2019. Due to lower tonnage, copper production went down to 25,085,952 pounds in 2022 from 26,200,259 in 2021 also lower compared to 26,378,914 pounds in 2020 (versus 25,737,207 pounds in 2019). Gold production was also lower at 48,567 ounces compared to 55,149 ounces in 2021 (versus 56,000 ounces in 2020 and 53,064 ounces in 2019).

### 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 2022, the total production cost (mine site cost and expenses excluding smelting charges, excise tax and royalties) per tonne of ore milled was Php845, with total production cost of Php6.278 billion over 7,431,651 tonnes, compared to Php718 in 2021, with total production cost of Php5.706 billion over ore milled of 7,945,879 tonnes. The 2022 production cost was 10% higher than the cost per tonne in 2021 due to higher power cost as well as higher maintenance cost. In 2020, break-even production cost was Php698 with total production cost of Php5.468 billion over ore milled of 7,837,536 tonnes while in 2019, break-even production cost per tonne was Php724 from the total production cost of Php5.873 billion over 8,112,791 tonnes milled.

The operating costs and expenses (all cost and expenses excluding G&A) per tonne of ore milled in 2022 was Php1,036 from total operating cost and expenses of Php7.696 billion was higher than 2021's Php886 from the total operating cost and expenses of Php7.036 billion on account of higher power cost and materials and supplies, also higher than the 2020's Php846 per tonne from the total operating cost and expenses of Php6.627 billion (compared to Php852 from the operating costs and expenses of Php6.190 billion in 2019).

Using co-production method, the operating cost applicable to gold produced amounted to US\$1,347 per ounce in 2022 compared to US\$1,202 per ounce in 2021 (versus US\$1,362 per ounce in 2020 and US\$1,296 per ounce in 2019), while operating cost applicable to copper produced amounted to US\$2.98 per pound in 2022, higher compared to US\$2.85 per pound in 2021 (compared with US\$2.22 per pound in 2020 and US\$2.54 per pound in 2019). Under co-production method, the total cost is allocated proportionately based on the revenue contribution of each product considering there is no physical basis that can be used in allocating costs between the two metals.

### Exploration Activities

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

In 2022, the Company spent Php758 million for exploration projects which included costs related to the pre-development expenditures in Silangan versus Php228 million in 2021, Php245 million in 2020 and Php673 million in 2019. As of December 31, 2022, total deferred exploration costs amounted to Php29.492 billion compared to Php28.100 billion in 2021, Php27.365 billion in 2020 and Php26.616 billion in 2019.

### **Subsidiaries and Related Party Transactions**

The Company's significant related party transactions as of December 31, 2022, 2021, 2020 and 2019, which are under terms that are no less favourable than those arranged with third parties, and account balances are as follows:

a) Advances from PMC to SMMCI and SMECI

PMC, owning directly and indirectly 100% of SMMCI and SMECI, provides the funds to SMMCI, through SMECI since 2011 and directly thereafter, for the Silangan project's expenditures since the Company's acquisition of Anglo American's interest in the Silangan Project in 2009. These advances, which were intended to be converted into equity, amounted to Php3.673 billion, Php2.527 billion, Php2.327 billion and Php2.144 billion as of December 31, 2022, 2021, 2020 and 2019, respectively. In December 2022, portion of the PMC advances to SMECI and SMMCI amounted to Php792 million and Php1.459 billion, respectively, were settled.

b) Investment in SMECI and SMMCI

In October 2022, a subscription agreement was entered between PMC and SMECI wherein PMC subscribed 75,787 new shares from SMECI with a total consideration of Php2.580 billion. The subscription price was taken from PMC's proceeds from SRO. Subsequently, SMECI invested the net proceeds in SMMCI to support the capital expenditures and development of the Silangan Project.

In December 2022, PMC subscribed additional shares from SMECI consisting of 101,471 new shares with total subscription price of Php2.649 billion.

c) 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. As of December 31, 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 from Php1.387 billion as at end 2018 and Php2.169 billion as of December 31, 2017.

The Company has no outstanding subscription payable to PXP Energy after fully settling Php121 million in 2021 and Php2.960 billion in 2018 to 2020 of the total subscription of Php3.081 billion that brought PMC's interest in PXP Energy from 19.8% to 30.4%.

In March 2022, the Company granted loans to its associate, PXP Energy Corporation, where Philex owns 30.4% interest, through the issuance of the later of covering Promissory Notes (PNs). Under the PNs, total loans to PXP Energy amounted to P30,684 or US\$600,000, payable on demand and subject to an interest of 3.5% p.a. over LIBOR (6 months) that is payable quarterly.

d) 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

Php5.908 billion, Php8.652 billion, Php8.182 billion and Php7.743 billion as of December 31, 2022, 2021, 2020 and 2019, respectively.

On December 7, 2022, Asia Link B.V. and SMECI agreed, with the consent of PMC, to a 3-year extension from the original maturity of the convertible notes held by Asia Link B.V. from December 19, 2022 to December 18, 2025, the same which can be further extended for another 3 years, at 1.5 year intervals, at the sole option of SMECI and PMC. The extension was made in support of the fund-raising activities for the development of the Silangan Project of SMECI under its subsidiary, SMMCI. With respect to the convertible notes held by SSS, the same was settled at maturity date, consistent with the agreement with the related equity conversion option classified as part of the Group's equity reserves. The extension of the bonds payable was accounted for as a modification of a financial liability which resulted to recognition of gain amounting to Php500 million in the Group's statement of comprehensive income.

### **For the Period Ended March 31, 2023 and 2022**

Information on the Company's results of operations and financial condition presented in the Unaudited Consolidated Financial Statements as of March 31, 2023 and accompanying Notes to the Consolidated Financial Statements are incorporated herein by reference.

### **Operational Overview**

The Padcal Mine milled a total of 1,706,371 tonnes for the three months ended March 31, 2023 (1Q2023), 6% lower than the tonnage of 1,822,467 tonnes in the three months ended March 31, 2022 (1Q2022) as operations was affected by unscheduled repairs of ageing milling equipment and disruption on needed materials and supplies. Mining from higher grade ore sources remains as the Company's strategy to lessen the impact of low tonnage output.

Gold production of 10,062 ounces for 1Q2023 was 17% lower compared with 12,097 ounces in 1Q2022 mainly due to lower tonnage and slightly lower gold grades that averaged at 0.249 grams per tonne (g/t) in 1Q2023 against 0.272 g/t in 1Q2022. Gold production was down due to the impact of lower tonnage, gold grade as well as lower metal recovery of 72.2% in 1Q2023 versus 75.9% for 1Q2022.

Similarly, copper production for 1Q2023 decreased by 11% to 5,531,450 pounds in 1Q2023 compared with the production for the 1Q2022 of 6,181,396 pounds. The decrease was due mainly to lower tonnage, as well as due to lower ore grades that averaged at 0.185% in 1Q2023 versus 0.191% in 1Q2022, and slightly higher metal recovery. Metal recovery for copper for 1Q2023 averaged at 79.3% compared to 80.7% in 1Q2022.

### **Review of Financial Results**

Total operating revenues for 1Q2023 amounted to Php2.332 billion, lower by Php388 million or 14% compared with Php2.720 billion reported in 1Q2022 due mainly to lower copper and gold output as well as the decline in copper and gold prices, partially offset by favorable foreign exchange rates (Forex) that averaged at Php54.83 compared with Php51.87 in 1Q2022. Favorable Forex continues to cushion the impact of declining copper and gold prices in the Company's revenues. After smelting charges, the net revenues amounted to Php2.105 billion for 1Q2023 as against Php2.528 billion in 1Q2022.

While metal prices were favorable early this year, the downtrend of current level could significantly impact the Company's financial results especially that Padcal is presently catching up in its production program. Padcal continues to focus on achieving higher production by targeting higher ore grade sources to cushion the impact on tonnage of downtimes from the unexpected repairs of ageing mill equipment.

### *Copper*

Copper production in 1Q2023, slightly decreased to 5,531,450 pounds compared with the production of 6,181,396 pounds in 1Q2022, due mainly to the 6% decrease in tonnage, as well as lower ore grades and metal recovery. Realized copper prices for 1Q2023 averaged at US\$4.00 per pound, 13% lower against US\$4.58 per pound in 1Q2022. Forex that averaged higher by 6% for the period was not sufficient to offset the impact of lower copper production and copper price resulting to copper revenues lower at Php1.317 billion compared with Php1.495 billion in 1Q2022.

The favorable level of Forex has remained as Padcal's cushion against nonattainment of copper production targets and declining copper prices. Copper accounted for 56% of total revenues for the period.

### *Gold*

Gold production in 1Q2023 was slightly lower at 10,062 ounces compared with 12,097 ounces in 1Q2022 from lower tonnage, ore grade and metal recovery. On the other hand, gold averaged at US\$1,889 per ounce, almost at par with the US\$1,897 per ounce gold price realized in 1Q2022. Like in copper, Forex played a significant role in boosting gold revenues to minimize the impact of lower gold production resulting to gold revenues of Php998 million, 17% lower compared with Php1.204 billion in 1Q2022. Gold represented 43% of total revenues for the 1Q2023.

### *Silver*

Revenues from silver made up the remaining 1% of the Company's total revenues and amounted to Php17 million for 1Q2023, lower by 19% against the Php21 million in 1Q2022, mainly from lower production and lower realized prices, despite higher forex.

### *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, the Company entered into various collar hedging contracts in 2022 and 2023 as follows:

For 2022, the following were the Company's hedging contracts covering the period from January to December.

2022 Gold Collar Hedge							
Deal Date	Quantity (Ounces)	Gold Prices (US\$ per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) (in Php M)
		Put	Call	Settlement			
10/01/21	1,900	1,700	1,800	1,817	Jan. 2022	02/02/22	(2)
10/01/21	1,900	1,700	1,800	1,857	Feb. 2022	03/02/22	(6)
10/01/21	1,900	1,700	1,800	1,948	Mar. 2022	04/02/22	(15)
01/14/22	1,900	1,725	1,922	1,934	Apr. 2022	05/09/22	(1)
01/14/22	1,900	1,725	1,922	1,850	May 2022	06/09/22	-
01/14/22	1,900	1,725	1,922	1,835	June 2022	07/08/22	-
01/14/22	1,900	1,725	1,922	1,738	July 2022	08/05/22	-
01/14/22	1,900	1,725	1,922	1,766	Aug. 2022	09/08/22	-
01/14/22	1,900	1,725	1,922	1,684	Sept. 2022	10/07/22	-
01/14/22	1,900	1,725	1,922	1,665	Oct. 2022	11/08/22	5
01/14/22	1,900	1,725	1,922	1,726	Nov. 2022	12/07/22	7
01/14/22	1,900	1,725	1,922	1,795	Dec. 2022	01/09/23	-
Total							(12)

2022 Copper Collar Hedge					
Deal Date	Quantity (Pounds)	Copper Prices (US\$ per Pound)	Period Covered	Settlement	Realized Gain (Loss)

						Date	(in Php M)
		Put	Call	Settlement			
10/04/21	992,081	3.90	4.51	4.43	Jan. 2022	02/02/22	-
10/04/21	992,081	3.90	4.51	4.51	Feb. 2022	03/03/22	-
10/04/21	992,081	3.90	4.51	4.64	Mar. 2022	04/02/22	(7)
11/24/21	992,081	3.75	4.95	4.62	Apr. 2022	05/09/22	-
11/24/21	992,081	3.75	4.95	4.25	May 2022	06/09/22	-
11/24/21	992,081	3.75	4.95	4.10	June 2022	07/08/22	-
11/24/21	992,081	3.75	4.95	3.42	July 2022	08/05/22	18
11/24/21	992,081	3.75	4.95	3.61	Aug. 2022	09/08/22	8
11/24/21	992,081	3.75	4.95	3.51	Sept. 2022	10/07/22	14
11/24/21	992,081	3.75	4.95	3.46	Oct. 2022	11/08/22	17
11/24/21	992,081	3.75	4.95	3.64	Nov. 2022	12/07/22	6
11/24/21	992,081	3.75	4.95	3.80	Dec. 2022	01/09/23	-
Total							56

The Company recognized net hedging losses of Php12 million for gold and net hedging gain of Php56 million for copper for the year 2022.

In December 9, 2022, the Company entered into a gold collar contracts covering the period January to June 2023 at 1,850 ounces per month with strike price of US\$1,750 per ounce for the put option and US\$1,903 per ounce for the call option. These contracts remained outstanding as of December 31, 2022 with the Company recognizing unrealized MTM loss of Php7 million.

In January 2023, the Company further entered into copper put option contracts covering the period January to June 2023 at 992,081 pounds per month with strike price of US\$3.75 per pound. Total amount of premium to secure the put option contracts amounted to Php18 million.

2023 Gold Collar Hedge							
Deal Date	Quantity (Ounces)	Gold Prices (US\$ per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) (in Php M)
		Put	Call	Settlement			
12/09/22	1,850	1,750	1,903	1,898	Jan. 2023	02/02/23	-
12/09/22	1,850	1,750	1,903	1,856	Feb. 2023	03/02/23	-
12/09/22	1,850	1,750	1,903	1,911	Mar. 2023	04/04/23	(0.8)
12/09/22	1,850	1,750	1,903		Apr. 2023		
12/09/22	1,850	1,750	1,903		May 2023		
12/09/22	1,850	1,750	1,903		June 2023		
Total							(0.8)

2023 Copper Put Options								
Deal Date	Quantity		Copper Prices (US\$ per Pound)		Period Covered	Settlement Date	Premium Cost Amortization (in Php M)	Realized Gain (Loss) (in Php M)
	In DMT	In Lbs.	Put	Settlement				
01/20/23	450	992,079	3.75	4.08	Jan. 2023	02/02/23	(3)	-
01/20/23	450	992,079	3.75	4.06	Feb. 2023	03/02/23	(3)	-
01/20/23	450	992,079	3.75	4.01	Mar. 2023	04/02/23	(3)	-
01/20/23	450	992,079	3.75		Apr. 2023			

01/20/23	450	992,079	3.75		May 2023			
01/20/23	450	992,079	3.75		June 2023			
Total							(9)	-

The Company recognized net hedging losses of Php800 thousand on gold hedging contracts but nil for copper. As of March 31, 2023, unrealized MTM loss on outstanding contracts amounted to Php24 million.

### Operating Costs and Expenses

The Company's total operating costs and expenses (Opex), which included Production Costs, Excise Tax and Royalties, and Depletion, Depreciation and Amortization (DDA), and General and Administrative Expenses (G&A), slightly decreased to Php1.636 billion for 1Q2023 from Php1.655 billion in 1Q2022. The decrease in Opex was due to the lower DDA on account of lower tonnage and due to the impact of mine life extension up to 2027, and due to lower revenue-related costs. Cash production costs, on the other hand, increased as a result mainly of higher power rates that started in July 2022. Higher costs of materials and supplies also contributed to the increase in cash production costs. The amount of DDA also reflected the positive impact of the further extension of the mine life of Padcal up to year 2027 while the higher DDA in 1Q2022 showed the impact of the reversal of previous year's impairment provisions. For both periods, DDA included additional depreciation of recently acquired equipment, and amortization for additional costs incurred in maintaining the tailings storage facility. Revenue-related costs such as the Excise Tax and Royalties also decreased on account of lower revenues to Php145 million in 1Q2023 from Php163 million in 1Q2022.

Smelting Charges amounted to Php227 million for 1Q2023, 18% higher than the Php192 million in 1Q2022, due mainly to higher average treatment rates as well as higher freight charges for copper concentrate shipments, despite the lower copper concentrate production of 12,783 dry metric tons (DMT) in 1Q2023 from 13,967 DMT in 1Q2022. Higher Forex also contributed to the increase in Smelting Charges for the quarter.

### 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 7% to Php837 per tonne (based on total production costs of Php1.428 billion) for 1Q2023 from Php782 per tonne (based on total production costs of Php1.426 billion) in 1Q2022. Total Production Cost per Tonne increased due to higher production costs which reflected that the Company incurred higher costs to produce one tonne of ore.

Likewise, operating costs (consisting of total production costs, smelting charges, excise taxes, and royalties) also increased to Php1,055 per tonne in 1Q2023 from Php978 per tonne in 1Q2022. The increase in cost per tonne was mainly attributable to higher production costs, and smelting charges and lower tonnage. Total operating costs for purposes of computing the break-even costs amounted to Php1.800 billion in 1Q2023, higher compared with Php1.781 billion in 1Q2022.

The operating cost per ounce of gold and per pound of copper for 1Q2023 based on co-production method were US\$1,507 per ounce and US\$3.19 per pound, compared with US\$1,271 per ounce gold and US\$3.07 per pound copper in 1Q2022, respectively. Breakeven costs per ounce and per pound increased in 1Q2023 on account of higher operating costs and lower metal output.

### Other Income (Charges)

The Company recorded a Net Other Income of Php10 million in 1Q2023 versus Net Other Charges of Php6 million in 1Q2022. The Net Other Income in 1Q2023 consisted mainly of the Company's realized gain on foreign exchange transactions due to the strengthening of the US Dollar against the Philippine Peso. Also included under Net Other Income were Interest Income

and the Company's share in net losses of associates as well as various charges. In 1Q2022, Net Other Charges included mainly the Company's share in net losses of associates and various charges, offset by gains from foreign exchange transactions.

### **Provision for (Benefit from) Income Tax**

The Company recorded a lower Provision for Income Tax of Php89 million for 1Q2023, compared with Php176 million in 1Q2022, on account of lower earnings in 1Q2023.

### **Core and Reported Net Income**

For 1Q2023, the Company recorded a Core Net Income and Net Income of Php388 million and Php390 million, respectively, compared with a Core Net Income of Php676 million and Net Income of Php690 million in 1Q2022. The lower results in 1Q2023 were primarily from lower revenues on account of the lower copper and gold output for the quarter.

As income attributable to non-controlling interest was nil, the Net Income Attributable to the Equity Holders was the same as the Reported Net Income of Php390 million, 44% lower than Php690 million in 1Q2022.

Similarly, EBITDA was also lower by 46% at Php635 million than the Php1.182 billion for 1Q2022. 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.

## **FINANCIAL CONDITION REVIEW**

### **Current Assets**

The Company's Current Assets as of March 31, 2023 increased to Php6.675 billion from Php6.423 billion as of December 31, 2022. The increase of Php252 million was mainly due to higher other current assets on account of additional VAT receivable on Company purchases.

### Cash and Cash Equivalents

The Cash and Cash Equivalents amounted to Php4.047 billion as of March 31, 2023 from Php3.925 billion as of December 31, 2022. The consolidated cash balance included the remaining SRO proceeds that was invested in SMMCI for the development of the Silangan Project and cash generated from copper concentrates shipment proceeds valued at strong copper and gold prices and continuously favorable foreign exchange rates. The Company continues to maintain cash reserves for programmed infusion in the Silangan Project.

### Accounts Receivable

The Company's Accounts Receivable slightly increased to Php660 million as of March 31, 2023 from Php581 million as of December 31, 2022. This account consisted of Trade Receivables from sales of the Company's copper concentrates or bullion and Other Receivables that include loan to an associate and advances to employees for conduct of transactions in the ordinary course of business. As of March 31, 2023, Trade Receivables amounted to Php524 million and Other Receivables of Php136 million.

Under the existing sales agreement with the Company's Customers ("Offtakers"), the Company receives 90% of the total US\$ value of the copper concentrates within 3-4 days after presentation of sales and shipping documents, with the balance payable upon final pricing determination based on agreed quotational period ("QP"). QP is determined either Prior Month of Shipment Schedule ("MOSS") or Month After Month of Arrival ("MAMA") in destination.

The Trade Receivables as of March 31, 2023 consisted of the remaining value of five shipments (versus five shipments also in the fourth quarter of 2022 as of December 31, 2022) awaiting

final pricing, were with IXM S.A. and Trafigura Pte. Ltd. The QP for both offtakers is MOSS for copper and gold.

In March 2022, the Company granted loans to its associate, PXP Energy Corporation, where Philex owns 30.4% interest, through the issuance of the later of covering Promissory Notes (PNs). Under the PNs, total loans to PXP Energy amounted to US\$600,000, payable on demand and subject to an interest of 3.5% p.a. over LIBOR (6 months) that is payable quarterly. Total interests received as of March 31, 2023 amounted to Php654 thousand.

### Inventories

Total Inventories, consisting of materials and supplies and mine products, amounted to Php1.023 billion as of March 31, 2023, a decrease of 11% from Php1.151 billion as of December 31, 2022.

As of March 31, 2023, mine products inventory, which is valued at net realizable value, amounted to Php391 million or 38% of total inventory, while inventory for materials and supplies amounted to Php632 million or about 62% of total inventory. On the other hand, mine products inventory amounted to Php710 million, while materials and supplies inventory was Php441 million as of December 31, 2022. Mine products inventory decreased by 45% due to lower value of mine products inventory corresponding to 2,158 DMT of copper concentrates against 4,420 DMT as of December 31, 2022. On the other hand, materials and supplies slightly increased due to the build-up of critical and insurance inventories to ensure availability of parts for ageing equipment given the extended life of Padcal for another three years to December 2027.

### Other Current Assets

Other Current Assets, composed primarily of input Value-Added Tax ("VAT") claims for refund on purchases of materials, supplies and equipment, increased to Php932 million as of March 31, 2023 from Php766 million as of December 31, 2022, due mainly to additional VAT receivable on Company purchases. Based on the recently issued guidelines on VAT zero-rating which retroacts to December 10, 2021, all purchases of goods and services by Philex Mining shall be subject to 12% VAT but can still be refunded to Philex, being an exporter, by the Bureau of Internal Revenue for VAT on local purchases and by Bureau of Customs for VAT on importations.

### **Non-Current Assets**

Non-Current Assets of Php37.064 billion as of March 31, 2023 slightly increased from Php36.836 billion as of December 31, 2022. This comprised mainly of Deferred Exploration Costs, Investment in Associates, and Property, Plant and Equipment. Deferred Exploration Costs and Property, Plant and Equipment represent 74% of total assets, signifying the capital intensive nature of the business.

### Deferred Exploration Costs

Deferred Exploration Costs increased to Php29.705 billion as of March 31, 2023 from Php29.492 billion as of December 31, 2022, on account of the pre-development and initial development expenditures related to Silangan Project with cumulative amount of Php27.335 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.

### Investment in Associates

Investment in Associates decreased to Php3.600 billion as of March 31, 2023 from Php3.606 billion as of December 31, 2022, mainly from the Company's share in the net losses of associates in 1Q2023 of Php5 million.

### Property, Plant and Equipment

Property, Plant and Equipment ("PPE") slightly increased to Php2.742 billion as of March 31, 2023 from Php2.730 billion as of December 31, 2022 due to regular additions to PPE which were the actual expenditures on Padcal's mine development activities and acquisition of mine equipment, net of amount of depreciation, depletion and amortization for the period. The depreciation, depletion and amortization already considered the impact of the further extension of mine life of Padcal of up to December 2027.

### Pension Asset

Pension Asset slightly increased to Php343 million as of March 31, 2023 from Php341 million as of December 31, 2022, 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.

### Financial Assets Measured at FVOCI

Financial Assets Measured at FVOCI, consisting mainly of shares in gold and country clubs, remained at Php145 million as of March 31, 2023 from December 31, 2022.

### Other Non-Current Assets

Other Non-Current Assets slightly increased to Php528 million as of March 31, 2023 from Php523 million as of December 31, 2022. This consisted mainly of the non-current portion of SMMCI Input Value-Added Tax amounting to Php467 million.

## **Total Assets**

Total Assets of the Company increased to Php43.739 billion as of March 31, 2023 from Php43.259 billion as of December 31, 2022, primarily from the higher deferred exploration costs, other current assets and cash balance.

## **Current Liabilities**

Current Liabilities slightly increased to Php4.942 billion as of March 31, 2023 from Php4.758 billion as of December 31, 2022, due mainly to the increase in accounts payable and accrued expenses, and income tax payable.

### Loans Payable

Loans Payable decreased to Php1.576 billion as of March 31, 2023 from Php1.617 billion as of December 31, 2022 due to the lower Peso value of the dollar denominated short-term bank loans of US\$29 million, restated at lower closing forex of Php54.360 as of March 31, 2023 versus Php55.755 as of December 31, 2022. Total outstanding loan of the Parent Company amounted to US\$23 million while SMMCI amounted to US\$6 million.

### Accounts Payable and Accrued Liabilities

As of March 31, 2023, Accounts Payable and Accrued Liabilities slightly increased to Php2.775 billion from Php2.671 billion as of December 31, 2022. This composed primarily of payables to suppliers and contractors of which no material amount has been left unpaid within terms acceptable and agreed upon with suppliers and contractors.

### Subscription Payable

Subscription Payable remained at Php2.8 million as of March 31, 2023 which consisted of outstanding payables to Philodrill Corporation and Kalayaan Copper Gold Resources, Inc.

### Income Tax Payable

As of March 31, 2023, Income Tax Payable amounted to Php246 million, which included the tax payable pertaining for 1Q2023 that is due on May 30, 2023, higher compared to Php124 million as of December 31, 2022.

### Dividends Payable

Dividends Payable decreased to Php342 million as of March 31, 2023 from Php343 million as of December 31, 2022. The Philex Board of Directors approved on February 23, 2023 the declaration of regular cash dividend of two centavos to shareholders on record date of March 13, 2023, payable on March 24, 2023, which represented 7% of Core Net Income.

### **Non-Current Liabilities**

As of March 31, 2023, Non-Current Liabilities amounted at Php7.675 billion, slightly higher than the Php7.631 billion as of December 31, 2022, comprising mainly of Bonds Payable and Deferred Income Tax Liabilities.

### Bonds Payable

Bonds Payable increased to Php5.980 billion as of March 31, 2023 from Php5.908 billion as of December 31, 2022, both numbers reflecting the Convertible Note (CN) issued by SMECI to Asia Link B.V. that was extended for another three years from the expiry of its original maturity date of December 18, 2022, with the sole option of SMECI to extend further for another three years at 1.5 years interval. The balances included the changes in the amounts corresponding to the amortization of deferred transaction costs, accretion of interest from the discounting of the face value of the Convertible Note (CN) and accrual of the 3% redemption premium.

The bonds payable pertains to the 8-year convertible bonds issued by SMECI, with Philex Mining 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 Philex Mining and fund the exploration works of SMMCI. The bonds original maturity date was December 18, 2022. Upon original maturity, the CN issued to SSS was settled at Php2.741 billion representing the face value and the corresponding premium.

### 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 Php305 million mainly for accelerated deductions, decreased to Php1.693 billion as of March 31, 2023 from Php1.721 billion as of December 31, 2022 which considered the impact of the CREATE Law that reduced corporate income tax rate to 25% from 30% effective July 2020.

### Provision for Losses and Mine Rehabilitation Costs

Provision for Losses and Mine Rehabilitation Costs was maintained at Php2 million as of March 31, 2023 from December 31, 2022. 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 March 31, 2023, Total Liabilities amounted to Php12.617 billion, higher than the Php12.389 billion as of December 31, 2022, mainly due to higher current liabilities particularly income tax and accounts payable and accrued expenses.

## **Total Equity**

The Company's Total Equity as of March 31, 2023 increased to Php31.122 billion from Php30.869 billion as of December 31, 2022 on account mainly of the 1Q2023 net income of Php390 million, net of the cash dividend declared in February 2023.

Capital Stock and Additional Paid in Capital remained at Php5.782 billion and Php2.885 billion, respectively, as of March 31, 2023 from December 31, 2022, which reflected the issuance of new Philex shares under the Stock Rights Offer ("SRO") that was completed on August 3, 2022. Retained Earnings increased to Php19.264 billion as of March 31, 2023, consisting of Php8.764 billion unappropriated amount and Php10.500 million appropriated of which Php10.000 billion and Php500 million were approved for appropriation by the Board of Directors on December 13, 2013 and February 28, 2017, respectively, for the development and construction of the Silangan Project which appropriated amount remained the same compared with the Dec. 31, 2022 balance. Total Retained Earnings increased from Php18.994 billion as of December 31, 2022. The unappropriated amount is inclusive of the 1Q2023 Net Income of Php390 million and net of cash dividend declared on February 23, 2023.

The Company recorded Net Unrealized Gain on Financial Assets Measured at FVOCI and derivative of Php37 million as of March 31, 2023 from Php55 million as of December 31, 2022. These amounts were inclusive of gain related to the fair value of derivative instruments of Php24 million as of March 31, 2023 from a gain of Php6 million as of December 31, 2022.

There were no changes on the balances of Equity Conversion Options, Equity Reserves, Net Revaluation Surplus and Effect of Transactions with Non-controlling Interests as of June 30, 2022 from their December 31, 2022 balances at Php858 million, Php368 million, Php1.850 billion and Php78 million, respectively. Equity Conversion Options corresponded to the value of the conversion options of the 8-year convertible bonds issued by SMECI, with Philex Mining as the co-issuer, in December 2014 with a face value of Php7.200 billion, which was reduced from Php1.226 billion to Php858 million with the amount recorded as Equity Reserves following the redemption of the CN issued to SSS in December 2022. Net Revaluation Surplus related to the step acquisition of the Silangan Project companies in 2009.

Total Liabilities and Equity amounted to Php43.739 billion as of March 31, 2023 from Php43.259 billion as of December 31, 2022 due mainly to the increase in Equity as a result of the 1Q2023 net income of Php390 million and 3% increase in Current Assets.

## **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 the mine life of Padcal and for pre-development works of the Silangan Project. Despite the risks inherent in the business associated with metal prices, foreign exchange rates, regulatory environment, and the changing economic and market conditions as well as the global impact of the COVID-19 pandemic for the past three years, the Company's net cash generated in operating activities amounted to Php587 million for the three months ended March 31, 2023 (1Q2023), compared with Php1.104 billion in the three months of 2022 (1Q2022). This allowed the Company to have sufficient liquidity to meet working capital needs, finance any strategic supply chain activities in anticipation of global supply chain disruptions and any unscheduled operating disruptions.

Internally generated funds remain as the Company's principal source of cash to finance the capital expenditures of the Padcal Mine, the development of the Silangan Project, exploration initiatives of various mine sites, and for the repayment of existing loans when programmed.

Net cash used in investing activities, principally for capital expenditures and deferred exploration costs, amounted to Php335 million in 1Q2023 as against Php413 million in 1Q2022. Capital expenditures mainly for Padcal were lower at Php180 million 1Q2023 compared with Php340 million in 1Q2022. On the other hand, expenditures on deferred exploration costs were higher at Php153 million 1Q2023 compared with Php73 million in 1Q2022, pertaining substantially to Silangan Project primarily activities to start the pre-development of Silangan project and capitalized interests on loans and convertible notes.

<i>(in Php Millions)</i>	<b>1Q2023</b>	<b>1Q2022</b>
<b>Padcal</b>		
Mine Development	123	109
Tailings Pond Structures	22	50
Machinery and Equipment	35	182
<b>Total</b>	<b>180</b>	<b>340</b>
<b>Silangan Project</b>		
Deferred Exploration Costs	102	72
Machinery and Equipment	2	0.2
<b>Total</b>	<b>104</b>	<b>72</b>
<b>Mine Exploration Projects</b>	<b>51</b>	<b>1</b>
<b>Total</b>	<b>335</b>	<b>413</b>
<b>Consolidated</b>		
Property, Plant and Equipment	182	340
Deferred Exploration Costs	153	73
<b>Total (*Adjusted 2021)</b>	<b>335</b>	<b>413</b>

Total Padcal Capital Expenditures and Deferred Exploration Costs totalled to Php335 million 1Q2023 and Php413 million.

Padcal operations accounted for 54% of total expenditures at Php180 million in 1Q2023 compared with Php340 million in 1Q2022.

Silangan Project comprised of 31% of the total expenditures amounting to Php104 million in 1Q2023 and Php72 million for 1Q2022.

Other mining exploration projects constituted a total amount of Php51 million in 1Q2023 compared with Php1 million only in 1Q2022. These activities focused on complying with minimum regulatory requirements.

Net cash used in financing activities amounted to Php130 million in 1Q2023, representing dividend payment of Php116 million as compared with only Php8 million in 1Q2022, consisting of capitalized interests. No loan repayment was programmed in 2023. No loan repayment was programmed in 2022.

## **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 1Q2023, the Company recorded one Lost Time Accident-Fatal ("LTA-F") compared with zero

in 1Q2022. In terms of Lost Time Accident Non-Fatal events, there were three recorded in 1Q2023 compared with five in 1Q2022.

Though it is a difficult task to maintain a “zero-harm” record due to the presence of uncertainties that could contribute to the level of risk in terms of health and safety, the Company is constantly reviewing safety policies and procedures. Various initiatives are being reassessed based on the present situation and 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 weighted average number of shares outstanding. 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.

	<b>1Q2023</b>	<b>1Q2022</b>
Earnings Per Share	Php0.067	Php0.140
Total Outstanding Shares	5,782,399,068	4,940,399,068

#### Tonnes Milled and Metals Produced

Tonnes milled and ore grade determine the volume of concentrates to be produced and sold. Tonnes milled were 1,706,371 tonnes in 1Q2023, 6% lower compared with 1,822,467 tonnes in 1Q2022.

Copper output reached 5,531,450 pounds in 1Q2023, 11% lower compared with 6,181,396 pounds in 1Q2022 due mainly to lower tonnage and lower ore grades. Gold production was 17% lower at 10,062 ounces in 1Q2023, compared with 12,097 ounces in 1Q2022, as a result of lower tonnage and ore grade.

#### 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 1Q2023, the total production cost (mine site cost and expenses including depletion, depreciation and amortization but excluding smelting charges, excise tax and royalties) per tonne of ore milled was Php837, with total production cost of Php1,428 billion over ore milled of 1,706,371 tonnes. This was 7% higher than the cost per tonne of Php782 from the total production cost of Php1.426 billion over ore milled of 1,822,467 tonnes in 1Q2022. The higher cost per tonne in 1Q2023 was primarily on account of higher non-variable costs despite lower tonnage.

The operating costs and expenses (all cost and expenses excluding G&A) per tonne of ore milled in 1Q2023 was Php1,055 from the total operating cost and expenses of Php1.800 billion, 8% higher than the Php978 from the operating costs and expenses of Php1.781 billion in

1Q2022. The increase in operating cost and expenses per tonne was mainly attributable to higher production costs, and smelting charges and lower tonnage.

Using co-production method, the operating cost applicable to gold produced amounted to US\$1,507 per ounce in 1Q2023 compared with US\$1,271 per ounce in 1Q2022, while operating cost applicable to copper produced amounted to US\$3.19 per pound in 1Q2023 compared with US\$3.07 per pound in 1Q2022. 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 recent years, exploration activities focused mostly on regulatory requirements under the exploration permits or confirmatory drilling related to possible mine life extension.

In 1Q2023, the amount spent on mining exploration including that of Silangan Project amounted to Php153 million compared with Php73 million in 1Q2022. As of March 31, 2023, total deferred exploration costs amounted to Php29.705 billion, comprising 68% of the Company's Total Assets, compared with Php29.492 billion (68% of the Company's Total Assets) as of December 31, 2022.

### **Subsidiaries and Related Party Transactions**

The Company's significant related party transactions as of March 31, 2023 and December 31, 2022, which are under terms that are no less favorable than those arranged with third parties, and account balances are as follows:

a) Advances from Philex Mining to SMMCI and SMECI

Philex Mining, 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 Php3.673 billion as of March 31, 2023 and as of December 31, 2022. In December 2022, portion of the PMC advances to SMECI and SMMCI amounted to Php792 million and Php1.459 billion, respectively, were settled.

b) Issuance of Convertible Bonds to Asia Link B.V. and SSS by SMECI

In December 2014, SMECI and Philex Mining, 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.

On December 7, 2022, Asia Link B.V. and SMECI agreed, with the consent of PMC, to a 3-year extension from the original maturity of the convertible notes held by Asia Link B.V. from December 19, 2022 to December 18, 2025, the same which can be further extended for another 3 years, at 1.5 year intervals, at the sole option of SMECI and PMC.

The extension was made in support of the fund-raising activities for the development of the Silangan Project of SMECI under its subsidiary, SMMCI. With respect to the convertible notes held by SSS, the same was settled at maturity date, consistent with the agreement with the related equity conversion option classified as part of the Group's equity reserves.

The carrying value of loans payable amounted to Php5.980 billion and Php5.908 billion as of March 31, 2023 and December 31, 2022, respectively.

**c) Investment in SMECI and SMMCI**

In October 2022, a subscription agreement was entered between PMC and SMECI wherein PMC subscribed 75,787 new shares from SMECI with a total consideration of Php2.580 billion. The subscription price was taken from PMC's proceeds from the Philex SRO.

Subsequently, SMECI invested the net proceeds in SMMCI to support the capital expenditures and development of the Silangan Project.

In December 2022, PMC subscribed additional shares from SMECI consisting of 101,471 new shares with total subscription price of Php2.649 billion

**d) Loans Granted by Philex Mining to PXP Energy Corporation**

In March 2022, PXP Energy Corporation (PXP Energy) issued Promissory Notes covering two loans from Philex Mining amounting to US\$375,000 and US\$225,000 or a total of US\$600,000. The loans are payable on demand and subject to an interest of 3.5% p.a. over LIBOR (6 months), payable quarterly. As of March 31, 2023, total loans receivable from PXP Energy amounted to Php31 million.

**Known Trends, Events, or Uncertainties**

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

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

There is likewise no significant seasonality or 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.

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

**Company Overview**

Philex Mining Corporation (the "Company" or "Philex Mining") was incorporated in the Philippines on July 19, 1955 to engage in mining, and was listed in the Philippine Stock Exchange on November 23, 1956. Philex Mining currently bears the code name "PX".

The Company and its subsidiaries and associate are organized into two main business groupings: the mining business, which is directly under Philex Mining Corporation, Philex Gold Philippines, Inc. ("PGPI"), Silangan Mindanao Exploration Co., Inc. ("SMECI") and Silangan Mindanao Mining Co., Inc. ("SMMCI"), and the energy and hydro-carbon business under PXP Energy Corporation ("PXP Energy"), a 30.4% owned Company.

The Company and its wholly-owned subsidiaries namely, PGPI, SMECI and SMMCI (through SMECI), are primarily engaged in large-scale exploration, development and utilization of mineral resources in the Philippines.

## **Business**

### **Mining**

Since 1958, the Company has been operating the Padcal Mine in Benguet Province, Island of Luzon, Philippines, employing the underground block cave mining method, and producing copper concentrates containing gold, copper, and silver. This has been the primary source of revenue of the Company for over 64 years.

On June 25, 2021, the Padcal Mine life has been extended for two years up to December 31, 2024. The extension of the mine life is due to additional reserves from mineral resources delineated around the current mining level. This was attributed to higher metal prices in which marginal grade ore could still be mined at a profit.

On December 7, 2022, the life of Padcal Mine was extended for another three years from December 31, 2024 to December 31, 2027. The extension was finalized after the completion of confirmatory drillings on the ore body, technical studies on the mining methodology and Tailings Storage Facility (TSF) No. 3, leading to the successful identification of additional mineable reserves feasible for mining up to December 31, 2027. The updated remaining mineable reserves as of cut-off date of October 31, 2022 were estimated at 42 million tonnes with an average gold and copper grades of 0.22 grams per tonne (g/t) and 0.17%, respectively. The total recoverable gold was estimated at 233,000 ounces while the total recoverable copper was estimated at 127.4 million pounds. The new estimate included remaining reserves from the previously declared mineable reserves as of December 31, 2021 aggregating to 24.9 million tonnes with an average gold and copper grades of 0.23 g/t and 0.18%, respectively.

The latest extension of the life of Padcal Mine would provide the continuous employment of more than a thousand employees as well as sustain the necessary assistance given to the social development of the host and neighbouring communities. The extension will also allow a smooth transition to the start of the commercial operation of the Silangan Project estimated to commence in early 2025 in response to the global demand for green metals and the government's call for mineral resources development to be a driver for national growth and economic recovery.

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

SMECI, through SMMCI, completed the acquisition of the Silangan Copper and Gold Project ("Silangan Project") situated in Surigao del Norte, Northeastern Mindanao in 2010. The Silangan Project is considered one of the current three large scale projects seen in the country to become a major copper producer. Its tenements consist of two main ore deposits – Boyongan and Bayugo.

The Boyongan ore deposit is wholly owned by SMMCI and will be developed as Phase I of the Silangan Project. The Bayugo ore deposit will be developed as Phase II, consisting of Bayugo-Silangan deposit, as Phase II-A, and Bayugo-Kalayaan deposit as Phase II-B. The Bayugo-Silangan, Phase II-A, is wholly owned by SMMCI while the Bayugo-Kalayaan, Phase II-B, is

under a joint venture with Manila Mining Corporation, and its subsidiary, Kalayaan Copper Gold Resources, Inc. and Philex Mining, where Philex Mining currently holds 5% interest in the joint venture and the option to further increase its stake up to 60%.

In July 2019, SMMCI approved the definitive feasibility study (DFS) prepared by its consultants, Ausenco of Australia, for an underground sub-level cave mining method for the Silangan Project yielding 81 million tonnes (Mt) high-grade copper and gold ore reserves out of 279 Mt of mineral resource estimates for the Boyongan ore deposit containing high-quality copper and gold grades. Including the Bayugo deposit, the Project's total mineral resource is estimated to be 571 Mt. The search for investors continues and is faced with the challenges in light of the global Covid-19 pandemic.

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 October 2021.

In December 2020, the DENR approved the renewal for another 25-year term of MPSA No. 149-99-XIII. The additional 25-year term shall commence from December 29, 2024 subject to the same terms and conditions provided under the MPSA and the applicable laws, rules and regulations that are existing or may be promulgated and the continuing compliance therewith from the date of the DENR's order up to the expiration of the initial term of MPSA No. 149-99-XIII.

In July 2021, the Board of Directors (BOD) of the Parent Company and SMMCI approved the in-phase plan execution strategy of the Silangan Project. With the plan, the capital expenditure requirement will be made in stages, and to be funded from a variety of potential investors including internally-generated cash and through equity and debt financing from various investors and creditors.

In January 2022, the Company completed the In-Phase Mine Plan feasibility study and updated the mineable reserve estimate for the Boyongan deposit in accordance with the 2012 Philippine Mineral Reporting Code ("PMRC"). Under the In-Phase Mine Plan, Silangan is expected to commence operation with a starter sub-level cave mine using copper and gold leaching processes with ore production of 2,000 tonnes per day or about 700 thousand tonnes per year for the first 5 years, then ramp up to 4,000 tonnes per day or 1.3 million tonnes (Mt) per year up to year 8. Starting year 9 when copper flotation circuit will be added to the process plant, ore production and processing rates will further increase to 8,000 tonnes per day or 2.7 Mt per year before the final ramp up to 12,000 tonnes per day or 4 Mt per year on year 12. Based on the study, the life of mine for the Boyongan deposit under Phase 1 is 28 years with estimated total mineable reserves of 81 Mt at 0.67% copper and 1.13 grams per tonne gold, containing estimated metals of 2.8 million ounces of gold and 993 million pounds of copper.

The initial capital to develop the starter mine of the Silangan Project over 2.5 years is estimated at US\$224 million which will be raised in a number of ways including Stock Rights Offering (SRO), debt and fresh capital infusion out of Philex's cash reserves. The stock rights offering was completed by Philex with the listing of the 842 million shares on August 3, 2022. A total of Php2.65 billion was raised from the Philex SRO, the net of which amounting to Php2.58 billion has been invested by Philex in early October 2022 into the Silangan Project under Silangan Mindanao Mining Co., Inc., through Silangan Mindanao Exploration Co. Inc., as partial funds to

finance the initial capital cost of the project. The Front End Engineering and Design (“FEED”) works for the mine, process plant and tailings storage facility were completed by 3Q2022. Excavation for the portal boxcut commenced in May 2022 and was completed as well by January 2023. Installation of ground supports is still ongoing and is targeted to be completed by 2Q2023. Upon completion of the boxcut and portal, development of the decline to the orebody will commence. Advanced mine dewatering continued this year from 4 existing dewatering wells. Meanwhile, drilling of 9 new wells were completed and pumps are currently being purchased so that pumping could also be undertaken. The 2 remaining new wells were completed in 1Q 2023. Based on the In-Phase Mine Plan, the commercial operations of the Project is targeted 1Q2025.

The Company, through BDO Capital, is currently undertaking the debt syndication exercise as part of the overall funding plan to finance the initial capital of the In-Phase Mine Plan. The syndication program is targeting to raise syndicated loan from local financial institutions up to US\$170 million.

### Oil and Gas

The Company currently owns 30.4% of PXP Energy Corporation from the previous 19% following the additional subscription by the Company in PXP Energy in 2018. Philex Mining entered into a subscription agreement with PXP Energy for 260 million shares of PXP Energy at Php11.85 per share, for a total consideration of Php3.081 billion, resulting to the largest single shareholding of 30.4%. The subscription has been fully paid in July 2021. This transaction forms part of the Company’s long-term growth strategy which includes deploying assets into value-accretive ventures.

### **Corporate Objectives**

<b>2023 to 2027</b>
<b>Padcal Operational Efficiency Improvement to Support further Mine Life Extension</b> <ul style="list-style-type: none"> <li>• Optimizing further the periphery of the orebody to take advantage of the existing infrastructures and relatively high metal prices</li> <li>• Enhanced current equipment</li> <li>• Pursue power optimization improvements</li> </ul>
<b>Advancing Ground Works under the Development Phase of the Silangan Project</b> <ul style="list-style-type: none"> <li>• Driving of the main decline to access the orebody</li> <li>• Awarding of critical contract works – mill processing plant and tailings storage facility (TSF)</li> <li>• Commence TSF construction, road networks and other critical mine surface infrastructures</li> </ul>
<b>Broaden Interests into the Green Metal Space</b> <ul style="list-style-type: none"> <li>• Development of existing nickel prospects</li> <li>• Evaluation of other mining assets / projects around Padcal Mine</li> <li>• Wider search on green metal prospects to address the issue on global warming</li> </ul>
<b>Others</b> <ul style="list-style-type: none"> <li>• Intensification of ESG Advocacies</li> <li>• Continued promotion of Right and Principled Mining</li> </ul>

### **Product, Distribution and Customers**

For the past 65 years, the Company has operated the Sto. Tomas II ore deposit at Padcal, Tuba, Benguet Province – the first underground block cave mining operation in the Far East.

The Company's Padcal Mine produces copper concentrates, containing copper, gold and silver. Total ore extracted and processed from start of operation to 2022 aggregated to 449.124 million tonnes, producing 2.408 billion pounds of copper, 6.458 million ounces of gold, and 7.051 million ounces of silver.

Based on the Sales Agreement entered into between the Company and Pan Pacific Copper Co., Ltd. ("Pan Pacific") in March 2004, 60% of the Company's annual copper concentrate production, approximately 40,000 dry metric ton of current production level, is committed to Pan Pacific up to contract year April 2019 to March 2020. From April 2020 to March 2022, the allocation of Pan Pacific will become 40% to 70% at the discretion of the Company with the balance either negotiated to other buyers or bidded out. Pan Pacific is a major Japanese smelting and refining company jointly established by JX Nippon Mining & Metals Corporation and Mitsui Mining & Smelting Co., Ltd.

Pan Pacific processes the concentrates through its smelter plants and produces products, such as refined copper and precious metals. Pan Pacific is one of the leading buyers of copper concentrates in the world, procuring approximately 1.8 million tonnes of copper concentrates annually from around the world. Compared to this huge volume, the Company's shipments to Pan Pacific are relatively insignificant.

For the contract period covering April 2018 to March 2019, shipments outside the Pan Pacific contract were awarded to Transmine S.A. after a bidding conducted in February 2018. From April 2019 to March 2020, the remaining shipments were given to IXM S.A. (formerly Louis Dreyfuss Commodities Metals Suisse S.A.) through a negotiated contract. For the next two contract years, April 2020 to March, 2021 and April 2021 to March 2022, IXM S.A. consecutively won the bidding and was awarded the shipments outside of the PPC agreement.

For the contract years within 2019 to 2021, 100% of shipments were made to Japan under PPC contract or indirectly thru IXM S.A. While for the contract year, 2018 to 2019, in addition to shipments to PPC and IXM S.A., the Company also shipped copper concentrate to Korea and China through Transamine S.A.

With the expiration of the long-term PPC contract in March 2022, bidding results were awarded to the three best bidders namely: IXM S. A., Pan Pacific, and a new buyer, Trafigura Pte. Ltd. The total 60,000 DMT for the contract year April 2022 to March 2023 were equally divided to the three best bidders. All IXM S. A. concentrates were shipped to PPC, while Trafigura's share were all shipped to Qingdao, China.

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

The breakdown of gross revenues per metal are as follows:

	<b>2022</b>		<b>2021</b>		<b>2020</b>		<b>2019</b>	
<i>(in Php Millions)</i>	Amount	%	Amount	%	Amount	%	Amount	%
Gold	4,625	46%	4,885	46%	4,794	57%	3,740	50%
Copper	5,383	53%	5,516	53%	3,579	42%	3,592	49%
Silver	80	1%	87	1%	77	1%	67	1%
Total	10,088	100%	10,488	100%	8,450	100%	7,399	100%

## **V. Directors and Executive Officers of the Issuer**

The following individuals served as Directors and Executive Officers of Philex Mining Corporation for the year 2022.

## **DIRECTORS**

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

**Age:** 76

**Date of First Appointment:** November 28, 2008

#### **Academic Background:**

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

#### **Business and Professional Background/ Experience:**

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

Mr. Pangilinan has been a Director of the Company and Philex Gold Philippines, Inc. (PGPI) since November 2008, and most recently re-elected on June 30, 2022. He is also Chairman of the PLDT Inc. (PLDT) since 2004, after serving as its President and Chief Executive Officer (CEO) since 1998. He reassumed the position of President and CEO of PLDT from December 2015 until June, 2021. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation, Landco Pacific Corporation, Medical Doctors Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Asian Hospital, Inc., Davao Doctors, Inc., Riverside Medical Center Inc., Our Lady of Lourdes Hospital, Central Luzon Doctor's Hospital, Inc., Maynilad Water Services Corporation, Mediaquest, Inc., Associated Broadcasting Corporation (TV5) and Manila North Tollways Corporation. Mr. Pangilinan is also Chairman of the Manila Electric Company (MERALCO), after serving as its President and Chief Executive Officer from July 2010 to May 2012. Mr. Pangilinan is also Vice Chairman of Roxas Holdings, Incorporated, the largest sugar producer in the Philippines. He is a Director of SMMCI.

#### **Directorship in Other Listed Companies in the Philippines:**

- a. PLDT, Inc. – Chairman
- b. Metro Pacific Investments Corporation – Chairman
- c. Roxas Holdings, Inc. - Vice Chairman and Non-Executive Director
- d. Manila Electric Company – Chairman
- e. PXP Energy Corporation – Chairman

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

**Age:** 61

**Date of First Appointment:** June 29, 2011

#### **Academic Background:**

Mr. Austin graduated from Saint Louis University-Baguio City, with a Bachelor of Science degree in Mining Engineering and placed eight at the 1982 Professional Board Examination for

mining engineers. He took his Management Development Program at the Asian Institute of Management in 2005 and his Advance Management Program at Harvard Business School in 2013.

**Business and Professional Background/ Experience:**

Mr. Austin has been a Director of the Company and PGPI since June 29, 2011 and was reelected on June 30, 2022. He became President and Chief Operating Officer on January 1, 2012 and President and CEO of the Company on April 3, 2013.

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

Outside of the Company, he is a member of the Chamber of Mines of the Philippines' Board of Trustees. Mr. Austin also sits as a member of the Executive Committee of the Board of Trustees and serves as the Chairman of the Membership Committee as well as the Towards Sustainable Mining Initiative Committee. He is a Competent Person (CP) for Copper and Gold Deposit by the Philippine Society of Mining Engineers under the PMRC guidelines. He was awarded 2021 Outstanding Professional of the Year in the Field of Mining Engineering by the Professional Regulation Commission of the Philippines. Also in 2016, he was awarded Most Outstanding Engineer of the Philippine Society of Mining Engineers (PSEM), aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last 14 December 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

**Directorship in Other Listed Companies in the Philippines:**

- a. PXP Energy Corporation - Non-Executive Director

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

**Age:** 60

**Date of First Appointment:** January, 30 2019

**Academic Background:**

Mr. Ng received an MBA and a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Ng is a Commissioner of PT Indofood Sukses Makmur Tbk. Mr. Ng was most recently re-elected on June 30, 2022.

**Business and Professional Background/ Experience:**

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

**Directorship in Other Listed Companies in the Philippines:**

- a. PXP Energy Corporation - Non-Executive Director

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

**Age:** 53

**Date of First Appointment:** January 30, 2019

**Academic Background:**

Mr. Chan received a BBA (Hons) degree from Hong Kong Baptist University and an MBA from the Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a CFA Charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has experience in auditing, accounting, finance and management spanning a diverse range of business activities. Mr. Chan was re-elected on June 30, 2022.

**Business and Professional Background/ Experience:**

Mr. Chan joined First Pacific in 1996 from KPMG. Prior to his appointment as Executive Vice President, Group Financial Controller in April 2019, Mr. Chan was Vice President, Group Financial Controller.

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

**Age:** 67

**Date of First Appointment:** December 7, 2009

**Academic Background:**

Ms. Aquino was educated at the University of Santo Tomas (A.B.) and University of the Philippines (LL.B., cum laude). and admitted to the practice of law in the Philippines in 1981.

**Business and Professional Background/ Experience:**

Ms. Aquino joined Sycip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989. Mr. Aquino's practice focused on banking, finance and securities, construction and infrastructure, investments, mergers and acquisitions, and mining and natural resources. Ms. Aquino is a Director of Philex Mining Corporation, Philex Gold Philippines, Inc., PXP Energy Corporation, Silangan Mindanao Mining Company, Inc., Lepanto Consolidated Mining Company and Maynilad Water Services, Inc. She was also appointed as Chief Legal Counsel of PLDT in December 2018. Ms. Aquino was most recently re-elected on June 30, 2022.

**Directorship in Other Listed Companies in the Philippines:**

- a. PXP Energy Corporation - Non-Executive Director
- b. Lepanto Consolidated Mining Company - Non-Executive Director

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

**Age:** 85

**Date of First Appointment:** December 7, 2009

**Academic Background:**

Mr. Hilado, a Certified Public Accountant, completed his undergraduate studies at the De La Salle College-Bacolod in 1958 and obtained his Master's degree in Business Administration from the Harvard School of Business Administration (Smith Mundt/Fulbright Scholar) in 1962. He received a Doctorate in Business Management, Honoris Causa, from the De La Salle University in 1992 and a Doctorate of Laws, Honoris Causa, from the University of St. La Salle in 2003.

**Business and Professional Background/ Experience:**

Mr. Hilado has been an Independent Director of Philex Mining since December 7, 2009 and was most recently re-elected on June 30, 2022. Mr. Hilado holds the following positions: Chairman of Philippine Investment Management (PHINMA), Chairman Emeritus of Phinma Corporation, Vice-Chairman of Phinma Property Holdings Corporation and Union Galvasteel Corporation. Chairman of the Executive Committee of Phinma Corporation. Director of Philex Mining Corporation, Rockwell Land Corporation, A. Soriano Corporation, Roxas Holdings, Inc. Smart Communications, Inc., Phinma Solar Energy Corporation, Philippine Cement Corporation, Phinma Education Holdings, Inc., Araullo University, Inc., Cagayan de Oro College, Inc., University of Iloilo, Inc., University of Pangasinan, Inc., Southwestern University, Phinma Hospitality, Inc., United Pulp and Paper Company, Inc., Digital Telecommunications Philippines, Inc., Seven Seas Resorts and Leisure, Inc., Beacon Property

Ventures, Inc., Cebu Light Industrial Park, Inc., Pueblo de Oro Development Corporation, Manila Cordage Company, and Metro Pacific Investments Corporation.

**Directorship in Other Listed Companies in the Philippines:**

- a. PHINMA Corporation – Chairman Emeritus
- b. A. Soriano Corporation – Independent Director
- c. Rockwell Land Corporation – Independent Director
- d. Roxas Holdings, Inc. – Independent Director
- e. Metro Pacific Investments Corporation – Independent Director

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

**Age:** 76

**Date of First Appointment:** June 29, 2011

**Academic Background:**

Mr. Paras completed his undergraduate studies at the University of the Philippines in 1969 with Bachelor of Science, Industrial Pharmacy and his Master in Business Administration at the De La Salle University in 2001. He also completed an Executive Program at the University of Michigan at Ann Arbor, Michigan, USA.

**Business and Professional Background/ Experience:**

Mr. Paras has been an Independent Director of Philex Mining since June 29, 2011 and was reelected on June 30, 2022. He is currently an Independent Director of RLC REIT INC. He is also a senior adviser to the Board of Trustees of Dualtech Training Foundation Inc. and is a teaching fellow at the Institute of Corporate Directors Inc. Mr. Paras was previously the Executive Vice-President, Chief Operating Officer and Director of JG Summit Petrochemical Corporation, President and Director of PT Union Carbide Indonesia, Managing Director of Union Carbide Singapore, Business Director, Union Carbide Asia Pacific, and President of Union Carbide Philippines.

**Directorship in Other Listed Companies in the Philippines**

RLC REIT INC. – Independent Director

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

**Age:** 68

**Date of First Election:** June 26, 2013

**Academic Background:**

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

**Business and Professional Background/ Experience**

Ms. Migallos was elected to the Board of Directors of the Company and PGPI on June 26, 2013, and was most recently re-elected on June 30, 2022. She has been the Company's Corporate Secretary since 1998. She is also the Corporate Secretary and former Director of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos is also Director of Mabuhay Vinyl Corporation since 2000, Philippine Resins Industries since 2001, Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005, Nickel Asia Corporation since 2010, and Alliance Select Foods International, Inc. since 2015. She is a professional lecturer in Corporations Law, Securities Regulation and Commercial 1 and 2 at the De La Salle University College of Law, and heads its Mercantile Law Department. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006.

**Directorship in Other Listed Companies in the Philippines**

- a. Mabuhay Vinyl Corporation - Non-Executive Director

**9. ROLANDO L. MACASAET** *Non-Executive Director*

**Age:** 62

**Date of First Election:** February 23, 2023

**Academic Background:**

Mr. Macasaet holds a Bachelor of Science in Business Economics, Cum Laude, from the University of the Philippines and has earned a Master of Business Administration- Honors Program from the same university. He also finished an Executive Program in Finance at Columbia University in New York, and a Diploma in Management Development at Harvard Business School in Boston, Massachusetts.

**Business and Professional Background/ Experience:**

Rolando Ledesma Macasaet formally assumed the post as the 20th head of Social Security System (SSS) on January 05, 2023. PCEO Macasaet previously held the position of President and General Manager of the Government Service and Insurance System (GSIS) from 2019 to 2022, and as the Chairperson of the GSIS' Board of Trustees in 2018. Prior to joining the SSS, Macasaet had an extensive experience in public service as he served in various leadership capacities in several Government-Owned and Controlled Corporations (GOCCs) from 1988 to 2005, such as the Philippine National Construction Corporation, Dasmariñas Industrial Steel Corporation, Skyway Corporation, and Tierra Factors Corporation. Moreover, he has more than two decades of professional experience in financial services, banking, and public-private partnerships, most of it under the Philippine National Bank (PNB). His work in PNB included postings overseas as Vice President and General Manager in Los Angeles, California (USA) and as Regional Vice President-ASEAN in Singapore. His other stints in the banking sector included a two-year service as Corporate Account Manager at BMO Bank of Montreal, Vancouver and as President and Vice Chairman of the Philippine Postal Bank from 2005 to 2007. He also served as a Board Member of various companies such as San Miguel Corporation, Bank of Commerce, Private Infrastructure and Development Corporation, and PCI Bank. He further served as Director of the Asian Infrastructure and Investment Bank (AIIB) in Beijing (China's counterpart of the World Bank and Asian Development Bank).

**Directorship in Other Listed Companies in the Philippines:**

- a. Union Bank of the Philippines, Inc. – Non-Executive Director

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

**Age:** 76

**Date of First Appointment:** February 28, 2017

**Academic Background:**

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

**Business and Professional Background/ Experience:**

Ms. Quitain was first elected to the Company's Board of Directors on February 28, 2017, and most recently re-elected on June 30, 2022. She is Commissioner of the Social Security Commission since her appointment in 06 October 2016. She is also Director of First Philippine Holdings, Inc. since March 2018. She was an employee of the Social Security System (SSS) for 31 years assigned to the Main Office of Region 09 in Davao City, where one of her major achievements was taking charge of the operations of the then newly-opened SSS

Representative Office in Digos City, Davao del Sur as Office-in-Charge. She stayed there for five (5) years where she conducted seminars and coverage drives, especially in rural areas, aside from discharging management and leadership functions in the Representative Office.

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

**Directorship in Other Listed Companies in the Philippines:**

- a. First Philippine Holdings, Inc. – Non-Executive Director

**11. BAI NORHATA D. M. ALONTO, *Non-Executive Director***

**Age:** 72

**Date of First Appointment:** February 24, 2021

**Academic Background:**

Ms. Alonto holds a Masters degree in Psychology from the University of the Philippines (1976), and a major in Psychology from the Philippine Women's University (1970).

**Business and Professional Background/ Experience:**

Ms. Alonto was appointed as Director on February 24, 2021 and re-elected on June 30, 2022. She was appointed Commissioner of the state-run Social Security System in December 2019, and member of the Information Technology & Collection and Coverage Committee, and the Executive Committee. She is a member of the Board of Directors of Ionics, Inc. and Philamlife Tower.

Ms. Alonto is currently the President of the Philippine Muslim Women Council, Vice President of the 16th President Cabinet Spouses Foundation, and Regional Governor of the National Council of Women in the Philippines. Ms. Alonto was Head Secretariat of the All Moro Convention, Mindanao, in November 2017. Ms. Alonto was the proponent in the issuance of the first Presidential Declaration on Eid'l Fitr non-working national holiday; the establishment of Muslim prayer areas in all international and domestic airports; memorandum order obliging hospitals to release in 6 hours but not later than 12 hours the cadaver of a Muslim patient; and the Department Order exempting Muslim students from participating in non-Islamic activities and allowing them to wear their traditional Islamic attire, among others.

Ms Alonto was Executive Assistant V / Chief of Staff to the Chairman of the Mindanao Development Authority from October 2017 - May 2019. She was the Focal Person for foreign-assisted development programs for the Bangsamoro under the Office of the Chairman, Mindanao Development Authority. Ms. Alonto was a Member of the Board of Directors of the ARMM Social Fund Board from 2003-2004, and the Bataan Shipyard and Engineering Corporation from 2003-2004. She was Commissioner of the Presidential Commission for Urban Poor from 2001-2002, Presidential Assistant for Muslim Mindanao from 1999-2001. Ms. Alonto also held various positions in the College Instructor, College of Arts and Sciences, Mindanao State University.

**Directorship in Other Listed Companies in the Philippines:**

- a. IONICS, Inc.

**Directorships in Other Publicly-Listed Companies**

Name	Listed Company	Type of Directorship
Manuel V. Pangilinan	PLDT, Inc. Metro Pacific Investments Corp.	Non-Executive Executive

	Roxas Holdings, Inc. Manila Electric Company PXP Energy Corp.	Non-Executive Non-Executive Non-Executive
Eulalio B. Austin, Jr.	PXP Energy Corp.	Non-Executive
Joseph H. P. Ng	PXP Energy Corp.	Non-executive
Marilyn A. Victorio-Aquino	PXP Energy Corp. Lepanto Consolidated Mining Company	Non-Executive Non-Executive
Oscar J. Hilado	PHINMA Corp. A. Soriano Corporation Rockwell Land Corporation Roxas Holdings, Inc. Metro Pacific Investments Corporation	Non-Executive Independent Independent Independent Independent
Wilfredo A. Paras	GT Capital Holdings, Inc.	Non-Executive
Barbara Anne C. Migallos	Mabuhay Vinyl Corp.	Non-Executive
Rolanda L. Macasaet	Union Bank of the Philippines	Non-Executive
Anita Bumpus Quitain	First Philippine Holdings, Inc.	Non-Executive
Bai Norhata D. M. Alonto	IONICS, Inc.	Non-Executive

#### Executive Officers

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

**EULALIO B. AUSTIN, JR.** – 61, Filipino citizen. Mr. Austin has been a Director of PMC and PGPI since June 29, 2011 and was re-elected on June 30, 2022. He became President and Chief Operating Officer on January 1, 2012 and President and Chief Executive Officer of the Company on April 3, 2013. He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998.

Mr. Austin concurrently serves as Director of PXP Energy Corporation and Silangan Mindanao Mining Co., Inc. Outside of Philex Mining, he is a member of the Chamber of Mines of the Philippines' Board of Trustees. Mr. Austin also sits as a member of the Executive Committee of the Board of Trustees and serves as the Chairman of the Membership Committee as well as the Towards Sustainable Mining Initiative Committee. He is a Competent Person (CP) for Copper and Gold Deposit by the Philippine Society of Mining Engineers under the PMRC guidelines. He was awarded 2021 Outstanding Professional of the Year in the Field of Mining Engineering by the Professional Regulation Commission of the Philippines. Also in 2016, he was awarded Most Outstanding Engineer in Mine Management by the Philippine Society of Mining Engineers (PSEM), aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last December 14, 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

**BARBARA ANNE C. MIGALLOS** – 68, Filipino citizen. Ms. Migallos has been a Director of the Company and PGPI since June 26, 2013 and was re-elected on June 30, 2022. She is also the Company's Corporate Secretary since July 1998. Ms. Migallos is also Director and Corporate Secretary of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. and Lascogon Mining Corporation. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos has also been a Director of Mabuhay Vinyl Corporation since 2000 and the Philippine Resins Industries since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005 and Nickel Asia Corporation since 2010. She is also a professorial lecturer in insurance law and securities regulation law at the De La Salle University College of Law. Ms. Migallos graduated cum laude from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as cum laude (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

**ROMEO B. BACHOCO** - 62, Filipino Citizen. Mr. Bachoco has been appointed as the Company's Senior Vice President for Finance, Chief Finance Officer and Treasurer since August 2019. He is a seasoned corporate professional with a diverse background in finance and commercial operations. He previously held the following senior management positions namely as Chief Operating Officer of XRC Mall Developer, Inc. (XentroMalls), Executive Vice-President and Head of Retail and Business Development of Seaoil Philippines, Inc., Executive Vice-President and Chief Operating Officer of Double Dragon Properties Corp., Executive Vice-President and Chief Finance Officer of Golden Arches Development Corp. (McDonalds Philippines) and Eastern Telecommunications Philippines. Mr. Bachoco graduated Cum Laude with a Bachelor of Science Degree in Business Administration, Major in Accounting, from the University of the Philippines Visayas and is a licensed Certified Public Accountant. He also obtained his Master in Business Administration from the Ateneo Graduate School of Business under the Ateneo-Regis Program. He is also a visiting professional lecturer in financial management at the Ateneo Graduate School of Business.

**VICTOR A. FRANCISCO** – 58, Filipino citizen. Mr. Francisco has been Vice President for Environment and Community Relations since January 2, 2009. He was previously Group Manager for Corporate Environment and Community Relations in 2007, Department Manager–Corporate Environment and Community Relations in 1999 and Assistant Manager –Corporate Environmental Affairs in 1997. Mr. Francisco completed a Bachelor of Science Degree in Community Development at the University of the Philippines in 1987. He also obtained a Master's in Environmental Science and Management degree at the University of the Philippines campus in Los Banos, Laguna in 1995.

**WINSTON S. CRUZ** – 51, Filipino citizen. Mr. Cruz has broad experience with both the Government and the private sector. He was formerly with J.G. Summit Holdings as the Director of the Corporate Outsourcing Group, and is currently the Chairperson of the Labor Policy Reforms and Industrial Relations Committee of the People Management Association of the Philippines (PMAP). Atty. Cruz has worked with the BCDA on various projects, including the SCTEX, Clark, and John Hay. He graduated from the U.P. College of Law in 2000.

**RICARDO S. DOLIPAS, II** – 50, Mr. Dolipas was appointed as Vice President – Operations effective 1 January 2023. Mr. Dolipas holds a degree in Bachelor of Science in Mining Engineering from St. Louis University and ranked eighth in the 1993 Mining Engineer's Licensure Examination. He attended numerous trainings, conferences, and seminars, in the Philippines, Greece, Australia, and Canada. He joined the Company in 1994 as a Cadet Engineer and held various positions such as Geotechnical Engineer, Rock Mechanics Engineer, Rock Mechanics and Development Planning Superintendent, Department Manager for Mine Engineering and Draw Control, Mine Operations Group Manager, Mine Division Manager, General Manager for Technical Services and OIC of Padcal Operations. Mr. Dolipas is a competent person under the definition of the Philippine Mineral Reporting Code (PMRC). He has extensive training and experience in mechanized block caving particularly in the fields of rock mechanics both underground and surface, mine planning and design, mine development, mine production, block cave, and geotechnical software utilization.

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

The Company is not aware of any adverse events or legal proceedings during the past five (5) years that are material to the evaluation of the ability or integrity of its directors or executive officers.

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

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

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

### Market Information

The registrant's common equity is traded in the Philippine Stock Exchange under the ticker symbol "PX". The Company's public float as of March 31, 2023 is 33.97%.

The average quarterly stock prices for the Company's common shares for the last three fiscal years and the first quarter of 2023 are as follows:

Year	Period	Php per Share	
		High	Low
2023	1Q 2023	3.32	2.79
2022	1Q 2022	6.68	4.91
	2Q 2022	5.50	3.30
	3Q 2022	3.60	2.46
	4Q 2022	3.08	2.16
2021	1Q 2021	6.86	5.04
	2Q 2021	7.50	4.50
	3Q 2021	6.99	4.98
	4Q 2021	5.68	4.63
2020	1Q 2020	3.31	1.85
	2Q 2020	2.72	1.97
	3Q 2020	4.34	2.52
	4Q 2020	6.50	3.92
2019	1Q 2019	4.46	3.15
	2Q 2019	3.84	2.86
	3Q 2019	4.22	3.38
	4Q 2019	3.76	2.65

The Company's stock was traded at Php2.73 per share as of May 26, 2023.

### Holders

The Company has 43,896 shareholders as of April 30, 2023, with total issued and outstanding shares at 5,782,399,068 of which 36.17% are held by foreign nationals and entities.

The Top 20 shareholders of the Company as of April 30, 2023 are listed below:

	Name	Nationality	No. of Shares Held	Ownership
1	PCD Nominee Corporation	Filipino	1,400,755,662	24.22%
2	Social Security System	Filipino	1,123,776,355	19.43%
3	Asia Link B.V.	Dutch	1,023,275,990	17.70%
4	Two Rivers Pacific Holdings Corp.	Filipino	738,871,510	12.78%
5	PCD Nominee Corporation	Non-Filipino	409,085,530	7.07%
5	Maxella Limited	British	239,479,900	4.14%
7	Kirtman Limited	British	192,011,062	3.32%
8	Artino Limited	British	37,822,400	0.65%

9	The First National Investment Co. Inc.	Filipino	12,195,042	0.21%
10	Makati Supermarket Corp.	Filipino	8,353,226	0.14%
11	Estate of Eudaldo Boix	American	5,025,422	0.09%
12	Philippine Remnants Co., Inc.	Filipino	4,875,000	0.08%
13	Manuel V. Pangilinan	Filipino	4,655,000	0.08%
14	CHS Capital Holding Corp	Filipino	4,500,000	0.08%
15	Pao Frank	Foreign	3,639,260	0.06%
16	Estate of Eudaldo Boix and Petra Hernando	American	3,093,203	0.05%
17	De Ugarte &/Or Elena E. De Ugarte Paulino	Filipino	3,068,143	0.05%
18	Berck Y. Cheng or Alvin Y. Cheng or Diana Y. Cheng or Cheryl Y.Cheng	Foreign	3,047,500	0.05%
19	Reif Carol Joan	American	2,974,086	0.05%
20	Pettyfer Robin John	Canadian	2,644,747	0.05%

### Dividends

Starting from 2010, the Company's Board of Directors adopted a policy to declare cash dividend at 25% of the Company's core net income should the circumstances allow for its declaration.

There are no restrictions other than those imposed under the Revised Corporation Code. Future fundraising activities of Philex, however, may result in the imposition of certain conditions, as may be required by third parties. Fundraising activities and any such conditions will be duly disclosed once known, consistent with PSE and SEC rules.

Below shows the Company's dividend payout history since 2020:

<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount Per Share</b>
February 27, 2020	March 13, 2020	March 27, 2020	Php0.01
February 24, 2021	March 12, 2021	March 26, 2021	Php0.059
March 4, 2022	March 21, 2022	April 3, 2022	Php0.05
February 23, 2023	March 13, 2023	March 24, 2023	Php0.02

None of Philex's subsidiaries declared dividends in the past three (3) years.

## **VII. Compliance with Leading Practices on Corporate Governance**

### Vision and Mission

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

### Governance Statement

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

The Company has adopted a Manual of Corporate Governance and is generally compliant with the Code of Corporate Governance of the Securities and Exchange Commission and Corporate Governance Guidelines of the Philippine Stock Exchange, including all other pertinent regulations for publicly-listed entities. The Company is a recipient of a 3-Golden Arrow Award in the 2022 ACGS Golden Arrow Awards by the Institute of Corporate Directors recognizing the top-performing Publicly Listed Companies (PLCs) in the Philippines based on the ASEAN Corporate Governance Scorecard (ACGS) 2021 results.

COVER SHEET

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SEC Registration Number

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S	U	B	S	I	D	I	A	R	I	E	S																					

(Company's Full Name)

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

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

ROMEO B. BACHOCO									
(Contact Person)									

(632) 8631-13-81									
(Company Telephone Number)									

1	2	3	1
Month		Day	
(Calendar Year)			

1	7	-	A	
(Form Type)				

0	6	2	8
Month		Day	
(Annual Meeting)			

Not Applicable
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(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

43,901
Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number							

LCU

Document ID							

Cashier

STAMPS									
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Remarks: Please use BLACK ink for scanning purposes.

S.E.C. Number 10044  
File Number \_\_\_\_\_

PHILEX MINING CORPORATION  
(Company's Full Name)

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

631-1381 to 88  
(Telephone Numbers)

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

SEC FORM 17-A  
Form Type

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Amendment Delegation (If applicable)

December 31, 2022  
Period Ended Date

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(Secondary License Type and File Number)

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2022**
  2. SEC Identification Number **10044**
  3. BIR Tax Identification No. **000-283-731-000**
  4. Exact name of issuer as specified in its charter: **PHILEX MINING CORPORATION**
  5. **Philippines**  
Province, Country or other jurisdiction of incorporation or organization
  6.  (SEC Use Only) Industry Classification Code:
  7. **2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila**  
Address of principal office Postal Code **1550**
  8. **(8 632) 631-1381 to 88**  
Issuer's telephone number, including area code
  9. \_\_\_\_\_  
Former name, former address, and former fiscal year, if changed since last report
  10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 & 8 of the RSA
- | <u>Title of Each Class</u>                               | <u>Number of Shares of<br/>Common Stock Outstanding<br/>and Amount of Debt Outstanding</u> |
|--|--|
| <b>Common shares, P1 par value (as of Dec. 31, 2022)</b> | <b>5,782,399,068</b>   |
| <b>Debt Outstanding (as of December 31, 2022)</b>        | <b>P7.525 Billion</b>  |
11. Are any or all of these securities listed on a Stock Exchange?  
Yes [ ☒ ]    No [ ☐ ]  
  
If yes, state the name of such stock exchange and the classes of securities listed therein:

<b><u>Philippine Stock Exchange</u></b>	<b><u>Common Shares</u></b>
---	-----------------------------
  12. Check whether the issuer:
    - (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a) – 1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the issuer was required to file such reports).  
Yes [ ☒ ]    No [ ☐ ]
    - (b) has been subject to such filing requirements for the past 90 days.  
Yes [ ☒ ]    No [ ☐ ]
  13. Aggregate market value of the voting stock held by non-affiliates: Php18.793 billion based on closing price at the Philippine Stock Exchange on April 11, 2023.

## **PART 1 - BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

#### **Company Overview**

Philex Mining Corporation (the “Company” or “Philex Mining”) was incorporated in the Philippines on July 19, 1955 to engage in mining, and was listed in the Philippine Stock Exchange on November 23, 1956. Philex Mining currently bears the code name “PX”.

The Company and its subsidiaries and associate are organized into two main business groupings: the mining business, which is directly under Philex Mining Corporation, Philex Gold Philippines, Inc. (“PGPI”), Silangan Mindanao Exploration Co., Inc. (“SMECI”) and Silangan Mindanao Mining Co., Inc. (“SMMCI”), and the energy and hydro-carbon business under PXP Energy Corporation (“PXP Energy”), a 30.4% owned Company.

The Company and its wholly-owned subsidiaries namely, PGPI, SMECI and SMMCI (through SMECI), are primarily engaged in large-scale exploration, development and utilization of mineral resources in the Philippines.

#### **Business**

##### Mining

Since 1958, the Company has been operating the Padcal Mine in Benguet Province, Island of Luzon, Philippines, employing the underground block cave mining method, and producing copper concentrates containing gold, copper, and silver. This has been the primary source of revenue of the Company for over 64 years.

On June 25, 2021, the Padcal Mine life has been extended for two years up to December 31, 2024. The extension of the mine life is due to additional reserves from mineral resources delineated around the current mining level. This was attributed to higher metal prices in which marginal grade ore could still be mined at a profit.

On December 7, 2022, the life of Padcal Mine was extended for another three years from December 31, 2024 to December 31, 2027. The extension was finalized after the completion of confirmatory drillings on the ore body, technical studies on the mining methodology and Tailings Storage Facility (TSF) No. 3, leading to the successful identification of additional mineable reserves feasible for mining up to December 31, 2027. The updated remaining mineable reserves as of cut-off date of October 31, 2022 were estimated at 42 million tonnes with an average gold and copper grades of 0.22 grams per tonne (g/t) and 0.17%, respectively. The total recoverable gold was estimated at 233,000 ounces while the total recoverable copper was estimated at 127.4 million pounds. The new estimate included remaining reserves from the previously declared mineable reserves as of December 31, 2021 aggregating to 24.9 million tonnes with an average gold and copper grades of 0.23 g/t and 0.18%, respectively.

The latest extension of the life of Padcal Mine would provide the continuous employment of more than a thousand employees as well as sustain the necessary assistance given to the social development of the host and neighbouring communities. The extension will also allow a smooth transition to the start of the commercial operation of the Silangan Project estimated to commence in early 2025 in response to the global demand for green metals and the government’s call for mineral resources development to be a driver for national growth and economic recovery.

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

SMECI, through SMMCI, completed the acquisition of the Silangan Copper and Gold Project ("Silangan Project") situated in Surigao del Norte, Northeastern Mindanao in 2010. The Silangan Project is considered one of the current three large scale projects seen in the country to become a major copper producer. Its tenements consist of two main ore deposits – Boyongan and Bayugo.

The Boyongan ore deposit is wholly owned by SMMCI and will be developed as Phase I of the Silangan Project. The Bayugo ore deposit will be developed as Phase II, consisting of Bayugo-Silangan deposit, as Phase II-A, and Bayugo-Kalayaan deposit as Phase II-B. The Bayugo-Silangan, Phase II-A, is wholly owned by SMMCI while the Bayugo-Kalayaan, Phase II-B, is under a joint venture with Manila Mining Corporation, and its subsidiary, Kalayaan Copper Gold Resources, Inc. and Philex Mining, where Philex Mining currently holds 5% interest in the joint venture and the option to further increase its stake up to 60%.

In July 2019, SMMCI approved the definitive feasibility study (DFS) prepared by its consultants, Ausenco of Australia, for an underground sub-level cave mining method for the Silangan Project yielding 81 million tonnes (Mt) high-grade copper and gold ore reserves out of 279 Mt of mineral resource estimates for the Boyongan ore deposit containing high-quality copper and gold grades. Including the Bayugo deposit, the Project's total mineral resource is estimated to be 571 Mt. The search for investors continues and is faced with the challenges in light of the global Covid-19 pandemic.

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 October 2021.

In December 2020, the DENR approved the renewal for another 25-year term of MPSA No. 149-99-XIII. The additional 25-year term shall commence from December 29, 2024 subject to the same terms and conditions provided under the MPSA and the applicable laws, rules and regulations that are existing or may be promulgated and the continuing compliance therewith from the date of the DENR's order up to the expiration of the initial term of MPSA No. 149-99-XIII.

In July 2021, the Board of Directors (BOD) of the Parent Company and SMMCI approved the in-phase plan execution strategy of the Silangan Project. With the plan, the capital expenditure requirement will be made in stages, and to be funded from a variety of potential investors including internally-generated cash and through equity and debt financing from various investors and creditors.

In January 2022, the Company completed the In-Phase Mine Plan feasibility study and updated the mineable reserve estimate for the Boyongan deposit in accordance with the 2012 Philippine Mineral Reporting Code ("PMRC"). Under the In-Phase Mine Plan, Silangan is expected to commence operation with a starter sub-level cave mine using copper and gold leaching processes with ore production of 2,000 tonnes per day or about 700 thousand tonnes per year for the first 5 years, then ramp up to 4,000 tonnes per day or 1.3 million tonnes (Mt) per year up to year 8. Starting year 9 when copper flotation circuit will be added to the process plant, ore production and processing rates will further increase to 8,000 tonnes per day or 2.7 Mt per year before the final ramp up to 12,000 tonnes per day or 4 Mt per year on year 12. Based on the study, the life of mine for the Boyongan deposit under Phase 1 is 28 years with estimated

total mineable reserves of 81 Mt at 0.67% copper and 1.13 grams per tonne gold, containing estimated metals of 2.8 million ounces of gold and 993 million pounds of copper.

The initial capital to develop the starter mine of the Silangan Project over 2.5 years is estimated at US\$224 million which will be raised in a number of ways including Stock Rights Offering (SRO), debt and fresh capital infusion out of Philex's cash reserves. The stock rights offering was completed by Philex with the listing of the 842 million shares on August 3, 2022. A total of Php2.65 billion was raised from the Philex SRO, the net of which amounting to Php2.58 billion has been invested by Philex in early October 2022 into the Silangan Project under Silangan Mindanao Mining Co., Inc., through Silangan Mindanao Exploration Co. Inc., as partial funds to finance the initial capital cost of the project. The Front End Engineering and Design ("FEED") works for the mine, process plant and tailings storage facility were completed by 3Q2022. Excavation for the portal boxcut commenced in May 2022 and was completed as well by January 2023. Installation of ground supports is still ongoing and is targeted to be completed by 2Q2023. Upon completion of the boxcut and portal, development of the decline to the orebody will commence. Advanced mine dewatering continued this year from 4 existing dewatering wells. Meanwhile, drilling of 9 new wells were completed and pumps are currently being purchased so that pumping could also be undertaken. The 2 remaining new wells were completed in 1Q 2023. Based on the In-Phase Mine Plan, the commercial operations of the Project is targeted 1Q2025.

The Company, through BDO Capital, is currently undertaking the debt syndication exercise as part of the overall funding plan to finance the initial capital of the In-Phase Mine Plan. The syndication program is targeting to raise syndicated loan from local financial institutions up to US\$170 million.

#### Oil and Gas

The Company currently owns 30.4% of PXP Energy Corporation from the previous 19% following the additional subscription by the Company in PXP Energy in 2018. Philex Mining entered into a subscription agreement with PXP Energy for 260 million shares of PXP Energy at Php11.85 per share, for a total consideration of Php3.081 billion, resulting to the largest single shareholding of 30.4%. The subscription has been fully paid in July 2021. This transaction forms part of the Company's long-term growth strategy which includes deploying assets into value-accretive ventures.

#### **Corporate Objectives**

<b>2023 to 2027</b>
<p>Padcal Operational Efficiency Improvement to Support further Mine Life Extension</p> <ul style="list-style-type: none"> <li>• Optimizing further the periphery of the orebody to take advantage of the existing infrastructures and relatively high metal prices</li> <li>• Enhanced current equipment</li> <li>• Pursue power optimization improvements</li> </ul>
<p>Advancing Ground Works under the Development Phase of the Silangan Project</p> <ul style="list-style-type: none"> <li>• Driving of the main decline to access the orebody</li> <li>• Awarding of critical contract works – mill processing plant and tailings storage facility (TSF)</li> <li>• Commence TSF construction, road networks and other critical mine surface infrastructures</li> </ul>
<p>Broaden Interests into the Green Metal Space</p> <ul style="list-style-type: none"> <li>• Development of existing nickel prospects</li> <li>• Evaluation of other mining assets / projects around Padcal Mine</li> <li>• Wider search on green metal prospects to address the issue on global warming</li> </ul>
Others

- Intensification of ESG Advocacies
- Continued promotion of Right and Principled Mining

## Product, Distribution and Customers

For the past 65 years, the Company has operated the Sto. Tomas II ore deposit at Padcal, Tuba, Benguet Province – the first underground block cave mining operation in the Far East.

The Company's Padcal Mine produces copper concentrates, containing copper, gold and silver. Total ore extracted and processed from start of operation to 2022 aggregated to 449.124 million tonnes, producing 2.408 billion pounds of copper, 6.458 million ounces of gold, and 7.051 million ounces of silver.

Based on the Sales Agreement entered into between the Company and Pan Pacific Copper Co., Ltd. ("Pan Pacific") in March 2004, 60% of the Company's annual copper concentrate production, approximately 40,000 dry metric ton of current production level, is committed to Pan Pacific up to contract year April 2019 to March 2020. From April 2020 to March 2022, the allocation of Pan Pacific will become 40% to 70% at the discretion of the Company with the balance either negotiated to other buyers or bidded out. Pan Pacific is a major Japanese smelting and refining company jointly established by JX Nippon Mining & Metals Corporation and Mitsui Mining & Smelting Co., Ltd.

Pan Pacific processes the concentrates through its smelter plants and produces products, such as refined copper and precious metals. Pan Pacific is one of the leading buyers of copper concentrates in the world, procuring approximately 1.8 million tonnes of copper concentrates annually from around the world. Compared to this huge volume, the Company's shipments to Pan Pacific are relatively insignificant.

For the contract period covering April 2018 to March 2019, shipments outside the Pan Pacific contract were awarded to Transmine S.A. after a bidding conducted in February 2018. From April 2019 to March 2020, the remaining shipments were given to IXM S.A. (formerly Louis Dreyfuss Commodities Metals Suisse S.A.) through a negotiated contract. For the next two contract years, April 2020 to March, 2021 and April 2021 to March 2022, IXM S.A. consecutively won the bidding and was awarded the shipments outside of the PPC agreement.

For the contract years within 2019 to 2021, 100% of shipments were made to Japan under PPC contract or indirectly thru IXM S.A. While for the contract year, 2018 to 2019, in addition to shipments to PPC and IXM S.A., the Company also shipped copper concentrate to Korea and China through Transamine S.A.

With the expiration of the long-term PPC contract in March 2022, bidding results were awarded to the three best bidders namely: IXM S. A., Pan Pacific, and a new buyer, Trafigura Pte. Ltd. The total 60,000 DMT for the contract year April 2022 to March 2023 were equally divided to the three best bidders. All IXM S. A. concentrates were shipped to PPC, while Trafigura's share were all shipped to Qingdao, China.

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

The breakdown of gross revenues per metal are as follows:

	<b>2022</b>		<b>2021</b>		<b>2020</b>		<b>2019</b>	
<i>(in Php Millions)</i>	Amount	%	Amount	%	Amount	%	Amount	%
Gold	4,625	46%	4,885	46%	4,794	57%	3,740	50%

Copper	5,383	53%	5,516	53%	3,579	42%	3,592	49%
Silver	80	1%	87	1%	77	1%	67	1%
Total	10,088	100%	10,488	100%	8,450	100%	7,399	100%

## Competition

The Company's sales of copper concentrates are based on internationally accepted pricing in the world market available from the London Metal Exchange (LME). Occasional shipments of gold bullion are valued based on quoted gold prices from the London Bullion Metal Association. Since no one mine can affect international metal prices, competition among mining companies is virtually non-existent.

The main products of Philex Mining are copper and gold. These are produced by Philex Mining in the form of "semi-finished products" called copper concentrates that contain both the copper and gold. The concentrates are sold to smelting companies or international precious and industrial metal commodity traders and are priced based on the copper and gold content standards of the concentrates and spot prices reference to the LME and/or the London Bullion Market Association. The demand for precious and industrial metals in the global market is influenced by many factors such as trends in the manufacturing and construction sectors, industrialization, new technologies that use copper, inflation and interest rates, economic development of countries, ability to start a new producing mine, or regulatory environment of jurisdictions where mines operate. There is no one specific precious and industrial metal producer that controls the availability and prices of copper and gold. Philex Mining's ability to sell its copper concentrates to the international commodity traders or smelter companies is highly dependent on its capacity to produce these concentrates. There is always a ready market of its products.

Other producers of Copper and Gold in the Philippines are Didipio Mine operated by OceanaGold Philippines Incorporated (OGPI), Masbate Gold operated by Filminera Resources Corporation/Philippine Gold Processing and Refining Corporation, Carmen Copper Corporation, Lepanto Consolidated Mining Company and Apex Mining Co., Inc. However, we do not consider them as competitors because all of Philex Mining's products are readily sold to many international commodity traders and smelter companies and the market is able to accommodate all players, without need for them to compete with each other.

## Sources and Availability of Raw Materials and Supplies

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

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

grinding balls, copper flotation reagents including lime, major equipment spare parts, conveyor belts and off-the-road (“OTR”) tires.

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

Electrical power to run the Padcal Mine is currently supplied by Advent Energy, Inc., an affiliate of Aboitiz Power Corporation, effective December 26, 2022 for a period of five (5) years up to December 25, 2027. The National Grid Corporation of the Philippines provides the transmission lines for the delivery of power to the mine. Diesel fuel is used mostly for the Load-Haul-Dump (“LHDs”) equipment and Low Profile Trucks (“LPTs”) in the underground operations. This equipment, mostly acquired from Sandvik, Epiroc, and Qingdao Fambition Heavy Machinery Co, LTD are utilized underground for the mine’s hauling and miscellaneous activities.

The maintenance of the Padcal Mine’s feeder belt conveyor and cable hauled conveyor system to transport the ore from underground to the mill is backed with a maintenance services contract with Prince ACE Corporation, a Philippine company that works closely with NEPEAN Conveyors, Bridon-Bekaert Ropes and JLV Industries - all Australian companies.

Coffey International Pty Ltd (Coffey) was hired by the Company in 2018 to provide geotechnical services for the design of the TSF3 Embankment Raising from 635mRL to 640mRL. Coffey completed the TSF3 geotechnical analysis in November 2019 and recommended that additional buttresses be built, the OSD and OSDE embankments be raised, and several geotechnical apparatuses be installed to protect the structures of TSF3 from potential damages caused by liquefaction. Philex contracted Delta Earthmoving Inc. to build the additional buttress and raise the offset dike and offset dike extension over two years beginning on February 1, 2023 to January 31, 2025, according to Coffey's specifications. The buttress was on completed in December of 2022. Additionally, Coffey recommended the development of the erosion mitigation measures at TSF3 in the form of rock armouring along all the slopes. Delta Earthmoving Inc. is engaged to do this rock armouring project, in addition to the raising of OSD and OSDE embankments to 647 until the end of 2024. The same company was also engaged for Subsidence Earthmoving Works beginning on January 1, 2023 until December 31, 2024.

The copper concentrates are the semi-finished product of Philex and is the result of the underground extraction of ores and the processing of these ores at the mill plant to produce the copper concentrates. Mining underground requires explosives and extensive use of mining equipment powered by both diesel and electricity. At the mill plant, extensive use of electricity is needed in the grinding and actual extraction of the copper concentrates from the refined ores.

The major suppliers of Philex which are both local and foreign suppliers are Toyo Grinding Ball Company Ltd (Japan) for grinding balls, Carmeuse Trading and Services S.A. (Vietnam), Tayabas Lime Industries and HT Mining Products Resources Corp. for lime, Epiroc Phils. Inc. and Qingdao Fambition Heavy Machinery Co, LTD (China) for LHDs and parts, Sandvik Philippines Inc., Petron for diesel fuel, Advent Energy, Inc. for power, Mount Rock Power Corp., Consolidated Explosives Group Corp., Orica Philippines Inc. for explosives, Prince Ace Corporation for conveyors belts and CHC parts, among others.

Our supply transactions are generally covered by a transaction specific purchase order valid for a certain period of time and for specific quantity. In the case of power supply, our supply agreement is for a period of 5 years, up to December 25, 2027.

Philex can source the needed materials and supplies, including equipment and parts from a variety of sources locally and abroad.

## Employees

The Company's total manpower headcount, including those of subsidiaries, is at 1,938 as of December 31, 2022 from 1,910 in 2021. For the Parent Company, headcount is 1,897 as of December 31, 2022 compared to 1,894 in 2021.

As of end of 2022, there are 71 head-office based employees and 1,837 operations and support personnel assigned in Padcal, Silangan, Sibutad, and Bulawan compared to headcount of 74 and 1,836, respectively, in 2021. Employee rank classifications are detailed below:

	2022	2021	2020	2019
Officers and Managers	101	96	97	101
Supervisors	496	497	499	487
Rank and File	1,341	1,317	1,331	1,293
Total	1,938	1,910	1,927	1,881

The overall average tenure of employees is 12 years, with an average age of 41 years old. Employee gender distribution was at 93% male and 7% female and this is attributed to the nature of the job being an underground mine. The Company anticipates increasing the number of probationary and regular employees under its subsidiary, SMMCI, as it continues its in-phase development of the Silangan Project within the ensuing twelve months.

Padcal Mine-based employees belong to two collective bargaining agents: the Philex Mines Independent Labor Union (PMILU) for rank-and-file employees (independent and un-affiliated) and the Philex Mining Supervisory Employees Union-Association of Professional Supervisory Office Technical Employees Union (Trade Union Congress of the Philippines) [PMSEU] (affiliated with the Trade Union Congress of the Philippines) for supervisors. Both Unions under the Padcal Mine operations are entering their CBA life – its fourth year this 2023 and are currently negotiating for wage only covering the remaining two years of their respective CBAs. An agree wage increase shall be added to the current year 2023 and 2024, the last year of their CBA

The head-office rank-and-file employees are members of the Philex Pasig Metro Manila Employees Union (PPMMEU). On November 18, 2021, the Company and PPMMEU signed a CBA with a term of September 1, 2021 to August 31, 2026. The CBA will be on its third year in 2023 and negotiation on the economic provisions for the remaining two years of the agreement is expected in 2024.

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

## Mining Properties and Royalty Agreements

PMC's mineral properties or tenements in the Padcal Mine and its vicinity have a total area of 11,924 hectares located within the municipalities of Tuba and Itogon in Benguet Province. These are all covered by existing mineral agreements and applications.

Padcal Mine, where Sto. Tomas II deposit is situated, is covered by MPSA 276-2009-CAR, valid up to January 19, 2034, with an area of 81 hectares. MPSA-276-2009-CAR was issued under the names of the heirs of Baldomero Nevada, Sr., Trinidad Nevada and Baldomero Nevada, Jr. (the "Nevadas"). The Nevadas transferred their rights to explore, develop and utilize the mineral property under the mineral agreements covered by MPSA-276-2009-CAR to PMC by virtue of a royalty agreement executed on August 29, 1955 for an indefinite term, in consideration of royalty payments of 1% for copper and 4% for gold and silver based on the net revenue of minerals after deducting smelting charges. In a Resolution dated January 17, 2008, the National Commission on Indigenous Peoples ("NCIP") issued a Certificate Pre-Condition for MPSA-276 in relation to the Padcal Mine operations.

Contiguous to the area covered by MPSA-276-2009-CAR are two other mineral agreements covered by MPSA-156-2000-CAR and MPSA-157-2000-CAR, both issued on April 10, 2000 and valid up to April 10, 2025, Exploration Permit (EP) No. 009-2021-CAR issued in December 10, 2021 and applications under EXPA-075-CAR, EXPA-078-CAR, and EXPA (unnumbered).

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

Tenement	Operator / Contractor	Area (in Hectares)	MPSA Date of Expiration
MPSA-156-2000-CAR	PMC	3,848	April 10, 2025
MPSA-157-2000-CAR	PMC	2,958	April 10, 2025
MPSA-276-2009-CAR	PMC	81	January 19, 2034
EP 009-2021-CAR	PMC	474	December 09, 2023
EXPA-075-CAR	PMC	262	n/a
EXPA-078-CAR	PMC	4,177	n/a
EXPA (unnumbered)	PMC	124	n/a
Total		11,924	

### Padcal Mine Mineral Resources

As of December 31, 2022

	Classification	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained	
					Copper (M lbs.)	Gold (ozs.)
782ML	Measured + Indicated	3.9	0.21	0.33	18.0	42,000
798ML	Measured + Indicated	65.0	0.20	0.27	280.0	560,000
<b>Subtotal</b>	<b>Measured + Indicated</b>	<b>68.9</b>	<b>0.20</b>	<b>0.27</b>	<b>298.0</b>	<b>602,000</b>
770-630ML	Measured + Indicated	140.0	0.17	0.30	550.0	1,400,000
<b>Total</b>	<b>Measured + Indicated</b>	<b>208.9</b>	<b>0.18</b>	<b>0.29</b>	<b>848.0</b>	<b>2,002,000</b>

Notes:

1. Cut-off grade = 0.271%CuEq  
 $\%CuEq = \%Cu + 0.708 \times g/tAu$

The copper equivalent conversion factor and the cut-off grade were derived from the current Padcal Mine economic parameters shown below:

Metal prices = US\$ 3.50/lb Cu and US\$1,700/oz Au

Metal Recoveries = 80% for Cu and 80% for Au

Forex (Php to USD) = 57.00 Php

Operating Cost per MT= 952.00 Php

2. The decrease in the grade cut-off and the increase in the height of the 798ML mining block to 1020ML considered within reasonable prospects of economic extraction, resulted in a corresponding 27% increase of the total measured and indicated resource from the previously declared year-end remaining resource for 2021.
3. Drilling was completed last June 2022 within the southern fringe of the orebody, previously delineated as Inferred Resource, to increase the confidence in the estimates. This resulted in an increase in resource tonnage within the 798ML.

4. Majority of the reported tonnage is within 770-630ML, however, much of the area is still considered uneconomical for extraction. This portion of the orebody is still undergoing studies to increase the probability of economic ore extraction.
5. The Mineral Resource reported is based on the August 2022 Resource block model prepared by Philex with corresponding technical report entitled "August 2022 Mineral Resource Estimation (MRE) Update, Sto. Tomas II Porphyry Cu-Au deposit of Padcal Mine", which discusses MRE updates from incorporating data using additional holes drilled within the year.
6. The resource block model was generated using Leapfrog ARANZ™ and Geovia Gems™.
7. Mineral Resource Estimates followed the terminology and guidelines set forth in the Philippine Mineral Reporting Code ("PMRC").
8. Total resources include Proved Reserves.
9. All tonnage information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences in the totals.

This resource statement was prepared by Mr. Noel C. Oliveros, Exploration Division Manager of Philex Mining Corporation, who has sufficient experience relevant to the style of mineralization of Sto. Tomas II Porphyry Copper Deposit. Mr. Oliveros is a Competent Person for Exploration and Mineral Resource Estimation under the definition of the Philippine Mineral Reporting Code ("PMRC"). He is a professional Geologist with PRC License No. 1285 and accreditation number Geology CP-07-08-07. He has given his consent to the Public Reporting of this statement concerning Mineral Resource Estimation.

### Padcal Mine Proved Reserves

As of December 31, 2022

PROVED RESERVES					
As of December 31, 2022					
Ore Sources	Tonnes (Mt)	Copper (%)	Gold (g/t)	Recoverable	
				Copper (M lbs.)	Gold (Ozs.)
798-ML	38.400	0.17	0.21	116.2	208,500
782-ML	1.100	0.18	0.20	3.5	5,500
760-ML	1.200	0.15	0.35	3.2	11,000
<b>Total Reserves</b>	<b>40.700</b>	<b>0.17</b>	<b>0.21</b>	<b>122.9</b>	<b>225,000</b>

Notes:

1. This Mineral Reserve Estimate was based on the *Summary of Remaining Mineral Resource Estimate (MRE) for Padcal Mine as of December 31, 2022* memo by Noel C. Oliveros, a Competent Person for Exploration and Mineral Resource Estimation.
2. Geovia GEMS™ and PCBC™ software were used in the above reserve estimate with the following parameters:

Metal Prices:	Cu:	3.50 US\$/lb	Conversion Factor for Gold grade to CuEq:	0.708
	Au:	1,700 US\$/oz		
Metal Recoveries:	Cu:	80%	Operating Cost per Tonne:	PhP 952.00
	Au:	80%	Break-even Grade (%CuEq):	0.271
Forex (Php to US\$):		PhP 57.00		

3. The cost per MT of PhP952 is the estimated operating cost of the Company up to year 2027.

4. Metal prices of \$3.50/lb copper and \$1,700/oz gold, and FOREX of PhP57.0/US\$ are the projections of the Company up to year 2027
5. TSF-3 will impound tailings from the Padcal Operation until 2027.

This estimate was prepared by Engr. Julius A. Bayogan (BSEM) and Engr. Benedict B. Gapongli (BSEM), who are the current Mill Division Manager and Mine Division Manager, respectively, of Philex Mining Corporation, Padcal Operations. Engr. Bayogan is a Competent Person under the definition of the Philippine Mineral Reporting Code (PMRC) and has 12 years of experience as to the type of deposit and style of mining. He is a licensed mining engineer with Professional Regulation Commission (PRC) registration number 0002566 and accreditation number EM-ACP-152-0002566. Engr. Gapongli is a Competent Person under the definition of the Philippine Mineral Reporting Code (PMRC) and has 12 years of experience as to the type of deposit and style of mining. He is a licensed mining engineer with Professional Regulation Commission (PRC) registration number 0002308 and accreditation number EM-ACP-110-0002308. They have given their consent to the Public Reporting of this statement concerning Mineral Reserve Estimation.



In December 7, 2022, the Company declared the life extension of the Padcal Mine from 2024 to up to December 31, 2027. The decision to extend the life of the mine was reached after the completion of confirmatory drilling and related technical studies on the mining methodology and TSF No. 3, which identified additional mineable reserves in the Padcal Mine that can be extracted over three years from December 31, 2024 up to December 31, 2027.

In February 2016, the Company disclosed the results of exploration near the surface of Bumolo Project, which area is within MPSA 156-2000-CAR, with an estimated 21.7 million tonnes of inferred resources at 0.21% copper and 0.30 grams per tonne gold, at a cut-off of 0.312% CuEq. Thereafter, an additional drilling program, including metallurgical testing, was completed and yielded preliminary resources and grades of Indicated category at 11.4 million tonnes of 0.19% copper and 0.30 grams per tonne gold at 0.312% copper equivalent cut-off grade.

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

### Patents, Trademarks and Licenses

The Company has several areas targeted for exploration within the vicinity of the Padcal Mine, which has a total of 11,924 hectares covered by the mining agreements and applications identified in the table above and in the Exploration and Development section of this report. In addition, on September 27, 2017, the DENR issued an Environmental Compliance Certificate for the Company's Tailings Storage Facility No. 3, a pollution-control device. Apart from these mining properties and tenements, the Company holds the following trademarks in the Philippines:

No.	Mark	Description	Application No.	Registration Date	Term	Status
1	PHILEX		42007013912	September 1, 2008	20 years	Registered
2	No verbal elements		42007014174	August 11, 2008	20 years	Registered

The Company is also the holder of Domain Licensing Agreements covering the following domains:

No.	Domain Address	Host / Provider	Registration Date	Expiration Date	Status
1	www.philexmining.com.ph	DotPh	September 11, 2012	September 11, 2024	Active

2	www.silanganmining.com.ph	DotPh	August 10, 1998	January 11, 2032	Active
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The Company believes that its trademarks and other intellectual property rights have significant value and are important to the marketing of the brand. The Company's business, however, is not brand sensitive; thus, it does not depend and does not expect to depend on its intellectual property. To protect its intellectual property, the Company ensures that its trademark and logo are duly registered with the Intellectual Property Office of the Philippines.

### Government Approvals

The Philippines adopts a mining tenurial system in view of the Constitutional principle that all natural resources, including mineral resources, are owned by the state. Consequently, the exploration, development, and utilization of mineral resources shall be under full control and supervision of the state.

Permission from the state to explore, develop, and utilize mineral resources may take the form initially of an exploration permit which grants the permit holder the right to conduct exploration of all minerals within a specified area. At the end of the exploration period, the permit holder is expected to be able to submit a declaration of mining project feasibility if mining operations in the permitted area are found to be feasible. In such a case, the permit holder may then execute a mineral production sharing agreement with the government. The holder shall have the exclusive right to conduct mining operations within the contract area.

Only citizens of the Philippines or corporations or associations at least 60% of whose capital is owned by Filipino citizens are permitted to apply for and obtain exploration permits and mineral production sharing agreements.

Meanwhile, by way of exception, the President of the Republic of the Philippines may, on behalf of the government, enter into agreements with foreign-owned corporations for either technical or financial assistance for large-scale exploration, development, and utilization of minerals, petroleum, and other mineral oils of the Philippines.

In addition to the mining tenure permits, mineral production activities require strict compliance with environment, health, and safety laws and regulations.

For example, the Philippine Environmental Impact Statement System established under Presidential Decree No. 1586, which is implemented by the DENR, is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical or (ii) situated in an environmentally critical area. The DENR determines whether a project is environmentally critical or located in an environmentally critical area, such that it will need an ECC.

The law requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an Environmental Impact Statement ("**EIS**") which is a comprehensive study of the significant impacts of a project on the environment. The EIS serves as an application for the issuance of an ECC, if the proposed project is environmentally critical or situated in an environmentally critical area. An ECC is a government certification that, among others, (i) the proposed project or undertaking will not cause significant negative environmental impact; (ii) the proponent has complied with all the requirements of the EIS Law in connection with the project; and (iii) the proponent is committed to implement its approved Environmental Management Plan ("**EMP**") in the EIS. The EMP details the prevention, mitigation, compensation, contingency and monitoring measures to enhance positive impacts and minimize negative impacts and risks of a proposed project or undertaking.

While there are several permits required in order to extract its principal products (i.e, copper and gold), there is no specific permit required for the sale thereof. However, activities related to the sale require separate permits, which include among others, the Ore Transport Permit (OTP) to be issued by the MGB for the transport of minerals, mineral products and by-products

from the area where the ore were extracted and the Export Permit from the Bureau of Internal Revenue.

### **Government Regulations**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**EO 79 issued on July 6, 2012**

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

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

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

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

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

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

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

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

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

**RA 11534: The Corporate Recovery and Tax Incentives for Enterprises “CREATE” Act approved on March 26, 2021.**

Corporate Recovery and Tax Incentives for Enterprises Act was proposed and signed into law to introduce reforms to the corporate income tax and incentives systems based on industry and location tiers that aims to attract more investments and maintain fiscal prudence and stability.

RA 11534, among others, will reduce corporate income tax from 30% to 25% for large corporations and to 20% for small businesses. This is retroactive from July 1, 2020.

**EO 130 issued on April 14, 2021**

EO No. 130, issued by President Rodrigo R. Duterte, amends Section 4 of EO No. 79, thereby lifting the moratorium on new mineral agreements.

**DAO No. 2021-25 issued on August 2, 2021**

DAO No. 2021-25 issued by the DENR, provides for the Implementing Rules and Regulations (IRR) of EO No. 130 through DENR Administrative Order (DAO) No. 2021-25 in re: Institutionalizing and Implementing Reforms in the Philippine Mining Sector, Providing Policies and Guidelines to Ensure Environmental Protection and Responsible Mining in the Utilization of Mineral Resources.

The IRR provides streamlined procedures and requirements for the processing and approval of new mining applications. Other salient provisions of the IRR include (1) renegotiation of existing mining contracts and agreements to maximize government revenues and share from production; (2) review and recommendation of appropriate measures to rationalize existing sharing schemes and mechanisms; (3) declaration of areas covered by mineral agreements into mineral reservation; and (4) strict implementation of mine safety, environment and social development policies, including compliance of mining contractors/permit holders with the recommended measures of the Mining Industry Coordinating Council (MICC), based on the result of the completed objective, fact-finding, science-based review of mining operations.

**DAO No. 2021-40 issued on December 23, 2021**

DAO No. 2021-40 issued by the DENR lifts the ban on the open pit method of mining for copper, gold, silver and complex ores in the country that had been imposed under the DAO No. 2017-10. The objectives of this DAO are to revitalize the mining industry and usher in significant economic benefits to the country and to establish enhanced parameters and criteria for surface mining methods under the DMPF to address the environmental and safety issues of surface mining methods particularly with open pit mining.

**DAO No. 2022-04 issued on March 4, 2022**

The objective of DAO No. 2022-04 issued by the DENR: Enhancing Biodiversity Conservation and Protection in Operations aims to provide adequate measures for responsible mining towards ensuring the biodiversity conservation and protection including progressive and final rehabilitation of mined-out areas. It also aims to minimize negative impacts on biodiversity and ensure its conservation of biodiversity, thereby promoting sustainable development and utilization of the country's natural and mineral resources for the benefit of present and future generations.

**DAO No. 2023-01 issued on January 13, 2023**

DAO No. 2023-01 issued by the DENR imposes additional guidelines for projects applying for Environmental Compliance Certificate (ECC) which are within or with close proximity to Protected Areas (Pas) and/or Ramsar Sites. ECCs of Non-Environmentally Critical projects

located within the PA and/or Ramsar sites including their duly approved buffer zones shall require the approval of the Office of the Secretary (OSEC). Environment Management Bureau (EMB) Central and Regional Offices that are handling the ECC applications are required to secure a Clearance from the OSEC prior to the final approval of the technical scoping checklist. The OSEC will review the scoping checklist to add, if necessary, other issues/impacts to be included in the Environmental Impact Assessment Study.

## **Exploration and Development**

Exploration and development (the equivalent of research and development for a mining company) are currently undertaken by the Company's in-house team, with or assisted by consultants and other service providers, like engineering and/or drilling contractors. Expenses related to exploration and development for 2022, 2021, 2020 and 2019 amounted to Php759 million, Php228 million, Php245 million and Php673 million, respectively.

For 2022, the Exploration Division progressed with the acquiring legal and social acceptability documents for various external projects and Philex-controlled tenements in order to move forward with possible exploration work, partnerships or acquisitions. Assistance on Life-of-Mine Extension Studies for Padcal and monitoring of available resource for TSF-1 was continuously implemented. No other ground exploration activities were conducted in MPSAs-156 & 157 during the year.

## **Padcal Projects in Benguet**

### **Padcal Sto. Tomas II**

Continuing with the Life-of-Mine studies for orebody, for the previous year, confirmatory drilling was completed for the southern fringe of the orebody. Four (4) holes collared at 798ML were drilled from April 27 to June 17, 2022 at the southern portion of the orebody. The additional holes resulted in the addition of 208 samples, which entailed a subsequent update of the Sto Tomas II Mineral Resource Estimate (MRE), which was completed on August 1, 2022. The resulting resource estimate within the validated area is 11M tonnes at 0.17% Cu and 0.26g/t Au at a cut-off of 0.272% CuEq. The resource estimate results were utilized in feasibility studies which led to the eventual approval for the extension of the life of mine until the year 2027.

In addition, related technical studies on the mining methodology and TSF No. 3 were simultaneously completed that supports the feasibility of mining the identified additional mineable reserves in the Padcal Mine for an additional period of three (3) years from December 31, 2024 up to December 31, 2027.

### **Tailings Storage Facility 1**

Philex has been keen in exploring the mineability of spillages and tails in TSF-1 since the 1980s. In 2020, a project to recover gold and copper from TSF-1 was launched. A prospective better grade area adjacent to the Mill Plant thickeners was identified as top priority (called Phase 1) on the basis of historical data. Confirmatory and resource drilling program commenced on Phase 1 in January 2020. The program resulted to the viability of hauling and processing of the spillage and tails into copper concentrates. For the year 2022, the hauling and processing of spillage and tails continues and computation of remaining resource was continuously updated after hauling activities. Computations were done by deduction of reported hauled tonnage from the total estimated resource.

### **Tailings Storage Facility 2**

There has been a renewed interest in tailings deposit in light of better metal grades and prices. In 2020, exploration target in TSF-2 is the subsurface extension of magnetite and other heavy mineral accumulations and as well as possible Cu and Au similar to TSF-1. Initial ground

activities for magnetite studies on TSF-2 started on April 2020. A 40x40m grid was laid out covering the entire TSF-2 area. Grab samples collected from the grid location points were analyzed for magnetic susceptibility, multi-element analysis using Niton tabletop XRF and submitted to Padcal Assay Laboratory for Au, Cu and Fe content. Scout drilling operations were carried out from July to September 2020, with a total of five (5) drill holes completed for the year, equivalent to 249.7m drilled. Laboratory studies show that magnetite recovery is very low, ranging from 1-15% only, which indicates that the density separation methodology is inefficient. Low magnetite recoveries are attributed mainly to the limitations of the separation method, particle size effects and feed capacity that resulted to long processing times. Minimizing the effects of these limitations entail additional time and energy costs in processing. Fe ore quality was assessed by its %Fe content and the amount of impurities present in the concentrate. The results for the shaking table concentrates qualify it as low (<58% Fe) to medium (62-64% Fe) grade Fe as magnetite concentrates. The average values of the contaminants are within acceptable limits for SiO<sub>2</sub> and outside the prescribed range for Al<sub>2</sub>O<sub>3</sub> for commercial magnetite specifications for these trace elements. Thus, these could affect the marketability and consequently the profitability of the magnetite ore.

### **Support to Operations**

In 2022, the Mine Geology Department actively pursued underground mapping and sampling as part of the geological data gathering of all newly developed openings. An aggregate survey length of 3,015m was completed with 1,005 samples collected. Active underground workings comprised the bulk of the mapping and sampling in levels 798ML Production Level, 814ML Undercut Level and 840ML Undercut Level. The team also continues to extend technical support to mill operations through petrographic analyses of mill-stream samples, such as main flotation feed, filter cake, and final flotation tails samples, to monitor mineralogical changes.

Other technical works done by the Mine Geology Department was the annual program for geo-hazard mapping and assessment of the Sto. Tomas II Subsidence Area to determine the effect and extent of the underground operations on the surface. The activities involved are the collection of quantitative and qualitative data from the current physical and structural conditions of the grounds. Notable geological hazards and ground disturbances are mostly in the form of cracks, slide debris, slumps, creeps, rock falls, soil erosion, and slope failures. These data from the yearly monitoring are compared to previous observations to detect progressions on the observed disturbances. For 2022, the geo-hazard mapping was conducted from January 15, 2022 to March 30, 2022. The geo-hazard monitoring team continuously assessed and monitored the ground condition of all mine camps and facilities focusing on detecting potential ground movements and formulating possible mitigating measures.

Philex Mining has completed the buttress construction of the Tailings Storage Facility No. 3 under the suggested parameters assigned by Coffey International Pty Lt. There were three phases in the overall construction of the buttress. The first phase started in September 2020 and was completed in May 2021. The second phase started in June 2021 and completed in May 2022. The third phase started in June 2022 and was completed in December 2022. Installed geotechnical instruments are constantly monitored, geotechnical data gathered is sent to Coffey every week for their stability analysis of TSF3.

Coffey International Pty Ltd and Geotecnica conducted a study to raise the embankments (OSD and OSDE) to 647 ML. Both parties confirmed the safety and stability of TSF3 regarding the raising of the embankments to 647 ML. The ECC for the raising of the TSF-3 embankment from elevation 640 ML to 647 ML was approved and released last December 13, 2021 by the EMB.

### **Silangan Project**

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

000013-XIII. All mineral rights held by SMMCI with respect to the Silangan Project area are valid and subsisting.

The Definitive Feasibility Study (DFS) completed in July 2019 for the Boyongan ore body indicates a feasible mining project. The first phase of the project has a mineable ore reserve of 81 Million metric tons which will be mined for 22 years at a rate of 4 Million metric tons per year using Underground Sub-level cave mining based on the 2019 DFS. A Pre-feasibility study for Bayugo ore body, which will come in as the project's second phase, is being undertaken with Ausenco's Brisbane Australia office as the lead technical consultant. The updated mineral resource estimates for all the deposits and mineable reserves estimate for Boyongan orebody, indicates a large high-grade gold and copper deposits within the tenement areas.

In January 2022, a Philippine Mineral Reporting Code (PMRC) compliant feasibility study was completed for its In-Phase mining plan, which highlights the start of ore production at 2,000 tonnes per day. The 2,000 tonnes per day starter mine will last for 5 years, after which on the sixth year of production, mining and processing rate will increase to 4,000 tonnes per day or 1.3 Million tonnes per year. By the ninth year, ore production and processing rates will again increase to 8,000 tonnes per day or 2.7 Million tonnes per year. The final ramp up will occur on the twelfth year. Ore production rate starting the twelfth year up to when the mineable ore will be exhausted will be 12,000 tonnes per day or 4 Million tonnes per year. The life of mine for Phase 1 Boyongan is 28 years.

The initial capital cost to commission the In-Phase mine plan is estimated to be US\$ 224 Million, which will be spent within the 2.5 years development period. This will be raised in a number of ways including stock rights offering, debt and infusion from internal funds. As of December 31, 2022, the Company successfully raised a net amount of Php2.580 billion from its stock rights offering on August 3, 2022.

SMMCI is registered with the Board of Investments ("BOI") and has been granted a six-year income tax holiday on copper cathode revenues, extendable by another two years subject to meeting some conditions but not to exceed eight years. SMMCI was granted the ITH incentive as a pioneer copper cathode producer, effective the start of operations or March 2025, whichever comes first.

SMMCI secured the ISO 14001:2004 Environmental Management System (EMS) issued by Certification International Philippines Inc. (CIPI) in June 2016 and successfully transitioned to ISO 14001:2015 EMS in June 2018 that was later re-certified in February 2023. SMMCI's EMS certification will be valid through February 2026.

In July 2016, MPSA-149-99-XIII was reduced to 2,308 hectares after relinquishing 677 hectares that are outside the existing mine development and maintenance plan. It also relinquished 6,934 hectares from its EP-000013-XIII as part of government prescribed requirement for exploration permit renewal. EP-000013-XIII is now reduced to 5,000 hectares from the previous 11,934 hectares.

In December 2019, the National Commission on Indigenous Peoples issued a Certificate of Non-Overlap (CNO) attesting that the MPSA contract area did not affect or overlap with any ancestral domain.

In December 2019, SMMCI also applied for the renewal of MPSA-149 for an additional 25-year term. This was approved by the DENR Secretary in an Order dated December 7, 2020 renewing the term of MPSA-149 for an additional 25 years commencing from expiration of the initial term on December 29, 2024.

The MPSA 149-XIII and EP-00013-XIII that are held by SMMCI are surrounded by other tenements and applications within Surigao del Norte, as listed below:

<b>Tenements</b>	<b>Operator / Contractor</b>	<b>Area (in Hectares)</b>	<b>MPSA Date of Expiration</b>
MPSA-149-99-XIII	SMMCI	2,308	December 29, 2049

EP-000013-XIII Lot-A&B	SMMCI	5,000	n/a
EPA-XIII-012	SMMCI	2,330	n/a
EPA-000039-XIII	SMMCI	6,683	n/a
<b>Total</b>		<b>16,321</b>	

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

	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained	
				Copper (M lbs.)	Gold (M ozs.)
BOYONGAN					
Measured	160	0.58	0.86	2,039	4.43
Indicated	119	0.44	0.48	1,151	1.84
Measured + Indicated	279	0.52	0.70	3,190	6.27
Inferred	218	0.36	0.49	1,735	3.42
<b>Sub-Total BOYONGAN</b>	<b>497</b>	<b>0.45</b>	<b>0.61</b>	<b>4,925</b>	<b>9.69</b>
BAYUGO-SILANGAN					
Measured	161	0.60	0.61	2,113	3.17
Indicated	12	0.29	0.39	73	0.15
Measured + Indicated	172	0.57	0.60	2,186	3.31
Inferred	4	0.27	0.42	22	0.05
<b>Sub-Total BAYUGO- SILANGAN</b>	<b>176</b>	<b>0.57</b>	<b>0.59</b>	<b>2,208</b>	<b>3.36</b>
BAYUGO-KALAYAAN					
Measured	118	0.43	0.47	1,124	1.79
Indicated	3	0.64	0.37	37	0.03
Measured + Indicated	120	0.44	0.47	1,160	1.82
Inferred	2	0.81	0.40	28	0.02
<b>Sub-Total BAYUGO- KALAYAAN</b>	<b>122</b>	<b>0.44</b>	<b>0.47</b>	<b>1,189</b>	<b>1.84</b>
BOYONGAN AND BAYUGO					
Measured	438	0.55	0.67	5,276	9.39
Indicated	133	0.43	0.47	1,260	2.01
Measured + Indicated	571	0.52	0.62	6,536	11.40
Inferred	224	0.36	0.48	1,786	3.49
<b>Total BOYONGAN AND BAYUGO</b>	<b>795</b>	<b>0.47</b>	<b>0.58</b>	<b>8,322</b>	<b>14.9</b>

Notes:

1. Geovia GEMST<sup>TM</sup> software were used in the above estimate with the following parameters:

Metal Prices:	Cu:	3.20 US\$/lb	Conversion Factor for Gold grade to CuEq:	0.686
	Au:	1,342 US\$/oz		
Metal Recoveries:	Cu:	85%		
	Au:	95.3%		

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

The mineable reserve for Boyongan ore body using 0.80% Copper equivalent cut-off grade declared on January 10, 2022 are as follows:

PROBABLE RESERVES					
	Tonnes (Mt)	Copper (%)	Gold (g/t)	Recoverable	
				Copper (M lbs.)	Gold (M ozs.)
East Cave	37.449	0.73	1.33	494.960	1.524
West Cave	37.417	0.63	0.98	426.983	1.126
Deeps Cave	6.578	0.57	0.80	70.884	0.162
<b>Total Reserves</b>	<b>81.444</b>	<b>0.67</b>	<b>1.13</b>	<b>992.828</b>	<b>2.813</b>

Notes:

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

Metal Prices:	Cu:	3.20 US\$/lb	Conversion Factor for Gold grade to CuEq:	0.700
	Au:	1,342 US\$/oz		
Metal Recoveries:	Cu:	83%	Operating Cost per Tonne:	US\$ 31
	Au:	96%	Break-even Grade (%CuEq):	0.548
Forex (Php to US\$):	Php 53.00			

- The cost per tonne of US\$ 31 is the estimated operating cost based on the Feasibility study.

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

SMMCI is now implementing pre-development activities under the In-Phase Mine Plan. Mine development commenced with the boxcut and portal excavation. Land banking activities continue to 2023 and this highlighted with SMMCI controlling the lands required for development and construction. SMMCI continues to pursue environmental and social acceptance as it maintains compliance with its Environmental Protection and Enhancement Program (EPEP) and Social Development and Management Programs (SDMP) which are both monitored by the Mines and Geosciences Bureau (MGB). In December 2022, Silangan Project was certified to be compliant with ISO 140001:2015 covering its mine development activities by NQA Philippines, Inc.

## Permits

The project is fully permitted having obtained the Declaration of Mining Project Feasibility (DMPF) and its pre-conditions, the Environmental Compliance Certificate (ECC), Environment Protection and Enhancement Program (EPEP), Final Mine Rehabilitation and Decommissioning Program (FMRDP), Three Year Utilization and Development Work Program (3YUDWP) and Social Development and Management Program (SDMP) in 2019.

The total expenditure related to the project as of December 31, 2022 amounted to Php21.213 billion, including the Php1.438 billion incurred prior to 2009, when the project was under Anglo. The figure does not include the fair value adjustment amounting to Php5.552 billion.

## Kalayaan Project

In May 2011, PMC executed a Farm-In Agreement with Manila Mining Corporation (MMC), which involved the purchase of a 5% equity interest in Kalayaan Gold-Copper Resources Inc. (KGCRI), a subsidiary of MMC that assigns the right to explore the Kalayaan properties covering 286 hectares under EP-XIII-014B. This tenement is adjacent to the north of EP-000013-XIII and is containing part of the mineralized lithologies of the Bayugo deposit.

Under the agreement, PMC was to conduct exploration activities in the property for three (3) years but was extended for an additional three years. Exploration of the area is currently on hold pending the approval of the Third Renewal of the Exploration Period. In the event the Company declares commercial feasibility of the area within the period, it will have the right to increase its holdings in KGCRI to 60% by subscribing to an additional 55% of KGCRI's outstanding capital stock for a minimal amount and will become an integral part of the Silangan Project. The term of the Farm-In Agreement was extended until May 11, 2023.

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

In 2014, detailed logging of 57 definition drill holes of East and West Bayugo, totaling 26,104.64 meters, was completed. This activity increased the confidence in the understanding of the mineralization. In addition, magnetotellurics (MT) survey from the surface was conducted, which provided preliminary data on the hydrologic model of the Boyongan and Bayugo deposits. Data from the Kalayaan Exploration Program was utilized in the update of the MRE for the Silangan Project. The computed resource for the portion of the deposit from within the Kalayaan Tenement is shown below using the same parameters in the above-mentioned Silangan MRE:

Bayugo-Kalayaan MRE at 0.5%CuEq (within EP-14B-XIII)					
Classification	Mt	g/t Au	%Cu	Au Moz	Cu Mlb
Measured	118	0.47	0.43	1.79	1,123.8
Indicated	3	0.37	0.64	0.03	36.6
<b>Total Measured + Indicated</b>	<b>120</b>	<b>0.47</b>	<b>0.44</b>	<b>1.82</b>	<b>1,160.3</b>
Inferred	2	0.40	0.81	0.02	28.3
<b>Total</b>	<b>122</b>	<b>0.47</b>	<b>0.44</b>	<b>1.84</b>	<b>1,188.6</b>

## Other Significant Projects

The Company focused on more advanced exploration projects such as the Silangan Project and continuous improvement of mining operations in Padcal. As a result, Exploration activities in each of the Company's various Mineral Production Sharing Agreements (MPSAs) located in Negros Occidental and Surigao del Norte. were at a minimum, however, compliance with government requirements were all met.

## Compliance with Environmental and Social Laws

The Company's Padcal mine was first ISO14001 certified in 2002. In July 2021, the mine's Integrated Management System was upgraded with the certification on the International Standard on Occupational Health and Safety, ISO 45001:2018. Audited by TUV Rheinland, the certificates are valid until May 31, 2023. Similarly, Silangan Mindanao Mining Corporation (SMMCI), was certified ISO 14001:2004 in June 1, 2016. It maintained the International Environmental Management System Standard and successfully transitioned to ISO14001:15 in June 4, 2018. SMMCI was re-certified by United Kingdom Accreditation Service (UKAS) on February 17, 2023 and valid until February 17, 2026.

With the Company's commitment to the conservation and enhancement of its environment, it has spent Php278 million in 2022, bringing the Company's expenditures from 1967 to date to Php6.592 billion.

The Company and its subsidiaries have been consistent winners in national environmental programs and contests. Recent awards include: Padcal mine, 2018 to 2022 Best Mining Forest – Exploration Category, 2020 3<sup>rd</sup> runner up in the Metallic Mine Category and 2018 1<sup>st</sup> Runner up Best Mining Forest- Operating Mine Category, adding to its 10 best mining forest awards received in 2012, 2008, 2007, 2004, 2002, 2001, 2000, 1994 and 1991. SMMCI on the other hand was first runner-up in 2011 and 2015, second runner-up in 2014 and 2013, and third runner-up in 2010 on Best Mining Forest Contest (Exploration Category).

Likewise, SMMCI won the Platinum Achievement Award in 2016 and the Presidential Award, the highest award from the Presidential Mineral Industry Environmental Award for Mineral Exploration category in 2015 and 2014. The Bulawan and Sibutad projects that are currently implementing their Final Mine Rehabilitation and Decommissioning Program (FMRDP), have been consistent recipients of the Best Mining Forest Award from 1998 to 2004 when it ceased operations.

As a right and principled mining company, PMC and its subsidiaries adhere to its corporate environmental stewardship by implementing rehabilitation and conservation management practices in the areas affected by various mining and exploration operations.

### Total Disturbed Areas Reforested and Maintained:

Name of Project	Area disturbed (hectares)	Project Status	Area reforested (hectares)	Type of reforestation	Type of species planted
PMC Padcal Mine	580	MPSA-276 Operation	3,345	Forest Plantation	Fruit Trees: Coffee, Mango, Pomelo, Guyabano, Papaya, Tamarind, Guava, Calamansi,

				Agro-forestry	Chisa, Santol, Star Apple, Atis, Rambutan, Jackfruit, Marang, Avocado, Cacao, Duhat, Blackberry, Lomboy, Orange Forest Trees: Anstoan dilau, Benguet Pines, Tibig, Oak Tree/Palayan, Ceylon Tea, Cotton Tree, Madre De Agua, Ice Cream Beans, Banaba, Acasia/Rain Tree, Butterfly tree, Tuel, Narra, Sagat/Molave, Alnus, Caliandra, Acapulco, Acacia Mangiums, Tikem Cuttings: Bamboo, Balete, Dapdap, Tricanthera Grass/Vines: Vetiver Grass
PGPI-Bulawan	146	MLC-MRD510 Implementation of approved FMRDP	842.66*	Forest Plantation  Agro-forestry	Mangium, Auri, Mahogany, Gmelina, Rain tree Coffee, native trees, bamboo
PGPI-Sibutad	38	MPSA-063 Implementation of approved FMRDP	192.63	Forest Plantation	Mangium and Auri, falcata, coffee, cacao, bamboo, narra, lombayao

			39.16	Mangrove Plantation	Bakauan ((Rhizophora Mucronata)
PMC-LMC Surigao	37	MPSA-148-Exploration	10	Forest and Agro-forestry	Falcata, narra, mangium, coffee, mahogany, fruit trees
SMMCI Surigao	33.696	MPSA-149	197.8	Agro-forestry	Mahogany, Mangium, Falcata, Narra, Cacao, Coffee, Palawan Cherry, Lanzones, Marang, Rambutan, etc.
Kalayaan, Surigao	14		9	Agro-forestry	Falcata, coffee

\* Areas on assisted natural regeneration (ANR) are included

### Environmental Compliance to DENR Regulations

In compliance with government environmental regulations, PMC and its subsidiaries are continuously implementing sound environmental management practices by conserving natural resources and by installing pollution control devices for both terrestrial and aquatic environs. The Environmental Protection and Enhancement Program is regularly monitored by the Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources.

The Company consistently meets the requirements of these environmental laws:

PD 1586: Establishing an Environmental Impact Statement System including other environmental management related measures and for other purposes. No person, partnership or corporation shall undertake or operate any declared environmentally critical project or area without first securing an Environmental Compliance Certificate (ECC).

RA 6969: Toxic, Hazardous and Nuclear Waste Act. Regulates the handling, treatment and disposal of generated chemical wastes and other toxic and hazardous substances

RA 8749: Philippine Clean Air Act: Provides for the management of point and non-point sources of air pollution and quarterly monitoring and testing of pollution source device or facility.

RA 9275: Philippine Clean Water Act: Is the environmental law regulating discharges of effluent from processing and other operation of the company.

Name of Project	Registration/Permit No.	Permit Type	Date Issued
PMC-Padcal Mine	ECC-CO-1612-0025 (Amended)	Raising of Tailings Storage Facility No. 3 (TSF-3) From 640 MASL TO 647 MASL	December 13, 2021

	CAR-0702-014-213	ECC for the Sanitary Landfill Facility-Category 1	March 09, 2007
	CAR-0411-107-120	ECC for the Tailings Storage Facility 3 Open Spillway	November 16, 2004
	CAR-0202-011-120	ECC for Alang Cut Silt Pond	April 02, 2002
	CAR-0108-053-208	ECC for the Access Road from the Cyclone Area to the Main Dam Embankment of Tailings Storage Facility 3	August 29, 2001
	CAR-0108-51-302	ECC for Quarry "G" for Tailings Storage Facility 3	August 29, 2001
	CAR-0108-52-302	ECC for Quarry "H" for Tailings Storage Facility 3	August 29, 2001
	ECC-9901-002-120	ECC for Fuel and Lubrication Station	September 22, 2000
	CAR-0803-033-312	ECC for Raising of TP-3 Main Embankment Crest (Amended)	May 05, 2010
	CAR-1408-0127	ECC for New Banget Sludge and Used Oil Impounding Facility	August 26, 2014
	RIC-8604-012-301C	ECC for Nevada Group of mineral claims and other adjoining mineral claims	November 09, 1987
Padcal Mine Discharge Permits	DP-CAR-22-01626	Spillway of the Tailings Storage Facility -3 Discharge Permit	March 2, 2022
	OLOL-TR-CAR-11-000542	Treatment Storage and Disposal Registration Registration Certificate	November 04, 2022
	DP-CAR-22-06848	Oil Water Separator at Compressed Air Plant	July 06, 2022
	DP-CAR-22-11248	Oil Water Separator at 1015ML UG Equipment Wash Bay Area	December 17, 2022
	2007-DP-D-141112-039 / CNC-CAR-1310-0007	Oil Water Separator at Motor Pool Area	April 25, 2016
	DP-CAR-21-05343	Oil Water Separator at the Oil Yard of Banget Sludge Pond Area	August 19, 2021
	DP-CAR-22-06636	One (1) Unit Oil Water Separator at the Sludge Pond / Used Oil Impounding Facility	July 20, 2022
	DP-CAR-22-09845	Oil Water Separator at Extended Repair Bay -MMESD	November 07, 2022
	DP-CAR-22-11332	Oil Water Separator at 1425ML Drill Shop	December 19, 2022
	DP-CAR-22-06545	Oil Water Separator at New Motor Pool	July 25, 2022

RA6969 – Chemical Control Order (CCO)	CCO-2010-003-CAR	CCO for PCB	September 23, 2010
	CCO-2010-001-CAR	CCO for Asbestos	May 28, 2010
	CCO-99-0002-M	CCO for Mercury	July 26, 1999
	CCO-2014-045Pb	CCO for Lead	May 12, 2016
	CCOr-CAR-Cn-2016-0001	CCO for Sodium Cyanide	March 28, 2016
	OL-GR-CAR-11-00629100091	Hazwaste Generator DENR Registry ID	December 9, 2020
RA8749- Permit to Operate	2005-POA-D-141112-077	Permit to Operate - Air Pollution Source and Control Installations (Furnace and Swirlaway Fume Scrubber)	April 04, 2020
	PTO-OL-CAR-2020-00128-R	Permit to Operate - Air Pollution Source and Control Installations (Banget Storage Area)	July 11, 2020
	2005-POA-D-141112-052	Permit to Operate - Air Pollution Source and Control Installations (Diesel Storage Tanks-Bumolo)	April 24, 2020
	2005-POA-D-141112-056	Permit to Operate - Air Pollution Source and Control Installations (Cupola Furnace and Crucible Furnace)	April 24, 2020
	2014-POA-I-141112-1036	Permit to Operate - Air Pollution Source and Control Installations (Diesel Fuel Storage Tanks)	September 09, 2019
	PTO-OL-CAR-2022-0721-R	Permit to Operate - Air Pollution Source and Control Installation (Fume Hoods with Furnace and Acid Fume Scrubber)	May 10, 2022
	2015-POA-I-141112-147	Permit to Operate - Standby Diesel Engine Generator Set	October 11, 2021
	PTO-OL-CAR-2022-09736-R	Permit to Operate - Air Pollution Source and Control Installation Exploration Laboratory (Jaw Crusher, Boyd Crusher with Rotary Sample Divider, Pulverizer, Dust Collector System)	August 11, 2022
	PTO-OL-CAR-2022-06968-R	Permit to Operate - Air Pollution Source and Control Installation (Fume Hoods with Furnace and Acid Fume Scrubber)	July 04, 2022
	2020-POA-B-141112-1105	Permit to Operate - Air Pollution Source and Control Installations (216kW and 8kW Generator Sets)	February 10 , 2020
	2020-POA-D-141112-1133	Permit to Operate - Air Pollution Source and Control Installations (Banget Storage Area)	April 24, 2020

	PTO-OL-CAR-2020-00187	Permit to Operate - Air Pollution Source and Control Installations (TSF No. 3 Fuel Station)	July 20, 2020
	PTO-OL-CAR--12241	Permit to Operate - Air Pollution Source and Control Installation - PMC Assay Mill Laboratory	December 17, 2022
Poro Point	ECC Philex Poro Installation	ECC for Philex Poro Installation	August 10, 1994
PMC-LMC	DENR I.D No. 16-67-0092	Hazwaste Generator DENR Registry ID	December 10, 2013
SMMCI	2020- WDP-R13-20-01502	Wastewater Discharge Permit	March 13, 2020
	2020-POA-C-1367-058-R	Permit to Operate Genset	March 4, 2020
	ECC-CO-1905-0013	ECC for Underground Sub-level Caving Mining	July 23, 2019
	GR-R13-67-00008 Old -16-67-0079	Hazwaste Generator DENR Registry ID	May 17, 2016
	CCO-PCB-R13-SIL-49	CCO for PCB	June 19, 2015
	2015-POA-C-1367-058-R	Permit to Operate Air Equipment	March 04, 2020
	PTO-OL-R13-2022-05879	Permit to Operate 1 unit Batching Plant	August 4, 2022
	DP-R13-23-02028	Discharge Permit Pond 2 Diversion	March 6, 2023
PMC-Kalayaan	DENR I.D No. 16-67-0084	Hazwaste Generator DENR Registry ID	February 13, 2013
PGPI-Bulawan	06-45-0014	Hazwaste Generator DENR Registry ID	January 29, 1999
PGPI-Sibutad	DENR ID. # 09-72-0003	Hazwaste Generator DENR Registry ID	January 04, 1999

DAO No. 2010-21 mandates the implementation of the Annual Environmental Protection and Enhancement Program (EPEP) which provides the link between mineral resource utilization and environmental protection and enhancement commitments. Pursuant to the R.A. 7942, the minimum required budget for the Annual EPEP ranges from 3-5% of the Direct Mining and Milling Costs of the company. In 2022, the Company spent 7.43% of the direct mining and milling costs as follows.

<b>2022 Annual Environmental Protection and Enhancement Program (EPEP)</b>	
	<i>Amount (in Php Millions)</i>
Land Resource Management	84
Water Resources Management	185

Hazardous and Toxic Waste Management	2
Air Quality Management	1
Conservation Values	0.1
Environmental Research	5
MRFC Meetings and MMT Monitoring Activities	1
Total	278

The Company also invests heavily on the ongoing environmental management programs at the Silangan, Bulawan, and Sibutad project sites. These investments cover the costs for ambient air and water monitoring, soil erosion control and prevention, the establishment of new tree plantations, as well as the maintenance and protection of established reforestation areas within the project sites. The approved Annual Environmental Protection and Enhancement Program (AEPEP) of SMMCI and the implementation of the approved Final Mine Rehabilitation and/or Decommissioning Program (FMRDP) of PGPI are submitted, approved, and monitored by the Mines and Geosciences Bureau (MGB) of the DENR.

### **Social Development and Management Program (SDMP) Compliance to DENR Regulations**

Pursuant to R.A. 7942's Implementing Rules and Regulations (IRR), DAO 2010-21 Sec.134:

- The amount of SDMP should be equivalent to at least 1.5% of a mining company's total operating costs, with allocation on development of host and neighbouring communities (DHNC) Information Education Communication (IEC) and Development of Mining Technology and Geo-Sciences (DMTG)
- The SDMP shall be, in consultation and in partnership with the host and neighbouring communities, actively promoting and covering all social development plans, projects, and activities of the Contractor/Permit Holder/Lessee towards enhancing the development of the host and neighboring communities.

In 2022, the Company spent Php109 million for its mandated SDMP as shown in the table below.

<b>2022 Social and Development Management Program (SDMP)</b>	
	Amount (in Php Millions)
Human Resources and Capacity Development	0.3
Health	9
Education	32
Livelihood	7
Public Infrastructure	24
Socio-Cultural Development	5
Contingency Fund	3
Information, Education, Communication (IEC)	17
Development of Mining Technology & Geosciences (DMTG)	13
Total	109*

\* Including carry-over project expenses from 2021.

Philex-Padcal Mine's SDMP Implementation in 2022:

Philex's 2022 Social Development Management Program ("SDMP") has helped its host and neighbouring communities through its Health, Education, Livelihood, Public Infrastructure, and Socio-cultural programs or "HELPS". Our interventions brought quality health services closer to our host and neighbouring communities. The educational program significantly lessened expenditures in every household. The Philex scholars continue to be role models in their own communities. Livelihood projects and assistance led to better agroforestry production resulting to increase in income. Infrastructure development and the provision of various equipment

lowered farm inputs resulting to increased savings at the household levels. The development and improvement of water systems on the other hand, ensured availability of water for the community's household, and farm needs.

#### Health and sanitation

907 patients from our host and neighbouring communities were treated at Padcal Mine's Sto. Niño Hospital and 278 individuals mostly with chronic illnesses received financial assistance to defray their medical expenses outside the company's hospital. 23 indigent residents enjoyed Philhealth benefits. There are also 90 individuals who benefited from distribution of maintenance medicines. We helped upgrade 4 health centers thru structural repairs or provision of additional equipment and supplies. We also provided 1 barangay emergency response vehicle.

#### Education

26 scholars finished their college education for the school year 2021-2022. Families of these scholars have potentially increased their economic capacity due to employability of the graduates. 537 college scholars, 89 technical vocational scholars, 385 senior high school and 434 junior high school scholars received educational assistance for the year. 812 pupils from Philex Mines Elementary School and 487 students from St. Louis High School-Philex enjoy subsidized education in these private schools. We also provided support and various assistance to other schools within our host and neighboring communities. Philex shares the firm belief with our host and neighbouring communities that education can help them transform their lives. The communities claim that even if Philex is long gone, the benefits and impacts of educated and employed community members will bring economic and social progress.

#### Livelihood and skills development

12 associations and cooperatives received seed capital as well as trainings for capability building and mentoring. Our livelihood interventions enabled our beneficiaries to further hone their entrepreneurial skills, access cheaper farm inputs, and generate income for their households. We also assisted the Tourism Program of Barangay Camp 3 and Barangay Dalupirip.

#### Public infrastructure support

152 households received power line connections this year enabling them to enjoy social activities and engage in economic endeavours. Concreted an additional 1.36 kilometers of road pavement, thus providing safer access to more than 4,500 residents and giving approximately 2,000 farmers faster and cheaper means to transport their produce. Moreover, construction and improvement of 14 water systems for domestic and agricultural uses benefitted the community. We were also able to construct/improve 8 multi-purpose buildings for the communities.

#### Socio-Cultural Preservation Program

We have provided support and assistance to various socio cultural activities, religious activities, bereaved families, as well as in construction and improvement of multi-purpose halls within our host and neighboring communities.

### **Covid-19 Response**

#### Padcal Mines

Philex is committed to continuously comply with all government safety and health protocols as we move towards the post-pandemic period.

In 2022, the company continued with its Covid 19 Vaccination program providing booster shots to its employees.

In the Head Office (HO), the employees were also provided with free Pneumococcal and flu vaccines.

### **Silangan Project**

Silangan Mindanao Mining Co., Inc. (SMMCI) – commits itself to develop the host and neighboring communities through the implementation of its Advance Social Development and Management Program (ASDMP). Notwithstanding the limited resources under its current mine development status, the company implemented the programs for 2022. Out of the Php4,350,000.00 approved ASDMP budget for 2022, 4M was realigned for the victims of typhoon Odette last Dec. 2021. The remaining P350,000.00 budget was spent for the regular projects/programs/activities .

SMMCI continuously implemented projects on Education, Livelihood, Health, Public Infrastructure, Promotion of Socio-Cultural Activities, and Information Education Communication Program within its host communities of eleven (11) barangays and four (4) municipalities in the province of Surigao del Norte.

#### **Information, Education, Communication**

SMMCI continuously conducts extensive and comprehensive information, education and communication (IEC) program within its host and neighbouring communities and other stakeholders.

The IEC aims to continuously promote awareness and transparency on the plans, programs and activities that were implemented by SMMCI including the direction and latest site developments of the project.

#### **Education**

In 2022, the Company provided more than 100 sacks of cement to nine (9) partner schools within our host barangays for their “Brigada Eskwela” for minor repairs and improvements in preparation for their return to physical school. .

#### **Promotion of socio-cultural awareness**

Despite the health and travel restrictions caused by the COVID-19 pandemic, SMMCI sustained its limited but significant participation and support to various socio-cultural activities such as charter day celebrations of its host communities, Christmas gift-giving, and other activities from the religious sector.

#### **Land Resource Management**

SMMCI sustained its partnership with the local government unit of Barangay San Pedro, Sison (*host community*) and the Department of Social Welfare and Development (DSWD) in the establishment of a communal agricultural complex within the Company's two (2) hectare property as a modality for the cash-for-work program. The program aims to ensure agricultural food security by planting cash crops such as vegetables and other root crops as part of the local government unit's COVID-19 pandemic response.

Under the **Silangan Rice Initiative thru Community Engagements (RICE) Project**, the religious group Seventh Day Adventist, continues to sustain its rice production within SMMCI's two (2) hectare property in Brgy. San Pedro, Municipality of Sison. In 2022, the partner organization continued the vegetable gardening project as expansion to maximize the areas and potentially increase their income.

## **Related Party Transactions**

PMC has extended loans and advances to some of its subsidiaries that were presented under Part III, Item 12 of this report.

## **Major Business Risks**

The global threat of Covid-19 on human life and business that started in early 2020 remains to be a major risk that could create significant negative impact to the operation of Philex. Quarantine protocols and restrictions due to Covid-19 have eased up from 2021 to early 2022. Currently, all businesses were given approval by the government to go on full operation and with full manpower complement onsite. This has allowed a return to normal setup of operations for Philex and its employees.

Nonetheless, a threat of resurgence in the spread of Covid-19 or one of its variants would still result to the slowing down of operations, delay in the performance of works, and non-attainment of production targets that would put at risk the sustainability of cash flows. But Philex has proven itself to be ready and capable to handle this threat. Health protocols that were placed during the height of the pandemic continue to be practiced and has become a way of life. The company has put forward a robust Occupational Safety and Health (OSH) program focused not only on employees' physical well-being but also on emotional and mental health.

### Regulatory

Regulatory risks are changes in regulations, policies, and law that will affect the mining industry and Company in particular. The local mining industry is now under the helm of a Department Secretary with known impartiality and keen sense of balance when it comes to investments and the environment. There is no gainsaying that the present leadership of H.E. Ferdinand R. Marcos, Jr. has given strong signals for support on mining. Pres. Marcos has on several occasions maintained the position that "mineral exploration and extraction are very important parts" of his administration. Enforcement and compliance with environmental laws will be pushed.

The Company welcomes the President's challenge. Philex has been in the forefront of right and principled mining. The Company was instrumental in bringing to the country Canada's Towards Sustainable Mining Initiative. This endeavor was adopted by the Chamber of Mines of the Philippines (COMP) and is currently being observed.

While there is no assurance of a regulatory risk-free environment for the mining industry, Philex is ready to adjust and comply, as well as work with regulatory agencies in promoting fair rules and regulations.

### Strategic

Strategic risks are internal and external events and scenarios that could impede the organization's ability to achieve its strategic objectives and long-term growth targets.

Mining operations are constrained by an ore body's life of mine and sustainability depends largely on the pipeline of commercially viable mining deposits. There can be no assurance that the exploration of mining tenements, where the Company has legal and valid interests in, will result in the establishment of commercially viable mining operations.

- Failure to further extend Padcal's life of mine beyond December 2027.
- Delay in the launching of the Silangan project
  - due to the lukewarm investors' sentiment over the mining industry in the Philippines under the current regulatory environment
  - due to difficulty in sourcing funds as an effect of existing standard procedures and protocols of government agencies as well as the banking sector

## Financial

Financial risks are events that could have an impact on the Company's financial performance, cash flows, and financial position.

- Ability of the Company to achieve both production and financial targets due to the volatility of metal prices, higher operating costs worsen by the impact of global inflation and operational and technical challenges related to Padcal's ageing equipment and facilities.
- The delay in the completion of the fund raising activities due to the general lukewarm sentiment over the mining business. The Company have engaged the services of a reputable financial advisor for the on going fund raising activities to fund the initial capital for the Silangan Project under the In-Phase Mine Plan. The Company is constantly engaging concerned parties and educating the public on the real benefits of mining. Likewise, the Chamber of Mines of the Philippines, through the initial steps taken by Philex, has formally signed an agreement with the Mining Association of Canada to adopt the Towards Sustainable Mining (TSM) Initiative in the local setting. Any further delay in the completion of the fund raising exercise may call for the reassessment of the prioritization of Padcal cash reserves allocated for capital expenditures versus the need to allocate funds to jump start the Silangan Project.
- Possible write-off of mine and mining assets. The Company maintains critical mining equipment spare parts and supplies that may not be totally used at the end of mine life. In addition, the Company has a number of mining tenements in various areas nationwide. These assets are the subject of provisions, which can have material impact on the Company's financial position. PMC is constantly exploring joint ventures or farm-in/out agreements, with interested parties, to reflect their fair value in the balance sheet.

## Operational

Operational risks are developments that could disrupt normal operations and affect the overall occupational health and safety performance at Padcal Mine, whether natural or man-made.

- Declining ore-grade situation and tonnage due to the mature state of the Padcal ore body continue to be a risk that will have a material impact on the ability of the Company to produce the metal targets. Marginal ore grades are inherent within the fringes of the mineral body contributing to lower overall metal output. Less valuable mineral concentrations are typically encountered when extracting ore away from the core of the deposit.
- Acts of insurgency threats. An incident of insurgency transpired in 2017, which affected the transport of copper concentrates from the Padcal mine site to the Poro Port installation for shipment. The Company has since increased vigilance among residents within the camp and coordinated with various groups to identify and deter possible threats.
- Adverse underground conditions at Padcal mine. The unpredictable ground conditions inherent in an underground operation, coupled with the presence of bouldery ore and risks of mud rush events, have impacted operations, resulting in lower tonnage and metal output in the past that were recently addressed with the installation of new equipment and commissioning of other sub-mining levels.
- The risk of operations stoppage can happen due to the failure of the ageing critical mine and mill equipment that may have no available replacements or spare parts more so with the challenges brought about by the Covid-19 pandemic on supply chain activities. The Company is continuously implementing and adhering to strict operating and maintenance procedures to ensure the efficient operations of the equipment.

## Environmental, Natural and Social

Being in a natural resource operation, the Company is inherently subject to potential environmental, natural and social concerns. The Company is also subject to Philippine laws and regulations governing the environmental and social impact of its operations.

- **Environmental incidents.** To manage the risk, the Company puts a great amount of effort and invests a substantial amount of resources into environmental protection and rehabilitation through its Environmental Protection and Enhancement Program. This is in addition to ensuring compliance with all applicable environmental laws and regulations, including the Clean Water Act. As a manifestation of its commitment to responsible and sustainable mineral resource development, the Company has adopted an environmental policy statement, which is consistent with ISO 14001 Certification on Environmental Management Systems. The Company maintains annual pollution liability insurance coverage to address environmental pollution-related events.
- **Natural calamities.** In addition, natural disasters, such as earthquakes, floods and landslides, could also hamper Company operations. Such natural disasters could damage Company's assets, among other things, Tailings Storage Facilities ("TSF"), damage Company facilities and surrounding infrastructure, block access to its mining assets, injure personnel and result in a suspension of its operations for an undeterminable period of time. All of these events could materially and adversely affect the Company's business, financial condition, results of operations and prospects. The Company is covered by a comprehensive insurance policy, including business interruption coverage, to respond to such eventualities and disruptions.
- **Social License to Operate.** The Company ensures strict compliance with all the applicable social laws, rules, and regulations covering it as a mining company. In addition, the Company strongly adheres to its Social Development Management Program, and oftentimes exceeds the requirements set by the government, through the provision of health, educational, livelihood, and public infrastructure services to its host and neighbouring communities, to constantly secure community endorsement and public approval for its operations. The Company adheres to the principles of ISO 26000:2010 Guidance on Social Responsibility, an international guideline, to assess and address sustainability concerns and effectively strengthen its social license to operate.

## **Item 2. Properties**

The Company's mineral properties are discussed in the sections for Mining Properties / Royalty Agreements, and Exploration and Development.

The Company owns real estate and support facilities in its Padcal mine site, a copper concentrate loading bay in Poro Point, San Fernando, La Union and various titled lands situated in Barangay Tuding, Itogon, Benguet, covering a total area of 129 hectares, and in Maglaoi, Currimao, Ilocos Norte covering a land area of 18,944 sqm. PGPI similarly owns real properties and support facilities in its Bulawan and Sibutad Projects, which are currently under care and maintenance.

SMMCI has been acquiring real properties in Surigao del Norte, through direct purchase or land lease agreements, for the Silangan Project. The lease agreements are typically for a period of 25 years, with a right of first refusal and first option in favor of SMMCI in the event the leased properties are to be disposed, ceded or sold by the lessors. SMMCI has been in possession of these properties, where components of the Silangan Project will be established.

The Company does not lease any significant real property nor has the intention at present to acquire any significant real property other than necessary for corporate purposes in the next

12 months. Machinery and equipment are routinely acquired month to month as part of routine operations either through direct purchase or through letters of credit, if imported, under supplier's or bank's credit terms.

The Padcal Mine's property, plant, machinery and equipment have an appraised value of Php1.9 billion, while the property, plant, machinery and equipment of SMMCI have an appraised value of Php233 million.

### Item 3. Legal Proceedings

A table that identifies material legal proceedings as of December 31, 2022 involving the Company, including its subsidiaries, is set out below:

	<b>CASE TITLE / SUBJECT MATTER</b>	<b>VENUE</b>	<b>NATURE</b>	<b>AMOUNT INVOLVED</b>	<b>STATUS</b>
1	Butan Mining Exploration Company v. Philex Mining Corporation	Mines Adjudication Board (MAB)	Claim for rental fees for the 745 ML tunnel traversing Butan claims	Php375 million	Company's appeal from Mines and Geosciences Bureau (MGB) Panel of Arbitrators' Decision pending resolution
2	Heirs of Antonio Nicolas v. Philex Mining Corporation, et al.	MAB	Overlapping of mining claims	Php14 million	Denial of claim sustained by the Supreme Court. Awaiting action on Company's motion to lift garnishment.
3	Philex Mining Corporation v. The Province of Benguet & Provincial Treasurer	La Trinidad, Benguet Regional Trial Court (RTC)	Assessment of sand and gravel taxes	Php14.2 million	Company's Petition against the assessment pending resolution
4	Rosita Bargaso of Kankanaey Tribe, et al. V. Philex Mining Corporation, et al.	Baguio City RTC	Petition for mandamus to direct MGB and National Commission of Indigenous Peoples (NCIP) to require Company to obtain separate Free Prior and Informed Consent (FPIC) of indigenous peoples in Itogon, Benguet, and make royalty payments from the time it started operations and at least 10 years backwards from the first	N/A	Petition dismissed due to improper venue

			demand of the petitioners to be paid the same royalty fee		
5	NAMAWU v. Philex Mining Corporation	National Conciliation and Mediation Board (NCMB)	Payment of separation differential	Php216,015.80 per complainant employee	Company's Motion for Reconsideration of Voluntary Arbitrator's Decision pending resolution
6	Sales Alipio, et al. v. Philex Mining Corporation	NCIP En Banc	Injunction against construction of access roads	N/A	Company's appeal from Resolution sustaining Writ of Preliminary Injunction pending resolution
7	Heirs of Jose Marino v. Philex Mining Corporation	NCIP – Cordillera Administrative Region (NCIP-CAR)	Claim for enforcement of alleged ancestral rights, damages with prayer for injunction	N/A	Archived
8	Heirs of Aritao v. Philex Mining Corporation	NCIP – CAR	Damages	Php60 / per square meter (Php600,000 up); injunction against the construction of the spillway	Archived
9	Basilio, et al. v. Philex Mining Corporation, et al.	NCIP – CAR	Damages	Php36 million	Case dismissed due to lack of jurisdiction
10	In Re: Joint Assessment Visit of Philex Mining Corporation, etc.	DOLE Bureau of Working Conditions	Declaration that Work Appreciation Program trainees, project employees, and personnel of two (2) contractors are regular employees of Philex	N/A	Company's appeal from DOLE-CAR Order pending resolution
11	In Re: OSH Investigation of Death of Employees During a Fire Incident at Banawel, Ampucao, Itogon on February 20 2019	DOLE Bureau of Working Conditions	Violation of occupational safety and health rules and regulations	Php1.03 million	Company's appeal from DOLE-CAR Order pending resolution
12	In Re: Complaint Inspection conducted at Philex Mining	DOLE Bureau of Working Conditions	Illegal deduction from salaries of employees	Php385,749.92	Company's appeal from DOLE-CAR Order pending resolution

	Corporation, Padcal, Tuba, Benguet				
13	In Re: OSH Investigation of the Death of Marcelo V. Marra, Jr. at Philex Mines, Padcal, Tuba, Benguet on August 8, 2019	DOLE Legal Service	Violation of occupational safety and health rules and regulations	Php700,000.00	Company's appeal granted and the DOLE-CAR's Order imposing penalties reversed
14	Philex Mining Corporation v. Heirs of Pilando Fernandez	Court of Appeals	Enforcement of contract	Php618,306.55	Company's appeal from Decision of the La Trinidad, Benguet RTC pending resolution
15	Heirs of Bucal Gavino v. Philex Mining Corporation	Court of Appeals	Opposition to Company's Application for Mineral Production Sharing Agreement No. (APSA) 28 (now Mineral Production Sharing Agreement No. (MPSA) 156; Claim for alleged damaged improvements	Php19.5 million	Claim denied by MAB. Claimants' petition for review with the Court of Appeals pending resolution.
16	Gerald D, Biala, et al. v. Philex Mining Corporation, et al.	Court of Appeals	Illegal dismissal	Php2.6 million	Complainants' appeal from National Labor Relations Commission's (NLRC) granting of Company's appeal and denial of complaint pending resolution
17	Raleigh B. Laggui and Virgilio B. Sequenza v. NLRC and Philex Mining Corporation	Court of Appeals	Illegal dismissal	Less than Php1 million	Complainants' appeal from NLRC's affirmation of dismissal of complaint pending resolution
18	Philippine Health Insurance Corporation (Philhealth) v. Sto. Niño Hospital	Philhealth	Three (3) cases for alleged violations of the Revised Implementing Rules and Regulations of R.A. No. 7875 by the Company-run Sto. Niño Hospital.	N/A	Two cases pending resolution, one on appeal before the Philhealth Board of Trustees

19	Emmanuel P. Deloso v. PGPI, et al.	MAB	APSA overlapping with PGPI's APSA 22 (now MPSA 344)	N/A	Pending resolution
20	Indigenous Cultural Communities Indigenous Peoples represented by Jose Romel Agustin Murio aka Datu Kasaligan vs. PGPI, et al.	Makati RTC	Nuisance case for enforcement of alleged ancestral rights over the entire Philippines against all mining contractors and real estate developers	N/A	Complaint remanded to the Office to the Clerk of Court for computation of filing fees
21	PGPI v. Elwray G. Palasuelo, et al.	Supreme Court	Illegal dismissal	Php11 million	Parties already reached an amicable settlement and filed Joint Motions for Dismissal of Case. Court of Appeals denied the joint motion since it already issued decision denying PGPI's petition for certiorari. Petition for Review before Supreme Court pending resolution.
22	Various civil and labor cases	Various	Various civil and labor cases in the ordinary course of business	N/A	Pending. Company is a party to a number of cases in the ordinary course of business involving small amounts of claims which are disputed by the Company on various grounds

Further to the above, the Company has a potential dispute with the Indigenous Peoples Organization of Alang, Pukis, Sabian, Sta. Fe, Oliba, and Luacan (IPO-APSSOL) regarding payment of royalties under the FPIC Memorandum of Agreement dated 15 January 2008 between the Company, NCIP, and IPO-APSSOL pertaining to the SDMP costs being deducted by the Company from royalty payments as authorized by the aforesaid Memorandum of Agreement, as well as the MPSA and the prevailing IRR of the Mining Act when the Memorandum of Agreement and the MPSA was entered into. Demand of IPO-APSSOL is over Php800 Million to which the Company has replied. The parties are currently exploring an amicable settlement of this matter.

The Parent Company may be subject of lawsuits and claims arising out of the ordinary course of its business, which are either pending decision by the courts or are being contested, and the outcomes of which are not presently determinable. The Company expects that the resolution and/or decision of such lawsuits and claims would have no material effect to the Company.

#### **Item 4. Submission of Matters to a Vote of the Security Holders**

There were no matters submitted to security holders for a vote in the 4<sup>th</sup> quarter of 2022 covered by this report.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

#### Market Information

The registrant's common equity is traded in the Philippine Stock Exchange under the ticker symbol "PX". The Company's public float as of December 31, 2022 is 33.92%.

The average quarterly stock prices for the Company's common shares for the last three fiscal years and the first quarter of 2023 are as follows:

Year	Period	Php per Share	
		High	Low
2023	1Q 2023	3.32	2.79
2022	1Q 2022	6.68	4.91
	2Q 2022	5.50	3.30
	3Q 2022	3.60	2.46
	4Q 2022	3.08	2.16
2021	1Q 2021	6.86	5.04
	2Q 2021	7.50	4.50
	3Q 2021	6.99	4.98
	4Q 2021	5.68	4.63
2020	1Q 2020	3.31	1.85
	2Q 2020	2.72	1.97
	3Q 2020	4.34	2.52
	4Q 2020	6.50	3.92
2019	1Q 2019	4.46	3.15
	2Q 2019	3.84	2.86
	3Q 2019	4.22	3.38
	4Q 2019	3.76	2.65

#### Holders

The Company has 43,901 shareholders as of December 31, 2022, with total issued and outstanding shares at 5,782,399,068 of which 36.27% are held by foreign nationals and entities.

The Top 20 shareholders of the Company as of December 31, 2022 are listed below:

	Name	Nationality	No. of Shares Held	Ownership
1	PCD Nominee Corporation	Filipino	1,376,053,232	23.80%
2	Social Security System	Filipino	1,141,395,352	19.74%
3	Asia Link B.V.	Dutch	1,023,275,990	17.70%
4	Two Rivers Pacific Holdings Corp.	Filipino	738,871,510	12.78%

5	PCD Nominee Corporation	Non-Filipino	415,341,230	7.18%
5	Maxella Limited	British	239,479,900	4.14%
7	Kirtman Limited	British	192,011,062	3.32%
8	Artino Limited	British	37,822,400	0.65%
9	The First National Investment Co. Inc.	Filipino	12,195,042	0.21%
10	Makati Supermarket Corp.	Filipino	8,353,226	0.14%
11	Estate of Eudaldo Boix	American	5,025,422	0.09%
12	Philippine Remnants Co., Inc.	Filipino	4,875,000	0.18%
13	Manuel V. Pangilinan	Filipino	4,655,000	0.08%
14	CHS Capital Holding Corp	Filipino	4,500,000	0.08%
15	Pao Frank	Foreign	3,639,260	0.06%
16	Estate of Eudaldo Boix and Petra Hernando	American	3,093,203	0.05%
17	De Ugarte &/Or Elena E. De Ugarte Paulino	Filipino	3,068,143	0.05%
18	Berck Y. Cheng or Alvin Y. Cheng or Diana Y. Cheng or Cheryl Y.Cheng	Foreign	3,047,500	0.05%
19	Reif Carol Joan	American	2,974,086	0.05%
20	Pettyfer Robin John	Canadian	2,644,747	0.05%

#### Dividends

Starting from 2010, the Company's Board of Directors adopted a policy to declare cash dividend at 25% of the Company's core net income should the circumstances allow for its declaration.

There are no restrictions other than those imposed under the Revised Corporation Code. Future fundraising activities of Philex, however, may result in the imposition of certain conditions, as may be required by third parties. Fundraising activities and any such conditions will be duly disclosed once known, consistent with PSE and SEC rules.

Below shows the Company's dividend payout history since 2020:

<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount Per Share</b>
February 27, 2020	March 13, 2020	March 27, 2020	Php0.01
February 24, 2021	March 12, 2021	March 26, 2021	Php0.059
March 4, 2022	March 21, 2022	April 3, 2022	Php0.05
February 23, 2023	March 13, 2023	March 24, 2023	Php0.02

None of Philex's subsidiaries declared dividends in the past three (3) years.

#### Recent Sales of Unregistered Securities

No securities were sold by the Company within the past three years which were not registered under the Code.

On June 29, 2011, the Company's stockholders approved a stock option plan covering up to 246,334,118 shares equivalent to 5% of the Company's outstanding shares of 4,926,682,368 as of June 29, 2011. This plan was approved by the SEC on February 22, 2013, which approval was received by the Company on March 5, 2013.

As of December 31, 2021, there were no outstanding stock options as all granted options totalling to 46,660,000 shares already expired. The covering 2011 Stock Option Plan has also reached the end of its 7-year term thus already terminated by virtue of the expiration of the last grant issued under the Plan in 2020.

On June 28, 2022, the SEC approved the Stock Rights Offering of the Company of Eight Hundred Forty Two Million (842,000,000) common shares with par value of One Peso (Php1.00) at an Offer Price of Php3.15 per common share. The SRO was completed with the listing of the new issued shares at the Philippine Stock Exchange on August 3, 2022.

As of December 31, 2022, the Company's Outstanding Shares is at 5,782,399,068.

## **Item 6. Management Discussion and Analysis of Financial Position and Results of Operations**

### **For the Years Ended December 31, 2022, 2021, 2020 and 2019**

Information on the Company's results of operations and financial condition presented in the 2022 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements are incorporated herein by reference.

### **Operations Overview**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2022 vs 2021 (%)</b>	<b>2021 vs 2020 (%)</b>	<b>2020 vs 2019 (%)</b>
Tonnes Milled	7,431,651	7,945,879	7,837,536	8,112,791	(6)	1	(3)
Copper Concentrates	57,421	58,679	58,101	55,962	(2)	1	4
Gold:							
Ounces	48,567	55,149	56,000	53,064	(12)	(2)	6
Head Grade (g/t)	0.269	0.285	0.283	0.264	(6)	0.4	7
Recovery	75%	76%	78%	77%	(0.3)	(3)	1
Copper:							
Pounds	25,085,952	26,200,259	26,378,914	25,737,207	(4)	(1)	2
Head Grade (%)	0.190	0.186	0.188	0.177	3	(1)	6
Recovery	80%	81%	81%	81%	(0.1)	(1)	-

As in the past recent years, the Company strategically overcome every recurring and intermittent factors that continue to post challenges to the operation, hampering a sustainable performance of the Padcal Mine. Delivery of targeted tonnage in 2022 was restricted by unscheduled breakdowns of ageing mill equipment and supply chain disruptions as the world traversed the period of the Covid19 pandemic to normal setting. The continued focus of the Management in the prevention of recurring equipment breakdown as well as investing in new LHDs and improvement in the execution of the mining plan, mitigated the negative impact to metal output of these problems. The Company milled a total of 7,431,651 tonnes in 2022, 6% lower than the 7,945,879 tonnes in 2021 while 2021 tonnage was slightly higher than the 7,837,536 tonnes in 2020. Tonnage in 2020 was lower by 3% than that of 2019 at 8,112,791 tonnes.

As a continuing strategy, the Company focuses on the continued calibration and refinement of measures to mitigate the effect of delayed arrival of critical parts, materials and supplies experienced globally. Overall, the Padcal Mine was able to overcome internal and external factors that may have significantly compromised the achievement of the targeted production outputs.

## Review of Financial Results

<i>(in Php Millions except for metrics, units, prices and forex)</i>	2022	2021	2020	2019	2022 vs 2021 (%)	2021 vs 2020 (%)	2020 vs 2019 (%)
Gold:							
Revenues	4,625	4,885	4,794	3,740	(5)	2	28
Ounces Produced	48,567	55,149	56,000	53,064	(12)	(2)	6
Realized Price	\$1,790	\$1,785	\$1,757	\$1,388	0.3	2	27
Copper:							
Revenues	5,383	5,516	3,579	3,592	(2)	54	(0.4)
Pounds Produced	25,085,952	26,200,259	26,378,914	25,737,207	(4)	(1)	2
Realized Price	\$3.96	\$4.24	\$2.87	\$2.72	(7)	48	6
Silver Revenues	80	87	77	67	(8)	13	15
Foreign Exchange Rate	Php54.91	Php49.87	Php49.12	Php51.49	10	2	(5)
Gross Revenues	10,088	10,488	8,450	7,399	(4)	24	14
Net Revenues	9,262	9,797	7,834	6,790	(5)	25	15

Gross Revenues generated in 2022 amounted to Php10.088 billion, 4% lower than revenues in 2021 of Php10.488 billion, which was 24% higher than the revenues of Php8.450 billion in 2020. The 2020 revenues were similarly higher by 14% than the revenues of Php7.399 billion in 2019. The decline in revenues in 2022 was brought about by the decrease in metal output for gold and copper as well as lower average copper price. Copper revenues comprised 53% of total revenues, a slight decrease from its 2021 level, while gold revenues remained at 46% level with the remaining 1% attributable to silver.

Gold revenues amounting to Php4.625 billion decreased by 5% from Php4.885 billion in 2021 which increased by 2% from the Php4.794 billion in 2020 (2021 was significantly higher by 28% than revenues of Php3.740 billion in 2019). The decrease in gold revenues was mainly attributable to the 12% decrease in gold output with partial offset from favorable gold prices that averaged at US\$1,790 per ounce compared with US\$1,785, US\$1,757 and US\$1,388 for years 2021, 2020 and 2019, respectively. Gold production decreased to 48,567 ounces in 2022 from 55,149 ounces in 2021 and 56,000 ounces in 2020, mainly from lower tonnage and gold grades. Average gold prices, on the other hand, increased to US\$1,790 per ounce in 2022 from US\$1,785 per ounce in 2021, US\$1,757 in 2020 and US\$1,388 in 2019.

Copper revenues amounted to Php5.383 billion in 2022, 2% lower than Php5.516 billion in 2021, which were 54% higher than Php3.579 billion in 2020 (2020 was slightly lower than the Php3.592 billion in 2019). Both lower copper output and lower average copper price contributed to the lower copper revenues in 2022. Copper production was at 25,085,952 pounds in 2022, 4% lower than the 26,200,259 pounds in 2021, was also lower than the 26,378,914 pounds in 2020 (2020 was higher than the 25,737,207 pounds copper production in 2019). Similarly, average copper price was also lower in 2022 at US\$3.96 per pound compared with US\$4.24 per pound in 2021, which increased significantly by 48% from US\$2.87 per pound in 2020 (2020 was also higher than the US\$2.72 per pound in 2019).

Silver, accounting 1% of total revenues, contributed Php80 million in 2022, slightly lower compared with Php87 million in 2021, which was higher compared to Php77 million in 2020 (2020 was also higher than Php67 million in 2019).

The favorable foreign exchange rate (Forex) in 2022 that averaged Php54.91, 10% higher than the average Forex in 2021 of Php49.87 partially offset the impact of lower metal output and average copper price in the 2022 revenues. The 2021 Forex was slightly higher compared to 2020 Forex of Php49.12 that was lower versus Php51.49 in 2019.

In 2022, Revenues, net of smelting charges, decreased by 5% to Php9.262 billion from Php9.797 billion in 2021, which was 25% higher than Php7.834 billion in 2020 (2020 was also higher by 15% compared with Php6.790 billion in 2019).

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, the Company entered into various collar hedging contracts in 2022 as follows:

2022 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			
10/01/21	1,900	1,700	1,800	1,817	Jan. 2022	02/02/22	(2)
10/01/21	1,900	1,700	1,800	1,857	Feb. 2022	03/02/22	(6)
10/01/21	1,900	1,700	1,800	1,948	Mar. 2022	04/02/22	(15)
01/14/22	1,900	1,725	1,922	1,934	Apr. 2022	05/09/22	(1)
01/14/22	1,900	1,725	1,922	1,850	May 2022	06/09/22	-
01/14/22	1,900	1,725	1,922	1,835	June 2022	07/08/22	-
01/14/22	1,900	1,725	1,922	1,738	July 2022	08/05/22	-
01/14/22	1,900	1,725	1,922	1,766	Aug. 2022	09/08/22	-
01/14/22	1,900	1,725	1,922	1,684	Sept. 2022	10/07/22	-
01/14/22	1,900	1,725	1,922	1,665	Oct. 2022	11/08/22	5
01/14/22	1,900	1,725	1,922	1,726	Nov. 2022	12/07/22	7
01/14/22	1,900	1,725	1,922	1,795	Dec. 2022	01/09/23	
Total							(12)

2022 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			
10/04/21	992,081	3.90	4.51	4.43	Jan. 2022	02/02/22	-
10/04/21	992,081	3.90	4.51	4.51	Feb. 2022	03/03/22	-
10/04/21	992,081	3.90	4.51	4.64	Mar. 2022	04/02/22	(7)
11/24/21	992,081	3.75	4.95	4.62	Apr. 2022	05/09/22	-
11/24/21	992,081	3.75	4.95	4.25	May 2022	06/09/22	-
11/24/21	992,081	3.75	4.95	4.10	June 2022	07/08/22	-
11/24/21	992,081	3.75	4.95	3.42	July 2022	08/05/22	18
11/24/21	992,081	3.75	4.95	3.61	Aug. 2022	09/08/22	8
11/24/21	992,081	3.75	4.95	3.51	Sept. 2022	10/07/22	14
11/24/21	992,081	3.75	4.95	3.46	Oct. 2022	11/08/22	17
11/24/21	992,081	3.75	4.95	3.64	Nov. 2022	12/07/22	6
11/24/21	992,081	3.75	4.95	3.80	Dec. 2022	01/09/23	-
Total							56

For 2022, the Company recognized net hedging losses of Php12 million for gold and net hedging gain of Php56 million for copper.

As of December 31, 2022, the following hedging contracts remain outstanding:

	Deal Date	Monthly Quantity	Metal Prices		Period Covered
			Put	Call	
Gold	12/09/22	1,850 ozs	US\$1,750/oz	US\$1,903/oz	Jan-June 2022

The unrealized MTM loss for the outstanding contracts as of December 31, 2022 amounted to Php7 million.

In December 9, 2022, the Company entered into a gold collar contracts covering the period January to June 2023 at 1,850 ounces per month with strike price of US\$1,750 per ounce for the put option and US\$1,903 per ounce for the call option.

In January 2023, the Company further entered into copper put option contracts covering the period January to June 2023 at 992,081 pounds per month with strike price of US\$3.75 per pound. Total amount of premium to secure the put option contracts amounted to Php18 million.

For 2021, hedging contracts entered into by the Company are as provided in the tables below:

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	June 2021	07/02/21	(9)
03/10/21	1,900	1,680	1,733	1,806	July 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	Sept. 2021	10/04/21	(4)
10/01/21	1,900	1,700	1,800	1,776	Oct. 2021	11/02/21	-
10/01/21	1,900	1,700	1,800	1,820	Nov. 2021	12/02/21	(2)
10/01/21	1,900	1,700	1,800	1,788	Dec. 2021	01/05/22	-
Total							(29)

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	992,081	3.80	4.27	4.23	Apr. 2021	05/05/21	-
03/10/21	992,081	3.80	4.27	4.62	May 2021	06/02/21	(17)
03/10/21	992,081	3.80	4.27	4.36	June 2021	07/02/21	(4)
03/10/21	992,081	3.80	4.27	4.28	July 2021	08/03/21	(0.5)
03/10/21	992,081	3.80	4.27	4.24	Aug. 2021	09/02/21	-
03/10/21	992,081	3.80	4.27	4.23	Sept. 2021	10/04/21	-
10/04/21	992,081	3.90	4.51	4.44	Oct. 2021	11/02/21	-
10/04/21	992,081	3.90	4.51	4.43	Nov. 2021	12/02/21	-
10/04/21	992,081	3.90	4.51	4.33	Dec. 2021	01/05/22	-
Total							(26)

For 2021, net hedging losses of Php29 million for gold and Php26 million for copper were realized.

As of December 31, 2021, the following hedging contracts remain outstanding:

	Deal Date	Monthly Quantity	Metal Prices		Period Covered
			Put	Call	
Gold	10/01/21	1,900 ozs	US\$1,700/oz	US\$1,800/oz	Jan-Mar 2022
Copper	10/04/21	992,081 lbs	US\$3.90/lb	US\$4.51/lb	Jan-Mar 2022
	11/24/21	992,081 lbs	US\$3.75/lb	US\$4.95/lb	Apr-Dec 2022

The unrealized MTM gain for the outstanding contracts as of December 31, 2021 amounted to Php11 million for gold and Php13 million for copper.

In January 2022, the Company further entered into additional gold collar contracts covering the period April to December 2022 at 1,900 ounces per month with strike price of US\$1,725 per ounce for the put option and US\$1,922 per ounce for the call option.

For 2020, the Company entered into gold and copper hedges are as provided in the tables below:

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

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 favourably 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 (Ounces)	Gold Prices (US\$ Per Ounce)			Period Covered	Settlement Date	Realized Loss (in Php Millions)
		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 Loss (in Php Millions)
		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)

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

For 2019, the Company recognized a net hedging loss of Php53 million on its gold hedge as provided in the table below:

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

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

## Operating Costs and Expenses

Operating cost and expenses ("Opex"), which included Production Costs, Excise Tax and Royalties, and Depletion, Depreciation and Amortization, and General and Administrative Expenses (G&A), were at Php7.120 billion in 2022, higher by 8% than the Php6.598 billion in 2021, which was 5% higher than the Php6.298 billion in 2020 (2020 was, however, significantly lower than the Php6.917 billion in 2019). The 8% increase in Opex was mainly due to higher Production Costs on account of the significant increase in the cost of materials and supplies and logistics expenses influenced by inflationary pressures and depreciation of the Peso currency against US dollar, as well as the effect of the higher coal prices that directly impacted power generating cost starting the latter part of the third quarter in 2022. Similarly, Depletion, Depreciation and Amortization (DDA) also increased in 2022 as an effect of the reversal of provisions on impairment of mining assets in 2021. The Opex for 2021 increased by 5% compared to 2020 due to higher Production Cost, and Excise Tax and Royalties on account of the 25% increase in net revenue in 2021 with partial offsetting from the decrease in DDA, as well as G&A. For the 2020 Opex, the decrease against 2019 was brought about by the lower Production Costs, and Depletion, Depreciation and Amortization. This was partially offset by

higher Excise Taxes and Royalties on account of significantly higher revenues, the basis in computing taxes and royalties.

Production Costs increased by 8% in 2022 at Php4.865 billion compared with Php4.488 billion in 2021 due to higher power costs attributable to the higher coal prices, the significant increase in commodity prices of materials and supplies such as diesel fuel and lubricants, and higher maintenance costs of mill equipment. For 2021, Production Costs also increased Php4.488 billion compared to Php4.216 billion in 2020 due mainly to higher power costs on account of higher power rate under the new power contract, materials and supplies following higher consumption for equipment parts in addition to the slightly elevated purchase costs of materials and suppliers, increasing lubes and fuel prices, and labor costs based on the recently concluded renewal of the Collective Bargaining Agreements at the Padcal Mine. For 2020, the production costs decreased from Php4.388 billion in 2019, attributed to the continued implementation of efficient operating practices and prudent cost management reducing consumption of materials and supplies in 2020 in addition to the benefit from lower contracted power rates.

Depletion, Depreciation and Amortization (DDA) increased by 16% at Php1.413 billion in 2022 from Php1.218 billion in 2021. The increase was mainly from the impact of further reversal of previously recorded provision on impairment of mining assets following the extension of Padcal's life of mine in 2021. For 2021, DDA slightly decreased to Php1.218 billion in 2021 against 2020 despite the impact of the reversal of the 2019 impairment provision and additional depreciation for new acquisitions and amortization for additional costs related to the tailings storage facility. While for 2020, DDA has significantly gone down to Php1.252 billion from Php1.814 billion in 2019 as a result mainly of the recognition of the impairment provision against mine and mining assets in 2019 that reduced the rate per tonne for the depletion and block amortization expenses, net of additional depreciation, and amortization on account new acquisitions and TSF costs, respectively, in 2020.

G&A slightly decreased to Php250 million in 2022 from Php253 million in 2021 which was 12% lower than the Php287 million in 2020 (2020 was maintained at Php287 million level vs 2019 after a continuous reduction for the past three years as a result of the conscientious spending for Head Office administrative activities). The significant decrease in 2021 was due to lower salaries and wages on account of lower manpower.

Excise Taxes and Royalties also decreased by 7% in 2022 at Php592 million versus Php639 million in 2021. The decrease was due to the 5% decrease in net revenues, the basis in computing excise taxes and royalties. On the other hand, Excise Taxes and Royalties in 2021 significantly increased to Php639 million from Php543 million in 2020 on account of the 25% increase in net revenues. Similarly in 2020, these costs increased by 27% compared to Php427 million in 2019 mainly for the reason of higher net revenues.

Smelting Charges significantly increased by 19% at Php826 million from Php691 million in 2021 due to higher freight charges that more than doubled in 2022, higher value of unit deductions for gold and higher Treatment and Refining Charges (TCRC). For 2021, Smelting Charges also increased by 12% compared with 2020 due to higher value of unit deductions as a result of the high level of metal prices, and higher freight charges despite slightly lower TCRC on concentrate shipments in 2021. This is following a slight increase in 2020 to Php616 million from Php610 million in 2019 primarily from higher metal production in 2020.

#### **Break-even Production and Operating Cost per Unit**

<i>(in Php Millions except for unit costs)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2022 vs 2021 (%)</b>	<b>2021 vs 2020 (%)</b>	<b>2020 vs 2019 (%)</b>
Production Cost	4,865	4,488	4,216	4,388	8	6	(4)
Depletion, Amortization and Depreciation*	1,413	1,218	1,252	1,814	16	(3)	(31)
Total Production Cost	6,278	5,706	5,468	6,202	10	4	(12)
Excise Tax and Royalties	592	639	543	427	(7)	18	27
Smelting Charges	826	691	616	610	19	12	1
Total Operating Cost	7,696	7,036	6,627	7,239	9	6	(8)

Breakeven Costs:							
Production Cost Per Tonne	Php845	Php718	Php698	Php724	18	3	(4)
Operating Cost Per Tonne	Php1,036	Php886	Php846	Php852	17	5	(1)
Operating Cost Per Ounce of Gold	US\$1,347	US\$1,202	US\$1,362	US\$1,296	12	(12)	5
Operating Cost Per Pound of Copper	US\$2.98	US\$2.85	US\$2.22	US\$2.54	4	28	(13)

\*Included depreciation of assets written-off in 2019 amounting to Php329 million that was not included in the breakeven costs computation

Production Cost per Tonne, consisting of cash and non-cash (representing Depletion, Depreciation and Amortization), increased 18% further to Php845 in 2022 from its level of Php718 in 2021, primarily from higher power costs as well as maintenance costs. For 2021, Production Cost per Tonne slightly increased compared with Php698 in 2020 due mainly to higher costs on power, materials and supplies and labor. For 2020, the production cost per tonne decreased from Php724 in 2019 on account of lower materials and supplies and power costs.

With higher production cost per tonne coupled with the increase in Smelting Charges, the Operating Cost per Tonne significantly increased by 17% to Php1,036 from Php886 in 2021 which was also 5% higher than the Php846 in 2020 (2020 was slightly lower than the Php852 in 2019).

Break-even Operating Cost (using co-production method) per ounce of gold and per pound of copper were higher at US\$1,347 per ounce gold and US\$2.98 per pound copper compared with US\$1,202 per ounce gold and US\$2.85 per pound copper in 2021. There was no significant change in the cost allocation which was based on the revenue contribution of gold and copper thus no significant impact on the higher breakeven costs. The increase was primarily on higher operating costs caused by the increase in power rates and higher costs of materials and supplies as well as the reverse impact of lower metal output that increased cost per unit. For 2021, Break-even Operating Cost for gold decreased while that for copper increased compared with US\$1,362 per ounce and US\$2.22 per pound in 2020, respectively, in 2020. Costs allocation to gold and copper was based on their revenue contribution. Gold revenue in 2021 was lower compared at 46% of total revenues compared to 57% in 2020 thus a lower allocation in operating costs, while copper contributed 53% in total revenues in 2021 as against 42% only in 2020. This resulted in the lower cost per ounce gold and higher cost per pound copper. On the other hand for 2020, on the basis of gold's and copper's contributions to revenue, cost per ounce gold was higher while cost per pound copper was lower compared with US\$1,296 per ounce gold and US\$2.54 per pound copper in 2019, respectively.

#### Net Other Income (Charges)

<i>(in Php Millions)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Reversal of (provisions for) Impairment Losses – net of other provisions and reversals	126	272	(2)	(849)
Foreign Exchange Gain (Losses) – Net	83	(46)	99	93
Share in Net Losses of Associates	(27)	(529)	(47)	(118)
Interest Income	25	2	1	2
Others – Net	(20)	(98)	(56)	(4)
<b>Total</b>	<b>187</b>	<b>(399)</b>	<b>(5)</b>	<b>(877)</b>

The Company recorded Php187 million net other income in 2022 from a net other charges of Php399 million in 2021 and Php5 million in 2020. The net other income in 2022 is the combined effect Reversal of (Provisions for) Impairment Losses – Net of Other Provisions and Reversals of the Php126 million, Foreign Exchange (Forex) Gain of Php83 million, Interest Income of Php25 million, and the Share in Net Losses of Associates of Php27 million and other charges of Php20 million.

With the modification of the terms extending the maturity date of the convertible notes issued by Silangan Mindanao Exploration Co., Inc., a subsidiary of Philex, the Company recorded a gain amounting to Php500 million. The gain was offset by the provisions on possible impairment

of Php290 million on its mining assets and Php84 million on possible inventory obsolescence, resulting to a net amount of Php126 million. Further to the specific assessment and identification of mining assets for possible impairment, the Company regularly assesses the viability of its continued operation of the Padcal Mine, recoverability of costs on existing mine exploration projects and other investments on a regular basis using an acceptable financial model. As a result of this exercise, the Company determined in 2022 that the recorded impairment reserve to-date was sufficient after the several reversals made in 2021 and in 2020 coming from the impact of higher metal prices on the life-of-mine financial projections of the Company as well as the extension of the Padcal mine life in 2021 for another two years to end 2024 then for another three years extension up to 2027 as determined in December 2022. The 2021 and 2020 reversals were, however, offset by various provisions which include additional provisions on inventory items at the Padcal Mine that were assessed to be obsolete due either to change in technology or phasing out of the main equipment.

For 2022, the Company recorded a net Forex gain of Php83 million mainly from the benefit of higher forex on dollar denominated money placements, net of the unrealized forex loss recognized on the restatement of dollar denominated short-term loans at cut-off date. In 2021, the Company recorded a net forex loss on short-term loans of Php46 million, compared with a forex gain of Php99 million in 2020 following the depreciation of Philippine Peso against US Dollar in 2021. In 2020, forex appreciated thus the gain of Php99 million compared to a gain also in 2019 of Php93 million.

In 2022, the Company recorded a Share in Net Losses of Associates of Php27 million, much lower than the Php529 million in 2021 which included PXP Energy's impairment provision of the carrying value of its oil and gas assets related to Peru Block Z-38. The 2021 Share in Net Losses of Associates of Php47 million was lower compared with Php118 million in 2019.

The overall Net Other Income amounted to Php187 million compared to Net Other Charges of Php399 million in 2021, Php5 million in 2020 and Php877 million in 2019.

### **Core Net Income, EBITDA and Consolidated Net Income**

The Company's Core Net Income in 2022 amounting to Php1.733 billion was 32% lower than the Php2.533 billion in 2021. The significant drop in Core Net Income was brought about by the 5% decrease in revenues and 8% increase in operating costs. Sustained higher level of gold prices and favorable exchange rate partially mitigated the negative impact of lower metal output and lower copper prices that greatly affected the level of revenues in 2022. For 2021, favorable and sustained higher level of gold and copper prices allowed the Company to post a core net income of Php2.533 billion, 118% above the Php1.162 billion in 2020, which excludes extraordinary and non-recurring transactions and reflects the Company's operational performance. This was the result of the 25% increase in revenues, coupled with the steady management of operating costs. The 2020 core net income was also substantially higher than the core net income of Php156 million in 2019. The 2020 results benefited from higher gold and copper production from sustained better ore grades and from favorable realized gold and copper prices as copper started to soar in the third quarter of 2020.

Following lower Core Net Income, EBITDA decreased by 18% to Php3.525 billion in 2022 from Php4.317 billion in 2021. EBITDA for 2021, on the other hand, significantly increased by 60% to Php4.317 billion from Php2.703 billion in 2020. The healthy cash generation of the Company as a result of favorable metal prices provided sufficient funds to finance additional capital expenditures for continued operation of the Padcal Mine. For 2020, EBITDA also increased from Php1.664 billion in 2019. The Company's core net income and EBITDA exclude non-recurring transactions to clearly reflect and provide results based on the normal operating parameters of the business. Non-core items consisted mainly of Forex gain (losses) and net provisions for impairment of assets.

The operating challenges of meeting production targets, unfavorable copper prices and uncontrollable increase in global prices of materials and supplies also affecting local power rates resulted to a lower Consolidated Net Income (the same as the Net Income Attributable to the Equity Holders as income attributable to non-controlling interest was nil) of Php1.796 billion

in 2022 versus to the Consolidated Net Income of Php2.431 billion in 2021, due to excellent operating performance. For 2021, the Company posted a Consolidated Net Income of Php2.431 billion from Php1.228 billion in 2020, which was a turnaround from a loss of Php648 million in 2019 after recording the non-cash net impairment provisions of Php849 million.

### Reconciliation of Core Net Income to Consolidated Net Income

<i>(in Php Millions)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Core Net Income	1,733	2,533	1,162	156
Non-Recurring Gains (Losses):				
Net Provisions for Impairment of Assets	126	272	(2)	(849)
Foreign Exchange Gain (Losses)	83	(46)	99	93
Write-off of Fixed Assets	-	-	-	(329)
Effect of CREATE Law	-	335	-	-
Share in Provision for Impairment in PXP assets	-	(674)	(2)	(80)
Net Tax Effect of Aforementioned Adjustments	(146)	11	(29)	361
Net Income (Loss) Attributable to Equity Holders	1,796	2,431	1,228	(648)
Net Income Attributable to Non-Controlling Interest	-	-	-	-
<b>Consolidated Net Income</b>	<b>1,796</b>	<b>2,431</b>	<b>1,228</b>	<b>(648)</b>

### Other Comprehensive Income

The Company's Other Comprehensive Income (OCI) included unrealized gains or losses related to derivatives, pension plans and other financial assets. In 2021, the income tax effect of other financial transactions as a result of the effectivity of CREATE law reducing the income tax rate from 30% to 25% was also included under OCI. The OCI amounted to Php15 million in 2022 compared with Php332 million in 2021, Php78 million in 2020, and a loss of Php82 million in 2019). For 2022, the Company recorded Loss on Fair Value of Derivatives of Php6 million (versus Php24 million in 2021 and, nil in 2020 and 2019), Remeasurement Gains on Pension Obligation Plans of Php2 million (versus Php72 million in 2021, Php120 million in 2020 and a loss of Php121 million in 2019) and Unrealized Gain on Financial Assets of Php20 million (versus Php10 million in 2021 and Php2 million in 2019, and a loss of Php6 million in 2020). The corresponding income tax effect on Remeasurement Gains on Pension Obligation Plans were Php2 million in 2021 and Php36 million in 2020 and Php36 million in 2019. The Company also recorded Php278 million income tax effect on net revaluation surplus in 2021.

Total Other Comprehensive Income for 2022 amounted to Php15 million compared with Php332 million for 2021, Php78 million for 2020 and a loss of Php82 million for 2019. This resulted to a Total Comprehensive Income of Php1.811 billion for 2022, lower than the Php2.764 billion for 2021 as a result of lower Consolidated Net Income in 2022. The 2021 Total Comprehensive Income was, however, significantly higher than the Php1.307 billion for 2020, due to the Consolidated Net Income of Php2.431 billion that was twice the net income of Php1.228 billion for 2020. For 2020, the total comprehensive income was a turn-around from the loss of Php730 million in 2019.

## FINANCIAL CONDITION REVIEW

### Financial Condition Summary

<i>(in Php Millions except ratios)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Cash and Cash Equivalents	3,925	2,891	1,191	796
Non-Current Assets	36,836	36,134	35,495	34,977
Total Assets	43,259	41,856	38,939	37,899
Loans and Bonds Payable	1,617	10,131	1,777	2,532
Non-Current Liabilities	7,631	1,834	10,492	10,001
Equity Attributable to Equity Holders of Parent Company	30,870	26,699	24,227	22,969
Non-Controlling Interests	(0.3)	(0.3)	(0.3)	(0.3)
Total Equity	30,869	26,698	24,226	22,969
Liquidity Ratios:				
Current Ratio	1.35	0.43	0.82	0.59

Quick Ratio	0.95	0.25	0.37	0.25
Solvency and Debt to Equity Ratios:				
Debt-to-Equity Ratio	0.40	0.57	0.61	0.65
Solvency Ratio	0.26	0.24	0.17	0.08
Financial Leverage Ratios:				
Asset-to-Equity Ratio	1.40	1.57	1.61	1.65
Profitability Ratios:				
Return on Assets	4.22%	6.02%	3.20%	(1.65%)
Return on Equity	6.24%	9.55%	5.21%	(2.78%)
Net Profit Margin	19.39%	24.82%	15.68%	(9.54%)

### Current Assets

As of December 31, 2022, Current Assets amounted to Php6.423 billion, 12% higher than the Php5.722 billion in 2021 on account of higher cash and cash equivalents, other current assets and accounts receivable – net. For 2021, Current Assets were 66% higher than the Php3.445 billion in 2020 mainly from of higher cash and cash equivalents, accounts receivable and inventories. Similarly, in 2020, the current assets were higher than the Php2.921 billion in 2019.

### Cash and Cash Equivalents

The Cash and Cash Equivalents amounted to Php3.925 billion as of December 31, 2022, 36% higher than the Php2.891 billion as of December 31, 2021 which was 143% above the Php1.191 billion as of December 31, 2020 (versus Php796 million in 2019). The net proceeds of the Company's Stock Rights Offering that was invested in Silangan Mindanao Exploration Co., Inc. (SMECI) in October 2022 which amount was subsequently invested by SMECI into Silangan Mindanao Mining Co., Inc. (SMMCI) remained in the Cash and Cash Equivalents of SMMCI as only an insignificant was utilized for initial development activities of the Silangan Project. On a regular basis, the monthly main source of cash is dependent on the timing of shipments of the copper concentrates to the Company's customers overseas. Cash generated from operations was primarily used for the day to day operating expenses and capital expenditures for the mine development and mill operations as well as advances to Silangan to partially finance its pre-development expenditures. Previous years' use of cash included short-term repayment under the Company's loan reduction program.

### Accounts Receivable

The Company's Accounts Receivables are largely composed of Trade Receivables from sales of the Company's copper concentrates or gold bullion and Other Receivables that include advances to employees for conduct of transactions in the ordinary course of business. As of December 31, 2022, Accounts Receivables amounted to Php581 million, consisting of Trade Receivables of 443 million, Loans receivable of Php31 million and Other Receivables of Php107 million. The 2022 balance increased from Php467 million in 2021, consisting of Trade Receivables of Php384 million and Other Receivables of Php83 million, compared with Php370 million in 2020 (comprising of Trade Receivables of Php284 million and Other Receivables of Php86 million), and Php416 million in 2019 (comprising of Trade Receivables of Php338 million and Other Receivables of Php78 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 3-4 days after presentation of sales and shipping documents, with the balance payable upon final pricing determination based on agreed quotational period ("QP"). QP is determined either Prior Month of Shipment Schedule ("MOSS") or Month After Month of Arrival ("MAMA") in destination. Trafigura Pte. Ltd., the third offtaker for contract year 2022-2023 follows the same QP of MOSS or MAMA.

The Trade Receivables as of December 31, 2022 consisted of the remaining value of four shipments (versus four shipments also in the fourth quarter of 2021 as of December 31, 2021 with IXM S.A.) awaiting final pricing, were with Trafigura Pte. Ltd. The QP for the outstanding shipments is 3MAMA for copper and 1MAMA for gold.

As of December 31, 2021, Trade Receivable consisted of the remaining value of four shipments in the fourth quarter of 2021 awaiting final pricing which were all with IXM S.A. The QP terms for IXM S.A. are MOSS for copper and MOSS or 3MAMA for gold. For 2020, the trade receivables consisted mainly of the remaining value of four shipments in the fourth quarter of 2020 awaiting final pricing, of which three were with IXM S.A., and the one with Pan Pacific. The QP for the Pan Pacific shipments is 3MAMA for copper and 1MAMA for gold, while for IXM S.A., the QP is MOSS for copper and MOSS or 3MAMA for gold. While for 2019, the trade receivable balance represented uncollected 10% of four outstanding shipments.

In March 2022, the Company granted loans to its associate, PXP Energy Corporation, where Philex owns 30.4% interest, through the issuance of the later of covering Promissory Notes (PNs). Under the PNs, total loans to PXP Energy amounted to US\$600,000, payable on demand and subject to an interest of 3.5% p.a. over LIBOR (6 months) that is payable quarterly. Total interest received for 2022 amounted to Php1.5 million.

### Inventories

Total Inventories, comprising of materials and supplies (M&S) and mine products, amounted to Php1.151 billion, 40% lower than the Php1.926 billion as of December 31, 2021, compared with Php1.343 billion in 2020 and Php1.044 billion in 2019. The decrease was due to the lower value of Mine Products inventory as a result of lower metal content compared with ending inventory as of December 31, 2021. M&S inventory was also lower in 2022 following management initiative to reduce inventory considering the limited life of the Padcal Mine. In 2022, total inventories comprised 62% of mine products and 38% of M&S, while for 2021 mine products represented about 66% of total inventories with M&S representing the remaining 34%, compared with M&S at 55% and mine products at 45% in 2020 (from 88% M&S and 12% mine products in 2019).

Mine products inventory amounted to Php710 million while M&S supplies amounted to Php441 million in 2022. Mine Products inventory which is valued at net realizable value was based on 4,981 WMT as of December 31, 2022 compared with the Php1.264 billion as of December 31, 2021 which included one full ship load of copper concentrate finally scheduled for shipment early 2022. Mine products inventories in 2020 and 2019 were Php611 million and Php129 million, respectively. On the other hand, M&S supplies continued to decrease following the implementation of inventory reduction program resulting to Php441 million in 2022 from Php663 million in 2021, Php733 million in 2020, and Php915 million in 2019. Also in 2020, the Company recorded an allowance for inventory obsolescence of Php105 million to cover inventory items no longer useful during the life of mine which has gone down to Php51 million in 2021 then increase again to Php107 million in 2022 as a result of periodic audit and assessment of inventory obsolescence.

### Other Current Assets

Other Current Assets, composed primarily of input VAT claims on purchases of materials, supplies and equipment, increased to Php766 million from Php438 million in 2021, Php540 million in 2020, and Php666 million in 2019. Based on the 2022 issued guidelines on VAT zero-rating which retroacts to December 10, 2021, all purchases of goods and services by Philex Mining shall be subject to 12% VAT but can still be refunded to Philex, being an exporter, by the Bureau of Internal Revenue for VAT on local purchases and by Bureau of Customs for VAT on importations. This resulted to the significant net increase in VAT receivable in 2022, net of VAT refunds received in 2022. Prior to the 2022 VAT guidelines, the Company was subject to 12% VAT only on its importations and received also actual refund of VAT claims from the BIR in the form of either cash or TCC. In 2022, a total of Php148 million VAT receivable was refunded to the Company while Php91 million, Php178 million, and Php93 million were refunded in 2021, 2020, and 2019, respectively. TCCs previously received were utilized by the Company to partially pay its income tax obligations. As of December 31, 2022, a total of Php60 million in TCC form remained unutilized.

### **Non-Current Assets**

Non-Current Assets slightly increased to Php36.836 billion as of December 31, 2022 compared with Php36.134 billion as of December 31, 2021 from Php35.495 billion as at end 2020, and Php34.977 billion in 2019. Non-Current Assets comprised mainly of Deferred Exploration Costs ("DEC"), Investment in Associates and Property, Plant and Equipment ("PPE"). DEC and PPE represent 97% of total non-current assets, signifying the capital-intensive nature of the business.

#### Deferred Exploration Costs

Deferred Exploration Costs ("DEC") increased to Php29.492 billion as of December 31, 2022 from Php28.100 billion as of December 31, 2021, Php27.365 billion as at end 2020 from Php26.616 billion in 2019 on account of the pre-development expenditures related to Silangan Project with cumulative amount of Php27.174 billion or 92% of total DEC. All expenditures related to early works program and land banking transactions for the Silangan Project were also included in the DEC of the Project.

The Company continues to assess the potentials of ore sources within and surrounding areas of Padcal for possible mine life extension.

<i>(in Php Millions)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Silangan Project	27,174	25,794	25,066	24,349
Kalayaan Project	2,755	2,753	2,752	2,746
Bulawan and Vista Alegre Projects	633	633	698	633
Lascogon Project	289	289	289	289
Sibutad Project	236	236	236	235
Bumolo Project	211	210	210	210
Clifton Project	135	135	135	135
Southwest Project	110	110	110	110
Sanfran/Tambis Project	92	92	92	92
Tapsan Project	149	149	149	148
Other Exploration Costs	1,533	1,524	1,453	1,494
Total	33,317	31,925	31,190	30,441
Less: Impairment Provisions	(3,825)	(3,825)	(3,825)	(3,825)
Total Deferred Exploration Costs-Net	29,492	28,100	27,365	26,616

#### Investment in Associates

Investment in Associates amounted to Php3.606 billion as of December 31, 2022, slightly decreased from Php3.632 billion as of December 31, 2021, compared with Php4.161 billion as of December 31, 2020 (from Php4.208 billion as of December 31, 2019). The annual decrease in amount was mainly from the Company's share in the net losses of associates in 2022, 2021, 2020 and 2019 which included impairment provisions. For 2021, the significant decrease in the investment in associates was due to impairment provision recorded by PXP Energy of the carrying value of its oil and gas assets related to Peru Block Z-38.

#### Property, Plant and Equipment

Property, Plant and Equipment significantly decreased to Php2.730 billion as of December 31, 2022 from Php3.429 billion as of December 31, 2021, compared with Php3.043 billion as of December 31, 2020 (from Php3.185 billion in 2019). The 20% decrease in 2022 was due to higher amount of Depletion, Depreciation and Amortization (DDA) compared to the regular additions to PPE which were the actual expenditures on Padcal's mine development activities and acquisition of mine equipment for the period. The DDA in 2022 already considered the impact of the Padcal Mine life extension declared in the second quarter of 2021. For 2021, the increase in PPE was mainly due to the reversal of 2019 impairment provision amounting to Php699 million on top of the Php103 million reversal in 2020. The 2019 impairment provision amounting to Php1.457 billion was on top of previous year's impairment. The annual impairments recorded in the financial statements 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. For 2020, the decrease in PPE was due to the higher amount of DDA of Php1.294 billion compared

to Php1.048 billion spent for the additional capital expenditures for Padcal's Mine development activities and mine equipment acquisition for that year.

#### Pension Asset

Pension Asset slightly decreased to Php341 million as of December 31, 2022 from Php353 million as of December 31, 2021 based on the latest actuarial report from Php310 million as of December 31, 2020 (from Php224 million in 2019). Pension Asset represents the excess of the fair value of plan assets against the present value of defined benefit obligations under the Company's retirement plan, net of SMMCI pension obligation.

#### Financial Assets Measured at FVOCI

Financial Assets Measured at FVOCI, consisting mainly of shares in golf and country clubs, amounted to Php145 million as of December 31, 2022 from Php125 million as of December 31, 2021, compared with Php114 million as of December 31, 2020 (from Php121 million as at end 2019).

#### Other Non-Current Assets

Other Non-Current Assets increased to Php523 million as of December 31, 2022 from Php495 million as of December 31, 2021, compared with Php501 million as of December 31, 2020 (from Php623 million in 2019). This included SMMCI's input Value-Added Tax amounting to Php462 million in 2022, Php435 million in 2021, Php434 million in 2020 and Php433 million in 2019.

### **Total Assets**

As of December 31, 2022, Total Assets of the Company amounted to Php43.259 billion, a 3% increase from the balance of Php41.856 billion as of December 31, 2021, compared with Php38.939 billion as at end 2020 (Php37.899 billion in 2019). The increase in 2022 was primarily from the balance of the net proceeds of the Philex Stock Rights Offering that was invested in Silangan Mindanao Exploration Co., Inc. (SMECI) in October 2022 which amount was subsequently invested by SMECI into Silangan Mindanao Mining Co., Inc. (SMMCI), and the programmed 2022 expenditures for the development of the Silangan Project.

### **Current Liabilities**

Current Liabilities significantly decreased to Php4.758 billion as of December 31, 2022 from Php13.324 billion as of December 31, 2021, compared with Php4.221 billion as of December 31, 2020 (from Php4.929 billion in 2019). With the extension of the term of the convertible notes under Bonds Payable, the same was reclassified to Non-Current Liabilities thus the 64% decrease in Current Liabilities. In 2021, the reclassification of the Bonds Payable to Current Liabilities on account of its maturity on December 18, 2022, net of bank loan repayments, caused the significant increase on Currently Liabilities in 2021. In the previous years, repayment of short-term bank loans comprised the decrease in balances of Current Liabilities.

#### Loans and Bonds Payable

Following the reclassification of the bonds payable to current in 2021 on account of its original maturity date of December 18, 2022, the remaining bonds payable was reclassified back to Non-Current Liabilities after the extension of its maturity for more than a year. With such reclassification, only the balance of the short-term loans remained under Loans and Bonds Payable amounting to Php1.617 billion as of December 31, 2022 from Php10.131 billion as of December 31, 2021, consisting of Php8.652 billion for bonds payable and Php1.479 billion for loans payable. The increase in loan balance at Php1.617 billion as at year-end 2022 was due to the restatement of the dollar denominated short-term loans (corresponding to US\$29 million) to Philippine peso at a higher closing exchange rate of Php55.755/US\$1, compared with Php1.479 billion or US\$29 million in 2021 and Php1.777 billion or US\$37 million in 2020 (from Php2.532 billion or US\$50 million in 2019). Of the US\$29 million loan balance as of December

31, 2022, US\$23 million was directly under Philex and US\$6 million was under SMMCI which loans were used for the cash requirement of SMMCI.

Debt reduction program was started at the early part of 2020 and continued to 2021. However, at the onset of COVID-19, 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. Immediately thereafter, the Company resumed repaying its loan. For 2020, the total Parent Company debt repayment was US\$15 million, reducing loan balance from US\$46 million as at end-2019 to US\$31 million as of December 31, 2020. For 2021, the Company made additional loan repayment of US\$8 million that reduced the Company's loan from US\$31 million to US\$23 million. No loan repayment was made in 2022.

On the other hand, SMMCI outstanding short term loan remained at US\$6 million as of December 31, 2022 from its balance of \$4 million as of December 31, 2019 as no repayment was made on the loan since availment. The additional loan availment of SMMCI was used for pre-development operating and capex requirement of SMMCI.

#### Accounts Payable and Accrued Liabilities

As of December 31, 2022, Accounts Payable and Accrued Liabilities slightly increased to Php2.671 billion from Php2.556 billion as of December 31, 2021, compared with Php1.693 billion in 2020 (from Php1.608 billion in 2019). This composed primarily of payables to suppliers and contractors of which no material amount has been left unpaid within terms acceptable and agreed upon with suppliers and contractors. The reduction in 2022 was from ordinary payment transactions, while the significant increase in 2021 was due to additional accruals.

#### Subscription Payable

As of December 31, 2022, Subscription Payable retained its 2021 balance of Php3 million from a significant decrease from Php123 million as of December 31, 2020 (from Php187 million in 2019), due to the final settlement of the Company's subscription in PXP Energy shares which increased the Company's interest in PXP Energy from 19.8% to 30.4% in 2018.

#### Income Tax Payable

Income Tax Payable amounted to Php124 million as of December 31, 2022, compared with Php181 million as of December 31, 2021, and Php74 million as at end 2020 (versus Php53 million as at end 2019). The tax amount is due and payable no later than April 17, 2023.

#### Dividends Payable

Dividends Payable amounted to Php343 million as of December 31, 2022 from Php452 million as of December 31, 2021, and Php554 million as of December 31, 2020 (from Php550 million in 2019). On February 23, 2023, the Philex Board of Directors (BOD) declared a regular cash dividend of 2 centavos per share to shareholders on record as of March 13, 2023, payable on March 24, 2023, which represented 7% of the Company's 2022 Core Net Income.

In March 2022, the Philex BOD declared a regular cash dividend of 5 centavos per share, payable in April 2022 for the 2021 results. Similarly in February 2021, the Philex BOD declared a regular cash dividend of 5.9 centavos per share, payable in March 2021 for the 2020 results. The Philex BOD also declared in February 2020 a regular cash dividend of 1 centavo per share, payable in March 2020 for 2019 results.

#### **Non-Current Liabilities**

Non-Current Liabilities significantly increased to Php7.631 billion as of December 31, 2022 following the reclassification of bonds payable to Non-Current Liabilities following the extension of the maturity of the remaining convertible note. As of December 31, 2021, Non-Current Liabilities decreased to Php1.834 billion from Php10.492 billion as of December 31, 2020 (from

Php10.001 billion in 2019). The significant decrease in 2021 was due to the reclassification of bonds payable to Current Liabilities section on account of its original maturity on December 18, 2022.

### Bonds Payable

Bonds Payable decreased to Php5.908 billion as of December 31, 2022 from Php8.652 billion as of December 31, 2021 on account of the settlement of the amount due to a noteholder upon maturity on December 18, 2022. The convertible notes issued to the other noteholder was extended for another three years from original maturity date of December 18, 2022, with the sole option of the SMECI and Philex to extend the term further for another three at intervals of 1.5 years. The balances of Bonds Payable in 2020 and 2019 were Php8.182 billion and Php7.743 billion, respectively. The year-end balances included the changes in the amounts corresponding 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 Philex 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 Philex Mining and fund further exploration works of SMMCI. The original maturity date was December 18, 2022.

### Deferred Income Tax Liabilities

Deferred Income Tax Liabilities amounted to Php1.721 billion as of December 31, 2022, consisting mainly of Php1.388 billion arising from the acquisition of Anglo's 50% stake in the Silangan companies and Php333 million mainly for accelerated deductions, compared with Php1.816 billion as of December 31, 2021, and Php2.293 billion in 2020 (from Php2.219 billion in 2019). Following the implementation of the CREATE Law reducing the applicable income tax rate from 30% to 25% starting July 1, 2020 effective 15 days from the approval of such on March 26, 2021, the Company reassessed its income tax liabilities included the deferred income tax liabilities which resulted to a retroactive tax adjustment of Php467 million, consisting of current of Php19 million and deferred of Php448 million.

### Provision for Losses and Mine Rehabilitation Costs

Provision for Losses and Mine Rehabilitation Costs decreased to Php2 million as of December 31, 2022 from Php17 million as of December 31, 2021 and 2020 (from Php39 million in 2019). The Company spent nil in 2022, Php8 million in 2021, Php26 million in 2020, and Php43 million in 2019, for the requirement under the Company's approved Final Mine Rehabilitation and Development Program (FMRDP) for a total of Php137 million. The FMRDP has been fully funded.

### **Total Liabilities**

As of December 31, 2022, Total Liabilities amounted to Php12.389 billion, compared with Php15.157 billion as of December 31, 2021, and Php14.713 billion in 2020 (from Php14.930 billion in 2019). The 18% decrease in 2022 was due to the settlement of the convertible notes of a noteholder upon maturity on December 18, 2022. In 2021, the increase was mainly from various accruals while the decrease in 2020 was from the implementation of the debt reduction program.

## Total Equity

Total Equity amounted to Php30.869 billion as of December 31, 2022, an increase of 16% from Php26.698 billion as of December 31, 2021 on account of the net income realized in 2022 and issuance of new Philex common shares under the Stock Rights Offering (SRO) that was completed on August 3, 2022, compared with Php24.226 billion as of December 31, 2020 (from Php22.969 billion in 2019).

	2022	2021	2020	2019
Common Shares	5,782,399,068	4,940,399,068	4,940,399,068	4,940,399,068
Stock Options	-	-	-	16,460,000

Total Capital Stock increased to Php5.782 billion as of December 31, 2022 from Php4.940 billion for the previous years due to the issuance of new 842 million common shares under the Philex SRO that was completed on August 3, 2022 and with the listing of the new common shares at the Philippine Stock Exchange on the same date. The exercise price under the SRO was Php3.15 per common share resulting to an increase in Additional Paid-in Capital (APIC) of Php1.810 billion in 2022. The balance of APIC as of December 31, 2022 amounted to Php2.885 billion, a net increase of Php1.741 billion from the Php1.144 billion as of December 31, 2021 and previous years, net of SRO expenditures chargeable to APIC.

Retained Earnings (RE) increased to Php18.994 billion, consisting of Php8.494 billion as Unappropriated RE and Php10.500 billion as Appropriated RE, compared with Php17.444 billion as of December 31, 2021 from Php15.234 billion in 2020 (from Php13.971 billion in 2019). The Board of Directors approved the appropriation of Php10.00 billion and Php500 million on December 13, 2013 and February 28, 2017, respectively, for the development and construction of the Silangan Project which appropriation remained the same since 2017. Unappropriated RE increased to Php8.494 billion as of December 31, 2022 compared with Php6.944 billion as of December 31, 2021, due to the net income of Php1.796 billion, net of the cash dividend payment of Php247 million in 2022, compared with Php4.734 billion in 2020 (from Php3.471 billion in 2019).

Equity Conversion Option amounting to Php1.226 billion in 2014 corresponding to the value of the conversion options of the 8-year convertible bonds issued by SMECI decreased to Php858 million as of December 31, 2022 upon partial settlement of bonds payable in December 2022. The corresponding value of the conversion option of Php368 million was recorded as Equity Reserves as of December 31, 2022.

Net Unrealized Gain on Financial Assets Measured at FVOCI and Derivative increased to Php55 million as of December 31, 2022, compared with Php17 million as of December 31, 2021, and Php32 million as of December 31, 2020 (from Php38 million in 2019). Net Revaluation Surplus, which relates to the step acquisition of common shares in SMECI and SMMCI in 2009, remained at Php1.850 million as of December 31, 2022 from an increase in 2021 from its previous balance of Php1.572 billion due to the impact of the CREATE Law increasing corporate income tax rate from 30% to 25%. The Effect of Transactions with Non-Controlling Interests also remained at Php78 million from its previous years' balance while Non-Controlling Interests remained insignificant.

## 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 development works of the Silangan Project. Despite the risks inherent in the business associated with metal prices, foreign exchange rates, regulatory environment, and the changing economic and market conditions as well as the global impact of the COVID-19 pandemic, the Company's net cash generated in operating activities amounted to Php3.291 billion in 2022, compared to Php3.777 billion in 2021, Php2.375 billion in 2020 and Php1.232 billion in 2019.

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

Net cash used in investing activities in 2022, principally for capital expenditures and deferred exploration costs amounted to Php1.746 billion in 2022 versus Php1.299 billion in 2021 and 2020 and Php1.784 billion in 2019. Capital expenditures increased to Php1.020 billion in 2022 from Php751 million in 2021 compared to Php923 million in 2020 and Php1.071 billion in 2019. The Company focused on implementing activities to comply with the minimum regulatory requirements under existing exploration permits.

Net cash used in financing activities amounted to Php514 million in 2022 compared to Php780 million in 2021 and Php683 in 2020 (versus net cash from financing activities of Php473 million in 2019). The Company partially repaid its loan by Php387 million or US\$8 million in 2021 and Php638 million or US\$13 in 2020 while in 2019, the Company availed additional Php474 million (US\$ 9 million) to finance the capital expenditures of Padcal Mine and initial pre-development works in the Silangan Project.

### Capital Expenditures and Deferred Exploration Costs

<i>(in Php Millions)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Padcal and Others:				
Mine Development	458	352	522	552
Tailings Pond Structures	181	182	148	165
Machinery and Equipment	376	224	256	366
Total	1,015	758	926	1,083
Silangan Project:				
Deferred Exploration Costs	745	221	214	641
Machinery and Equipment	4	(7)	(3)	(12)
Total	749	214	211	629
Mine Exploration Projects	13	6	31	32
Total	762	979	1,168	1,745
By Recording:	1,778			
Deferred Exploration Costs	759	228	245	673
Property, Plant and Equipment	1,020	751	923	1,071
Total	1,778	979	1,168	1,745

Total Capital Expenditures and Deferred Exploration Costs amounted to Php1.778 billion in 2022, compared with Php979 million in 2021, Php1.168 billion in 2020 and Php1.745 billion in 2019. In 2022, the Company spent Php1.020 billion for the sustaining mine development at Padcal, the acquisition of mine and mill equipment to augment Padcal's aging machinery and equipment and the civil works to maintain the stability of the existing tailings facilities. The Company funded in 2019 the completion of Silangan DFS and land banking activities in preparation for the commencement of the Silangan Project development phase. In January 2022, the Company completed the Silangan In-Phase Mine Plan feasibility study. With the infusion of cash from the proceeds of SRO, some development works for the Silangan project already started.

Padcal operations accounted for 57% of total actual spending at Php1.015 billion in 2022 as compared to Php758 million in 2021, Php926 million in 2020 and Php1.083 billion in 2019.

Silangan Project comprised 42% of the capital expenditures amounting to Php749 million in 2022 versus Php214 million in 2021, Php211 million in 2020 and Php629 million in 2019. In 2022, the increase from 2021 was mainly due to the completion of the Silangan In-Phase Mine Plan feasibility study and the implementation of some of the development works of the Silangan project.

Other mining exploration projects constituted a total amount of Php13 million in 2022 compared to Php6 million in 2021 compared to Php31 million in 2020 and Php32 million in 2019. These

activities focused on complying with minimum regulatory requirements and confirmatory drillings necessary to evaluate the possible extension of the life of Padcal Mine.

## **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 2022, the Company reported for its Padcal Mine two LAT-F incident, one incident in 2021 same as 2020 and five incidents in 2019. Meanwhile, in terms of Lost Time Accident Non-Fatal events, there were ten in 2022, eight in 2021, six recorded in 2020 and five in 2019.

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

### Earnings (Loss) 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.

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Earnings (Loss) Per Share	0.339	0.492	P0.249	(P0.131)
Total Average Outstanding Shares	5,291,232,401	4,940,399,068	4,940,399,068	4,940,399,068
Total Outstanding Shares	5,782,399,068	4,940,399,068	4,940,399,068	4,940,399,068

As of December 31, 2021, there were no outstanding stock options as all granted options already expired. The covering 2011 Stock Option Plan has also reached the end of its 7-year term thus already terminated by virtue of the expiration of the last grant issued under the Plan in 2020. In the previous years from 2018 to 2020, the outstanding stock options were considered anti-dilutive based on the lower market price of the Company's shares compared to the exercise price, thus the diluted earnings per share in 2020, 2019 and 2018 were the same as the basic earnings (loss) per share of the Company in the said periods.

### Tonnes Milled and Metals Produced

Tonnes milled and ore grade determine the volume of concentrates produced and sold. Tonnes milled totalled to 7,431,651 in 2022, lower than tonnage of 7,945,879 in 2021 and tonnage of 7,837,536 in 2020 but higher than 8,112,791 in 2019. Due to lower tonnage, copper production went down to 25,085,952 pounds in 2022 from 26,200,259 in 2021 also lower compared to 26,378,914 pounds in 2020 (versus 25,737,207 pounds in 2019). Gold production was also lower at 48,567 ounces compared to 55,149 ounces in 2021 (versus 56,000 ounces in 2020 and 53,064 ounces in 2019).

### 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 2022, the total production cost (mine site cost and expenses excluding smelting charges, excise tax and royalties) per tonne of ore milled was Php845, with total production cost of Php6.278 billion over 7,431,651 tonnes, compared to Php718 in 2021, with total production cost of Php5.706 billion over ore milled of 7,945,879 tonnes. The 2022 production cost was 10% higher than the cost per tonne in 2021 due to higher power cost as well as higher maintenance cost. In 2020, break-even production cost was Php698 with total production cost of Php5.468 billion over ore milled of 7,837,536 tonnes while in 2019, break-even production cost per tonne was Php724 from the total production cost of Php5.873 billion over 8,112,791 tonnes milled.

The operating costs and expenses (all cost and expenses excluding G&A) per tonne of ore milled in 2022 was Php1,036 from total operating cost and expenses of Php7.696 billion was higher than 2021's Php886 from the total operating cost and expenses of Php7.036 billion on account of higher power cost and materials and supplies, also higher than the 2020's Php846 per tonne from the total operating cost and expenses of Php6.627 billion (compared to Php852 from the operating costs and expenses of Php6.190 billion in 2019).

Using co-production method, the operating cost applicable to gold produced amounted to US\$1,347 per ounce in 2022 compared to US\$1,202 per ounce in 2021 (versus US\$1,362 per ounce in 2020 and US\$1,296 per ounce in 2019), while operating cost applicable to copper produced amounted to US\$2.98 per pound in 2022, higher compared to US\$2.85 per pound in 2021 (compared with US\$2.22 per pound in 2020 and US\$2.54 per pound in 2019). Under co-production method, the total cost is allocated proportionately based on the revenue contribution of each product considering there is no physical basis that can be used in allocating costs between the two metals.

### Exploration Activities

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

In 2022, the Company spent Php758 million for exploration projects which included costs related to the pre-development expenditures in Silangan versus Php228 million in 2021, Php245 million in 2020 and Php673 million in 2019. As of December 31, 2022, total deferred exploration costs amounted to Php29.492 billion compared to Php28.100 billion in 2021, Php27.365 billion in 2020 and Php26.616 billion in 2019.

### **Subsidiaries and Related Party Transactions**

Philex Mining Corporation has extended loans and advances to some of its subsidiaries, as described under Part III, Item 12 of this Report.

Furthermore, Note 2 of the Notes to the Consolidated Financial Statements is likewise incorporated hereto by reference for discussions on the new and revised accounting standards that the Company adopted in 2022.

## **Known Trends, Events, or Uncertainties**

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

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

There is likewise no significant seasonality or 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.

## **Item 7. Financial Statements**

The audited financial statements are presented in Part V, Exhibits and Schedules.

## **Item 8. Information on Independent Auditor and Other Related Matters**

The financial statements of the Company were audited by SyCip Gorres Velayo & Co., the independent auditor, for the period ended December 31, 2022, 2021 and 2020 ("**Independent Auditor**"). The Independent Auditor has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in the Company. The Independent Auditor will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

The engagement of the Independent Auditor and the handling partner is approved by the Board of Directors of the Company in consultation with its Audit Committee and by the shareholders of the Company. The Company has complied with Rule 68, paragraph 3(b)(iv) of the Securities Regulation Code and the Company's Manual on Corporate Governance requiring the rotation of Independent Auditors or handling partner after five years of engagement.

There are no disagreements with the Independent Auditor on matters relating to accounting principles or practices, financial statements or auditing scope or procedures.

### External Audit Fees and Services

#### **Audit and Audit-Related Fees**

For the past three fiscal years, the Company's Independent Auditor was engaged primarily to express an opinion on the financial statements of the Company and its subsidiaries. The audit, however, included the auditors providing assistance to the Company in the review of its income tax return in as far as ensuring the agreement of the reported income and costs and expenses in the return with the recorded amounts in the books. The procedures conducted for this engagement included those that are necessary under auditing standards generally accepted in the Philippines but did not include detailed verification of the accuracy and completeness of the reported income and costs and expenses. The audit fees for these services for the entire Philex Group (excluding PXP Energy group) Php4.90 million in 2022, Php4.73 million in 2021, Php4.73 million in 2020 and Php4.30 million for 2019.

## **Tax Fees**

The Company has not engaged the Independent Auditor for any tax-related services for 2022 as well as in the three prior years.

## **All Other Fees**

The Independent Auditor was engaged by the Company to review and report on the Interim Financial Statements as at September 30, 2021 and issue a Comfort Letter in relation to the Company's Stock Right Offering in 2022. Total fees for these engagements amounted to Php5.5 million.

The Independent Auditor was also engaged by Silangan Mindanao Mining Company Inc. (SMMCI), a subsidiary of PMC, to re-confirm or re-evaluate in 2020 the previously issued opinion on the outstanding value-added tax receivable of SMMCI based on the existing registration of the SMMCI with the Board of Investments. The engagement fee amounted to Php400 thousand. Other than such engagement, the Company has not engaged to do other engagements in 2021 and in the three prior years.

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

## **Audit Committee's Approval of Policies and Procedures**

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

## **Changes in and Disagreements with Independent Auditor on Accounting and Financial Disclosures**

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

There has been no disagreement with the Independent Auditor on accounting and financial disclosure.

# **PART III - CONTROL AND COMPENSATION INFORMATION**

## **Item 9. Directors and Executive Officers of the Issuer**

The following individuals served as Directors and Executive Officers of Philex Mining Corporation for the year 2021.

### **DIRECTORS**

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

**Age:** 76

**Date of First Appointment:** November 28, 2008

#### **Academic Background:**

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

**Business and Professional Background/ Experience:**

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

Mr. Pangilinan has been a Director of the Company and Philex Gold Philippines, Inc. (PGPI) since November 2008, and most recently re-elected on June 25, 2021. He is also Chairman of the PLDT Inc. (PLDT) since 2004, after serving as its President and Chief Executive Officer (CEO) since 1998. He reassumed the position of President and CEO of PLDT from December 2015 until June, 2021. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation, Landco Pacific Corporation, Medical Doctors Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Asian Hospital, Inc., Davao Doctors, Inc., Riverside Medical Center Inc., Our Lady of Lourdes Hospital, Central Luzon Doctor's Hospital, Inc., Maynilad Water Services Corporation, Mediaquest, Inc., Associated Broadcasting Corporation (TV5) and Manila North Tollways Corporation. Mr. Pangilinan is also Chairman of the Manila Electric Company (MERALCO), after serving as its President and Chief Executive Officer from July 2010 to May 2012. Mr. Pangilinan is also Vice Chairman of Roxas Holdings, Incorporated, the largest sugar producer in the Philippines. He is a Director of SMMCI.

**Directorship in Other Listed Companies in the Philippines:**

- a. PLDT, Inc. – Chairman
- b. Metro Pacific Investments Corporation – Chairman
- c. Roxas Holdings, Inc. - Vice Chairman and Non-Executive Director
- d. Manila Electric Company – Chairman
- e. PXP Energy Corporation – Chairman

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

**Age:** 61

**Date of First Appointment:** June 29, 2011

**Academic Background:**

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

**Business and Professional Background/ Experience:**

Mr. Austin has been a Director of the Company and PGPI since June 29, 2011 and was reelected on June 25, 2021. He became President and Chief Operating Officer on January 1, 2012 and President and CEO of the Company on April 3, 2013.

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

Outside of the Company, he is a member of the Chamber of Mines of the Philippines' Board of Trustees. Mr. Austin also sits as a member of the Executive Committee of the Board of Trustees and serves as the Chairman of the Membership Committee as well as the Towards Sustainable Mining Initiative Committee. He is a Competent Person (CP) for Copper and Gold Deposit by the Philippine Society of Mining Engineers under the PMRC guidelines. He was awarded 2021 Outstanding Professional of the Year in the Field of Mining Engineering by the Professional Regulation Commission of the Philippines. Also in 2016, he was awarded Most Outstanding Engineer of the Philippine Society of Mining Engineers (PSEM), aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last 14 December 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

**Directorship in Other Listed Companies in the Philippines:**

- a. PXP Energy Corporation - Non-Executive Director

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

**Age:** 60

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

**Age:** 60

**Date of First Appointment:** January, 30 2019.

**Academic Background:**

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

**Business and Professional Background/ Experience:**

Mr. Ng. joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. He was appointed as First Pacific's Chief Financial Officer in August 2022 and has been an Associate Director since in April 2019. Previously, he was Executive Vice President of Group Finance and served in several senior positions within First Pacific Group, including as the Group Treasurer, the Head of Finance of its regional telecom division and as a director of a number of First Pacific Group's telecom joint ventures in India, Indonesia and China. Mr. Ng is also a Commissioner of PT Indofood Sukses Makmur Tbk, a Non-executive Director of PXP Energy Corporation, and a Director of PacificLight Power Pte. Ltd., which are First Pacific Group subsidiary and associates.

**Directorship in Other Listed Companies in the Philippines:**

- b. PXP Energy Corporation - Non-Executive Director
- c.

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

**Age:** 53

**Date of First Appointment:** January 30, 2019

**Academic Background:**

Mr. Chan received a BBA (Hons) degree from Hong Kong Baptist University and an MBA from the Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a CFA Charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has experience in auditing, accounting, finance and management spanning a diverse range of business activities.

**Business and Professional Background/ Experience:**

Mr. Chan joined First Pacific in 1996 from KPMG. Prior to his appointment as Executive Vice President, Group Financial Controller in April 2019, Mr. Chan was Vice President, Group Financial Controller.

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

**Age:** 67

**Date of First Appointment:** December 7, 2009

**Academic Background:**

Ms. Aquino was educated at the University of Santo Tomas (A.B.) and University of the Philippines (LL.B., cum laude). and admitted to the practice of law in the Philippines in 1981.

**Business and Professional Background/ Experience:**

Ms. Aquino joined Sycip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989. Mr. Aquino's practice focused on banking, finance and securities, construction and infrastructure, investments, mergers and acquisitions, and mining and natural resources. Ms. Aquino is a Director of Philex Mining Corporation, Philex Gold Philippines, Inc., PXP Energy Corporation, Silangan Mindanao Mining Company, Inc., Lepanto Consolidated Mining Company and Maynilad Water Services, Inc. She was also appointed as Chief Legal Counsel of PLDT in December 2018. Ms. Aquino was most recently re-elected on June 25, 2021.

**Directorship in Other Listed Companies in the Philippines:**

- a. PXP Energy Corporation - Non-Executive Director
- b. Lepanto Consolidated Mining Company - Non-Executive Director

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

**Age:** 85

**Date of First Appointment:** December 7, 2009

**Academic Background:**

Mr. Hilado, a Certified Public Accountant, completed his undergraduate studies at the De La Salle College-Bacolod in 1958 and obtained his Master's degree in Business Administration from the Harvard School of Business Administration (Smith Mundt/Fulbright Scholar) in 1962. He received a Doctorate in Business Management, Honoris Causa, from the De La Salle University in 1992 and a Doctorate of Laws, Honoris Causa, from the University of St. La Salle in 2003.

**Business and Professional Background/ Experience:**

Mr. Hilado has been an Independent Director of Philex Mining since December 7, 2009 and was most recently re-elected on June 30, 2022. Mr. Hilado holds the following positions: Chairman of Philippine Investment Management (PHINMA), Chairman Emeritus of Phinma Corporation, Vice-Chairman of Phinma Property Holdings Corporation and Union Galvasteel Corporation. Chairman of the Executive Committee of Phinma Corporation. Director of Philex Mining Corporation, Rockwell Land Corporation, A. Soriano Corporation, Roxas Holdings, Inc. Smart Communications, Inc., Phinma Solar Energy Corporation, Philippine Cement Corporation, Phinma Education Holdings, Inc., Araullo University, Inc., Cagayan de Oro College, Inc., University of Iloilo, Inc., University of Pangasinan, Inc., Southwestern University, Phinma Hospitality, Inc., United Pulp and Paper Company, Inc., Digital Telecommunications Philippines, Inc., Seven Seas Resorts and Leisure, Inc., Beacon Property Ventures, Inc., Cebu Light Industrial Park, Inc., Pueblo de Oro Development Corporation, Manila Cordage Company, and Metro Pacific Investments Corporation.

**Directorship in Other Listed Companies in the Philippines:**

- a. PHINMA Corporation – Chairman Emeritus
- b. A. Soriano Corporation – Independent Director
- c. Rockwell Land Corporation – Independent Director

- d. Roxas Holdings, Inc. – Independent Director
- e. Metro Pacific Investments Corporation – Independent Director

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

**Age:** 76

**Date of First Appointment:** June 29, 2011

**Academic Background:**

Mr. Paras completed his undergraduate studies at the University of the Philippines in 1969 with Bachelor of Science, Industrial Pharmacy and his Master in Business Administration at the De La Salle University in 2001. He also completed an Executive Program at the University of Michigan at Ann Arbor, Michigan, USA.

**Business and Professional Background/ Experience:**

Mr. Paras has been an Independent Director of Philex Mining since June 29, 2011 and was reelected on June 30, 2022. He is currently an Independent Director of RLC REIT INC. He is also a senior adviser to the Board of Trustees of Dualtech Training Foundation Inc. and is a teaching fellow at the Institute of Corporate Directors Inc. Mr. Paras was previously the Executive Vice-President, Chief Operating Officer and Director of JG Summit Petrochemical Corporation, President and Director of PT Union Carbide Indonesia, Managing Director of Union Carbide Singapore, Business Director, Union Carbide Asia Pacific, and President of Union Carbide Philippines.

**Directorship in Other Listed Companies in the Philippines**

RLC REIT INC. – Independent Director

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

**Age:** 68

**Date of First Election:** June 26, 2013

**Academic Background:**

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

**Business and Professional Background/ Experience**

Ms. Migallos was elected to the Board of Directors of the Company and PGPI on June 26, 2013, and was most recently re-elected on June 25, 2021. She has been the Company's Corporate Secretary since 1998. She is also the Corporate Secretary and former Director of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos is also Director of Mabuhay Vinyl Corporation since 2000, Philippine Resins Industries since 2001, Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005, Nickel Asia Corporation since 2010, and Alliance Select Foods International, Inc. since 2015. She is a professional lecturer in Corporations Law, Securities Regulation and Commercial 1 and 2 at the De La Salle University College of Law, and heads its Mercantile Law Department. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006.

**Directorship in Other Listed Companies in the Philippines**

- a. Mabuhay Vinyl Corporation - Non-Executive Director

## **9. ROLANDO L. MACASAET** *Non-Executive Director*

**Age:** 62

**Date of First Election:** February 23, 2022

### **Academic Background:**

Mr. Macasaet holds a Bachelor of Science in Business Economics, Cum Laude, from the University of the Philippines and has earned a Master of Business Administration- Honors Program from the same university. He also finished an Executive Program in Finance at Columbia University in New York, and a Diploma in Management Development at Harvard Business School in Boston, Massachusetts.

### **Business and Professional Background/ Experience:**

Rolando Ledesma Macasaet formally assumed the post as the 20th head of Social Security System (SSS) on January 05, 2023. PCEO Macasaet previously held the position of President and General Manager of the Government Service and Insurance System (GSIS) from 2019 to 2022, and as the Chairperson of the GSIS' Board of Trustees in 2018. Prior to joining the SSS, Macasaet had an extensive experience in public service as he served in various leadership capacities in several Government-Owned and Controlled Corporations (GOCCs) from 1988 to 2005, such as the Philippine National Construction Corporation, Dasmariñas Industrial Steel Corporation, Skyway Corporation, and Tierra Factors Corporation. Moreover, he has more than two decades of professional experience in financial services, banking, and public-private partnerships, most of it under the Philippine National Bank (PNB). His work in PNB included postings overseas as Vice President and General Manager in Los Angeles, California (USA) and as Regional Vice President-ASEAN in Singapore. His other stints in the banking sector included a two-year service as Corporate Account Manager at BMO Bank of Montreal, Vancouver and as President and Vice Chairman of the Philippine Postal Bank from 2005 to 2007. He also served as a Board Member of various companies such as San Miguel Corporation, Bank of Commerce, Private Infrastructure and Development Corporation, and PCI Bank. He further served as Director of the Asian Infrastructure and Investment Bank (AIIB) in Beijing (China's counterpart of the World Bank and Asian Development Bank).

### **Directorship in Other Listed Companies in the Philippines:**

- a. Union Bank of the Philippines, Inc. – Non-Executive Director

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

**Age:** 76

**Date of First Appointment:** February 28, 2017

### **Academic Background:**

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

### **Business and Professional Background/ Experience:**

Ms. Quitain was first elected to the Company's Board of Directors on February 28, 2017, and most recently re-elected on June 25, 2021. She is Commissioner of the Social Security Commission since her appointment in 06 October 2016. She is also Director of First Philippine Holdings, Inc. since March 2018. She was an employee of the Social Security System (SSS) for 31 years assigned to the Main Office of Region 09 in Davao City, where one of her major achievements was taking charge of the operations of the then newly-opened SSS Representative Office in Digos City, Davao del Sur as Office-in-Charge. She stayed there for five (5) years where she conducted seminars and coverage drives, especially in rural areas, aside from discharging management and leadership functions in the Representative Office.

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

**Directorship in Other Listed Companies in the Philippines:**

- a. First Philippine Holdings, Inc. – Non-Executive Director

**11. BAI NORHATA D. M. ALONTO, *Non-Executive Director***

**Age:** 72

**Date of First Appointment:** February 24, 2021

**Academic Background:**

Ms. Alonto holds a Masters degree in Psychology from the University of the Philippines (1976), and a major in Psychology from the Philippine Women's University (1970).

**Business and Professional Background/ Experience:**

Ms. Alonto was appointed as Director on February 24, 2021 and re-elected on June 25, 2021. She was appointed Commissioner of the state-run Social Security System in December 2019, and member of the Information Technology & Collection and Coverage Committee, and the Executive Committee. She is a member of the Board of Directors of Ionics, Inc. and Philamlife Tower.

Ms. Alonto is currently the President of the Philippine Muslim Women Council, Vice President of the 16th President Cabinet Spouses Foundation, and Regional Governor of the National Council of Women in the Philippines. Ms. Alonto was Head Secretariat of the All Moro Convention, Mindanao, in November 2017. Ms. Alonto was the proponent in the issuance of the first Presidential Declaration on Eid'l Fitr non-working national holiday; the establishment of Muslim prayer areas in all international and domestic airports; memorandum order obliging hospitals to release in 6 hours but not later than 12 hours the cadaver of a Muslim patient; and the Department Order exempting Muslim students from participating in non-Islamic activities and allowing them to wear their traditional Islamic attire, among others.

Ms Alonto was Executive Assistant V / Chief of Staff to the Chairman of the Mindanao Development Authority from October 2017 - May 2019. She was the Focal Person for foreign-assisted development programs for the Bangsamoro under the Office of the Chairman, Mindanao Development Authority. Ms. Alonto was a Member of the Board of Directors of the ARMM Social Fund Board from 2003-2004, and the Bataan Shipyard and Engineering Corporation from 2003-2004. She was Commissioner of the Presidential Commission for Urban Poor from 2001-2002, Presidential Assistant for Muslim Mindanao from 1999-2001. Ms. Alonto also held various positions in the College Instructor, College of Arts and Sciences, Mindanao State University.

**Directorship in Other Listed Companies in the Philippines:**

- a. IONICS, Inc.

**Directorships in Other Publicly-Listed Companies**

Name	Listed Company	Type of Directorship
Manuel V. Pangilinan	PLDT, Inc.	Non-Executive
	Metro Pacific Investments Corp.	Executive
	Roxas Holdings, Inc.	Non-Executive
	Manila Electric Company	Non-Executive
	PXP Energy Corp.	Non-Executive
Eulalio B. Austin, Jr.	PXP Energy Corp.	Non-Executive

Joseph H. P. Ng	PXP Energy Corp.	Non-executive
Marilyn A. Victorio-Aquino	PXP Energy Corp. Lepanto Consolidated Mining Company	Non-Executive Non-Executive
Oscar J. Hilado	PHINMA Corp. A. Soriano Corporation Rockwell Land Corporation Roxas Holdings, Inc. Metro Pacific Investments Corporation	Non-Executive Independent Independent Independent Independent
Wilfredo A. Paras	GT Capital Holdings, Inc.	Non-Executive
Barbara Anne C. Migallos	Mabuhay Vinyl Corp.	Non-Executive
Rolanda L. Macasaet	Union Bank of the Philippines	Non-Executive
Anita Bumpus Quitain	First Philippine Holdings, Inc.	Non-Executive
Bai Norhata D. M. Alonto	IONICS, Inc.	Non-Executive

#### Executive Officers

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

**EULALIO B. AUSTIN, JR.** – 61, Filipino citizen. Mr. Austin has been a Director of PMC and PGPI since June 29, 2011 and was re-elected on June 24, 2015. He became President and Chief Operating Officer on January 1, 2012 and President and Chief Executive Officer of the Company on April 3, 2013. He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998.

Mr. Austin concurrently serves as Director of PXP Energy Corporation and Silangan Mindanao Mining Co., Inc. Outside of Philex Mining, he is a member of the Chamber of Mines of the Philippines' Board of Trustees. Mr. Austin also sits as a member of the Executive Committee of the Board of Trustees and serves as the Chairman of the Membership Committee as well as the Towards Sustainable Mining Initiative Committee. He is a Competent Person (CP) for Copper and Gold Deposit by the Philippine Society of Mining Engineers under the PMRC guidelines. He was awarded 2021 Outstanding Professional of the Year in the Field of Mining Engineering by the Professional Regulation Commission of the Philippines. Also in 2016, he was awarded Most Outstanding Engineer in Mine Management by the Philippine Society of Mining Engineers (PSEM), aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last December 14, 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

**BARBARA ANNE C. MIGALLOS** – 68, Filipino citizen. Ms. Migallos has been a Director of the Company and PGPI since June 26, 2013 and was re-elected on June 25, 2021. She is also the Company's Corporate Secretary since July 1998. Ms. Migallos is also Director and Corporate Secretary of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. and Lascogon Mining Corporation. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos has also been a Director of Mabuhay Vinyl Corporation since 2000 and the Philippine Resins Industries since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005 and Nickel Asia Corporation since 2010. She is also a professorial lecturer in insurance law and securities regulation law at the De La Salle University College of Law. Ms. Migallos graduated cum laude from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as cum laude (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

**ROMEO B. BACHOCO** - 62, Filipino Citizen. Mr. Bachoco has been appointed as the Company's Senior Vice President for Finance, Chief Finance Officer and Treasurer since August 2019. He is a seasoned corporate professional with a diverse background in finance and commercial operations. He previously held the following senior management positions

namely as Chief Operating Officer of XRC Mall Developer, Inc. (XentroMalls), Executive Vice-President and Head of Retail and Business Development of Seaoil Philippines, Inc., Executive Vice-President and Chief Operating Officer of Double Dragon Properties Corp., Executive Vice-President and Chief Finance Officer of Golden Arches Development Corp. (McDonalds Philippines) and Eastern Telecommunications Philippines. Mr. Bachoco graduated Cum Laude with a Bachelor of Science Degree in Business Administration, Major in Accounting, from the University of the Philippines Visayas and is a licensed Certified Public Accountant. He also obtained his Master in Business Administration from the Ateneo Graduate School of Business under the Ateneo-Regis Program. He is also a visiting professional lecturer in financial management at the Ateneo Graduate School of Business.

**VICTOR A. FRANCISCO** – 58, Filipino citizen. Mr. Francisco has been Vice President for Environment and Community Relations since January 2, 2009. He was previously Group Manager for Corporate Environment and Community Relations in 2007, Department Manager–Corporate Environment and Community Relations in 1999 and Assistant Manager –Corporate Environmental Affairs in 1997. Mr. Francisco completed a Bachelor of Science Degree in Community Development at the University of the Philippines in 1987. He also obtained a Master's in Environmental Science and Management degree at the University of the Philippines campus in Los Banos, Laguna in 1995.

**WINSTON S. CRUZ** – 51, Filipino citizen. Mr. Cruz has broad experience with both the Government and the private sector. He was formerly with J.G. Summit Holdings as the Director of the Corporate Outsourcing Group, and is currently the Chairperson of the Labor Policy Reforms and Industrial Relations Committee of the People Management Association of the Philippines (PMAP). Atty. Cruz has worked with the BCDA on various projects, including the SCTEX, Clark, and John Hay. He graduated from the U.P. College of Law in 2000.

**RICARDO S. DOLIPAS, II** – 50, Mr. Dolipas was appointed as Vice President – Operations effective 1 January 2023. Mr. Dolipas holds a degree in Bachelor of Science in Mining Engineering from St. Louis University and ranked eighth in the 1993 Mining Engineer's Licensure Examination. He attended numerous trainings, conferences, and seminars, in the Philippines, Greece, Australia, and Canada. He joined the Company in 1994 as a Cadet Engineer and held various positions such as Geotechnical Engineer, Rock Mechanics Engineer, Rock Mechanics and Development Planning Superintendent, Department Manager for Mine Engineering and Draw Control, Mine Operations Group Manager, Mine Division Manager, General Manager for Technical Services and OIC of Padcal Operations. Mr. Dolipas is a competent person under the definition of the Philippine Mineral Reporting Code (PMRC). He has extensive training and experience in mechanized block caving particularly in the fields of rock mechanics both underground and surface, mine planning and design, mine development, mine production, block cave, and geotechnical software utilization.

#### **Item 10. Executive Compensation**

There are no arrangements for additional compensation of directors other than that provided in the Company's By-Laws which provides compensation to the directors, at the Board's discretion to determine and apportion as it may deem proper, an amount up to 1.5% percent of the Company's net income before tax of the preceding year. Payments made in 2022, 2021 and 2019 amounted to Php22.1 million, Php9.8 million and Php1.3 million, respectively. No payment made in 2020 as the Company reported a net loss in 2019 which was the basis for the directors' compensation for 2020.

Effective March 2015, the Directors' per diem increased to Php40,000 per Board meeting attended and Php30,000 per Board committee participation, and are deductible from the annual directors' compensation provided under Section 7 of the Company's By-laws. Previously, the rate per attendance for both Board and Board committee meeting was at Php8,000. In the event that financial results warrant the payment of the annual directors' compensation under the Company's by-laws, such directors' compensation shall be inclusive of the annual total per

diem paid to directors. The total amount of per diem paid in 2022, 2021, 2020 and 2019 were Php6.0 million, Php5.9 million, Php5.5 million and Php7.0 million, accordingly.

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

The Stock Option Plan approved in June 2011 has expired in 2020 upon the expiration of the last outstanding option grant. The Plan covered a maximum of 246,334,118 shares equivalent to 5% of the Company's outstanding shares of 4,926,682,368 as of June 29, 2011. This plan was approved by the SEC in February 2013, which approval was received by the Company in March 2013. Note 29 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on the Company's Stock Option Plan is hereby incorporated for reference.

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

### SUMMARY COMPENSATION TABLE

(in Php million)

#### a) Aggregate Compensation of All Directors

	Year	Director's Fee	Bonus	Others
All Directors as a Group (including the Director's Fees of the CEO)	2023 Estimate	Php24.828	-	
	2022	Php28.115	-	
	2021	Php15.673	-	
	2020	Php5.530	-	
	2019	Php8.291	-	

#### b) Chief Executive Officer and Four Most Highly Compensated Executive Officers (excluding Director's Fee of the CEO)

Name and Principal Position	Year	Salary	Bonus	Others
Eulalio B. Austin, Jr. Romeo B. Bachoco Victor A. Francisco Winston S. Cruz Ricardo S. Dolipas II	2023 Estimate	Php57.408	Php4.784	
Eulalio B. Austin, Jr. Romeo B. Bachoco Victor A. Francisco Winston S. Cruz	2022	Php48.978	Php23.219	
Eulalio B. Austin, Jr. Romeo B. Bachoco Victor A. Francisco Vic Morris A. Yodong	2021	Php50.879	Php16.251	

Jonas Emanuel S. Santos			
Eulalio B. Austin, Jr. Romeo B. Bachoco Michael T. Toledo Victor A. Francisco Vic Morris A. Yodong Jonas Emanuel S. Santos <i>*All executive officers, comprising of 6, were included to avoid indirectly disclosing the salary of one officer if excluded</i>	2020	Php62.836	Php30.817
	2019	Php56.444	Php9.134

c) Aggregate Compensation of All Executive Officers

	Year	Salary	Bonus	Others
All Executive Officers as a Group	2023 Estimate	Php57.408	Php4.784	
	2022	Php48.978	Php23.219	
	2021	Php50.879	Php16.251	
	2020	Php62.838	Php30.817	
	2019	Php56.444	Php9.134	

d) Aggregate Compensation of all Directors and Executive Officers

	Year	Director's Fees and Salary	Bonus	Others
All Directors and Executive Officers	2023 Estimate	Php82.236	Php4.784	
	2023	Php77.093	Php23.219	
	2021	Php66.552	Php16.251	
	2020	Php68.366	Php30.817	
	2019	Php64.735	Php9.134	

**Individual Director Remuneration**

In 2022, a total of Php28.115 million was paid to all executive and non-executive directors, details of which are as follows:

Name	Position	Amount (Php Millions)
Manuel V. Pangilinan	Chairman	2.329
Eulalio B. Austin, Jr.*	President & CEO	2.509
Marilyn A. Victorio-Aquino	Non-Executive Director	2.609
Pin Cheung Chan	Non-Executive Director	2.479
Oscar J. Hilado	Independent Director	2.719
Barbara Anne C. Migallos	Executive Director	2.449
Joseph Ng	Non-Executive Director	2.749
Wilfredo A. Paras	Independent Director	2.689
Bai Norhata M. Alonto	Non-Executive Director	2.114
Michael G. Regino	Non-Executive Director	2.539
Anita B. Quitain	Non-Executive Director	2.599

<b>Total**</b>		<b>28.115</b>
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\*The amount paid to Mr. Eulalio B. Austin, Jr. is included in his compensation as President and Chief Executive Officer.

\*\*Inclusive of Php0.335 million remuneration of Ms. Diana Pardo-Aguilar, member of Philex BOD up to February 2021.

## Item 11. Security Ownership of Certain Beneficial Owners and Management

### Security Ownership of Certain Record and Beneficial Owners

The list of registered stockholders owning five (5%) percent or more of the Company's stock as of December 31, 2022 are as follows:

<b>Title of Class</b>	<b>Name and Address of Record Owner and Relationship to Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares</b>	<b>%</b>
Common	Asia Link B.V. Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands	Asia Link B.V. (See Note 1)	Non-Filipino	1,023,275,990	17.70
Common	Social Security System c/o Loans and Investment Office, 7/F SSS Building, Diliman, Quezon City	Social Security System (See Note 2)	Filipino	1,376,053,232	19.74
Common	PCD Nominee Corp. 37/F Tower 1, The Enterprise Center, 6766 Ayala Avenue, Makati City	(See Note 3)	Filipino/Non- Filipino	1,478,485,961	25.57
Common	Two Rivers Pacific Holdings Corp. 10/F Net One Center, 26 <sup>th</sup> Street corner 3 <sup>rd</sup> Avenue, Bonifacio Global City, Taguig	Two Rivers Pacific Holdings Corp.	Filipino	864,799,776	14.96
Common	First Pacific Mining Limited	First Pacific Mining Limited (see Note 1)	Filipino	312,908,501	5.41

<sup>1</sup> Asia Link B.V. and First Pacific Mining Limited are a wholly-owned subsidiaries of First Pacific Company Limited (FPC).

<sup>2</sup> Total shares held by the Social Security System (SSS) is inclusive of 174,362,583 shares lodged under PCD Nominee Corporation as of December 31, 2022.

<sup>3</sup> PCD Nominee Corporation (PCD) is a nominee of the Philippine Depository & Trust Corporation and the registered owner of the shares recorded in the books of the Company's stock transfer agent. PCD is private entity organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions.

### Security Ownership of Management

The beneficial ownership of the Company's directors and executive officers as of December 31, 2022 follows:

Title of Class	Beneficial Owner	Citizenship	Nature of Ownership	Number of Shares	%
<b>Directors</b>					
Common	Manuel V. Pangilinan	Filipino	Direct	4,655,000	0.08
Common	Eulalio B. Austin Jr.	Filipino	Direct	1,360,937	0.02
			Indirect	1,184,329	0.02
Common	Barbara Anne C. Migallos	Filipino	Indirect	241,622	-
Common	Michael G. Regino*	Filipino	Direct	1	-
Common	Bai Norhata M. Alonto	Filipino	Direct	1	-
Common	Anita B. Quitain	Filipino	Direct	1	-
Common	Marilyn A. Victorio-Aquino	Filipino	Direct	100	-
			Direct	500,000	0.01
Common	Oscar J. Hilado	Filipino	Direct	173	-
Common	Joseph Ng	British	Direct	1	-
Common	Ping Cheun Chan (Richard Chan)	Chinese	Direct	1	-
Common	Wilfredo A. Paras	Filipino	Direct	1	-
<b>Officers</b>					
Common	Romeo B. Bachoco	Filipino	Indirect	600,000	0.01
Common	Victor A. Francisco	Filipino	Direct	50,000	-
Common	Winston S. Cruz	Filipino	-	-	-
<b>Directors and Key Officers as a Group</b>				8,702,014	0.15

### Voting Trust/Changes in Control

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

### Item 12. Certain Relationships and Related Transactions

The Company's significant related party transactions as of December 31, 2022, 2021, 2020 and 2019, which are under terms that are no less favourable than those arranged with third parties, and account balances are as follows:

#### a) Advances from PMC to SMMCI and SMECI

PMC, owning directly and indirectly 100% of SMMCI and SMECI, provides the funds to SMMCI, through SMECI since 2011 and directly thereafter, for the Silangan project's expenditures since the Company's acquisition of Anglo American's interest in the Silangan Project in 2009. These advances, which were intended to be converted into equity, amounted to Php3.673 billion, Php2.527 billion, Php2.327 billion and Php2.144 billion as of December 31, 2022, 2021, 2020 and 2019, respectively. In December 2022, portion of the PMC advances to SMECI and SMMCI amounted to Php792 million and Php1.459 billion, respectively, were settled.

#### b) Investment in SMECI and SMMCI

In October 2022, a subscription agreement was entered between PMC and SMECI wherein PMC subscribed 75,787 new shares from SMECI with a total consideration of Php2.580 billion. The subscription price was taken from PMC's proceeds from SRO.

Subsequently, SMECI invested the net proceeds in SMMCI to support the capital expenditures and development of the Silangan Project.

In December 2022, PMC subscribed additional shares from SMECI consisting of 101,471 new shares with total subscription price of Php2.649 billion.

c) 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. As of December 31, 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 from Php1.387 billion as at end 2018 and Php2.169 billion as of December 31, 2017.

The Company has no outstanding subscription payable to PXP Energy after fully settling Php121 million in 2021 and Php2.960 billion in 2018 to 2020 of the total subscription of Php3.081 billion that brought PMC's interest in PXP Energy from 19.8% to 30.4%.

In March 2022, the Company granted loans to its associate, PXP Energy Corporation, where Philex owns 30.4% interest, through the issuance of the later of covering Promissory Notes (PNs). Under the PNs, total loans to PXP Energy amounted to P30,684 or US\$600,000, payable on demand and subject to an interest of 3.5% p.a. over LIBOR (6 months) that is payable quarterly.

d) 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 Php5.908 billion, Php8.652 billion, Php8.182 billion and Php7.743 billion as of December 31, 2022, 2021, 2020 and 2019, respectively.

On December 7, 2022, Asia Link B.V. and SMECI agreed, with the consent of PMC, to a 3-year extension from the original maturity of the convertible notes held by Asia Link B.V. from December 19, 2022 to December 18, 2025, the same which can be further extended for another 3 years, at 1.5 year intervals, at the sole option of SMECI and PMC. The extension was made in support of the fund-raising activities for the development of the Silangan Project of SMECI under its subsidiary, SMMCI. With respect to the convertible notes held by SSS, the same was settled at maturity date, consistent with the agreement with the related equity conversion option classified as part of the Group's equity reserves. The extension of the bonds payable was accounted for as a modification of a financial liability which resulted to recognition of gain amounting to Php500 million in the Group's statement of comprehensive income.

Note 12, 15 and 26 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on Related Party Transactions, is incorporated hereto by reference.

## PART IV – CORPORATE GOVERNANCE

### Item 13. Corporate Governance

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

The Company has adopted a Manual of Corporate Governance and is generally compliant with the Code of Corporate Governance of the Securities and Exchange Commission and Corporate Governance Guidelines of the Philippine Stock Exchange, including all other pertinent regulations for publicly-listed entities. The Company is a recipient of a 3 Golden Arrow Award in the 2022 ACGS Golden Arrow Awards by the Institute of Corporate Directors recognizing the top-performing Publicly Listed Companies (PLCs) in the Philippines based on the ASEAN Corporate Governance Scorecard (ACGS) 2021 results.

The Company's 2022 Integrated Annual Corporate Governance Report will be submitted on or before May 30, 2022.

## PART V - EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-C

#### (a) Exhibits and Schedules

<b>Exhibits</b>	Statement of Management's Responsibility for Financial Statements Report of Independent Auditors Audited Consolidated Financial Statements and Noted for the Year Ended December 31, 2021
<b>Schedules</b>	
Schedule I:	Reconciliation of Retained Earnings Available for Dividends Declaration
Schedule II:	Schedule of Financial Soundness Indicators
Schedule III:	Chart Showing Ownership and Relationship Between the Parent Company and Subsidiaries
Schedule IV:	Schedules as Required by SRC Rule 68, As Amended
Schedule A.	Financial Assets
Schedule B.	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C.	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
Schedule D.	Intangible Assets – Other Assets
Schedule E.	Long-Term Debt
Schedule F.	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule G.	Guarantees of Securities of Other Issuers
Schedule H.	Capital Stock
Annex A	Sustainability Report

### Reports on SEC Form 17-C

<b>Date</b>	<b>Subject of Report</b>
January 3,2022	PSE News Clarification – “Silangan Mine to follow Philex’s ‘best practices’”
January 10,2022	Results of Referendum of Philex Mines Independent Labor Union
January 12, 2022	In-Phase Mine Plan Disclosure – Press Release
January 28, 2022	Pre-effective Letter from SEC
February 17,2022	PSE Notice of Approval of Stock Rights Offering of Common Shares
February 10, 2022	Clarification on News Report entitled "With Silangan momentum set, Philex shopping for more mining sites"
March 4, 2022	Press Release on 2021 Results Notice of AGM Cash Dividend
March 7, 2022	Amendment to Cash Dividend
March 14, 2022	Summary of Remaining Proved Reserves of Padcal Mine as of December 31, 2021  Summary of Remaining Mineral Resource Estimate (MRE) for Padcal Mine as of December 31, 2021
April 1, 2022	Update on Corporate Actions, Material Transactions, Agreements
April 28,2022	Change in Director/Officer SEC Form 17C
April 28, 2022	Press Release on Philex 1Q2202 Results
May 4, 2022	Joint Analysts and Investors Briefing
May 23, 2022	Appointment of VP-Legal and General Counsel
June 22, 2022	Stock Rights Offering Timetable
June 23, 2022	Amended Stock Rights Offering
June 24, 2022	SEC Form 17-C Materials Information Receipt of Pre-effective Letter
June 29, 2022	Stock Rights Offering Permit to Sell
June 30, 2022	2022 Results of the Organization Meeting
June 30, 2022	Results of Annual Stockholders Meeting
July 08, 2022	Disclosure on Adjustment of Offer Period
July 29, 2022	Press Release on Philex 1H2022 Results
August 10, 2022	Notice of Analyst Briefing – PSE STAR
October 4, 2022	Disbursement Proceeds and Progress Report
October 28, 2022	Press Release on 9M 2022 Results
December 9, 2022	Press Release on Mine Life Extension
December 9, 2022	Press Release on Extension of Convertible Notes
December 22, 2022	Appointment of Officers
January 13, 2023	Resignation of Director
January 23, 2023	Press Release on Macawiwili
January 30, 2023	News Clarification
February 23, 2023	Declaration of Cash Dividend
February 23, 2023	Notice of Annual Stockholders Meeting
February 23, 2023	Press Release
February 23, 2023	Appointment of New Director
March 15, 2023	Disbursement of Proceeds and Progress Report
March 17, 2023	Summary of Remaining Mineral Resources
March 17, 2023	Summary of Remaining Proved Reserves

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April 11, 2023.

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

  
**BARBARA ANNE C. MIGALLOS**  
Corporate Secretary

  
**ROMEO B. BACHOCO**  
Chief Finance Officer

  
**PARALUMAN M. NAVARRO**  
Assistant Vice-President  
Corporate Finance

SUBSCRIBED AND SWORN TO before me this 11<sup>th</sup> day of April 2023 at Mandaluyong City. Affiants exhibiting to me their Competent Evidence of Identity indicated opposite their names:

### Name

Eulalio B. Austin, Jr.  
Romeo B. Bachoco  
Barbara Anne C. Migallos  
Paraluman M. Navarro

### Competent Evidence of Identity

Passport No. P9041046A; valid until October 04, 2028  
Passport No. P0404617B; valid until January 24, 2029  
Passport No. P7148981A; valid until May 10, 2028  
Passport No. P1430237B; valid until April 10, 2029

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Series of 2023

  
**ROBIN BRYAN F. CONCEPCION**  
NOTARY PUBLIC FOR AND IN THE CITY OF MANDALUYONG  
APPOINTMENT NO. 0545-22 (2022-2023)  
COMMISSION EXPIRES ON DECEMBER 31, 2023  
2nd Floor, LaunchPad, Reliance St. cor. Sheridan St.,  
Mandaluyong City, 1550  
PTR O.R. No. 5102970 / 01-04-23 / Mandaluyong City  
BP No. 273436; 01/06/23; Pasig City- Manila III Chapter  
Roll of Attorneys No. 62424



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

**SECURITIES AND EXCHANGE COMMISSION**  
Roxas Boulevard, Pasay City


The management of Philex Mining Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**MANUEL V. PANGILINAN**  
Chairman of the Board

  
**EULIO B. AUSTIN, JR.**  
President & Chief Executive Officer



  
**ROMEO B. BACHOCO**  
Chief Finance Officer

Subscribed and sworn to before me this APR 11 2023 at Mandaluyong City  
affiants exhibiting to me their respective ID No. indicated opposite their names:

**Name**

Manuel V. Pangilinan  
Eulallo B. Austin, Jr.  
Romeo B. Bachoco

TIN 914-481-801-000  
TIN 131-691-825-000  
TIN 908-524-883-000

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