COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: 1 0 0 4 4

COMPANY NAME

PHILEX MINING CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

2nd floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRM	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
philex@philexmining.com.ph	(632) 8631-1381	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
43,90 1	0 715	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Romeo B. Bachoco	rbbachoco@philexmining.com.ph	(632) 8631-1381	N/A

CONTACT PERSON's ADDRESS

2nd floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philex Mining Corporation
2nd floor LaunchPad,
Reliance Street corner Sheridan Street
Mandaluyong City, Metro Manila

Opinion

We have audited the consolidated financial statements of Philex Mining Corporation and its Subsidiaries (the Group) which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the consolidated financial statements.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the ma

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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Deferred Exploration Costs

As at December 31, 2022, the carrying value of the Group's deferred exploration costs amounted to ₱29.49 billion. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceeds the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment.

The Group's disclosures about deferred exploration costs are included in Note 13 to the consolidated financial statements.

Audit response

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We reviewed the summary of the status of each exploration project as of December 31, 2022. We reviewed the contracts and agreements, and the budget for exploration and development costs. We inspected the licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Recoverability of the carrying value of property, plant and equipment

The carrying value of the Group's property, plant and equipment amounted to ₱2.73 billion after allowance for impairment loss amounting to ₱2.09 billion as of December 31, 2022. The impairment mainly relates to mine and mining properties. Under PAS 36, *Impairment of Assets*, an entity is required to assess whether indicators for impairment exist and if they exist, an impairment test is required. We consider this as a key audit matter because the assessment of the recoverability of the carrying value of property, plant and equipment requires significant judgment and involves estimation and assumptions about future cash flows and discount rates.

The Group's disclosures about property, plant and equipment are included in Note 10 to the consolidated financial statements.

Audit response

We reviewed management's assessment of the recoverability of the carrying value of mine and mining properties by evaluating whether indicators for potential impairment exist. We compared the assumptions used in forecasting the future cash flows against the budget business plans, published forecasted metal prices, forecasted foreign exchange rates and historical production costs. We compared the forecasted production quantities against the estimated ore reserves declared in the competent person's report. We involved our internal specialist to assist us in testing the parameters used in the determination of the discount rate against market data.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alexis Benjamin C. Zaragoza III.

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AZ Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-129-2023, January 25, 2023, valid until January 26, 2026
PTR No. 9566023, January 3, 2023, Makati City

February 23, 2023

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PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value Per Share)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱3,925,296**	₱2,890,763
Accounts receivable - net (Note 7)	**580,621**	466,922
Inventories - net (Note 8)	**1,151,089**	1,926,464
Other current assets - net (Note 9)	**765,754**	437,585
Total Current Assets	**6,422,760**	5,721,734
Noncurrent Assets		
Deferred exploration costs (Notes 1, 13 and 20)	**29,491,920**	28,099,836
Investment in associates - net (Note 12)	**3,605,677**	3,632,480
Property, plant and equipment - net (Note 10)	**2,729,865**	3,428,552
Pension asset - net (Note 21)	**340,725**	352,609
Financial assets measured at FVOCI (Note 11)	**145,207**	125,212
Other noncurrent assets (Note 14)	**522,595**	495,424
Total Noncurrent Assets	**36,835,989**	36,134,113
TOTAL ASSETS	**₱43,258,749**	₱41,855,847
LIABILITIES AND EQUITY		
Current Liabilities		
Loans and bonds payable (Note 15)	**₱1,616,895**	₱10,131,071
Accounts payable and accrued liabilities (Notes 16 and 32)	**2,670,983**	2,556,347
Subscription payable	**2,767**	2,767
Income tax payable	**124,351**	181,243
Dividends payable (Note 28)	**343,346**	452,413
Total Current Liabilities	**4,758,342**	13,323,841
Noncurrent Liabilities		
Bonds payable (Note 15)	**5,907,961**	–
Deferred tax liabilities - net (Notes 3 and 27)	**1,720,847**	1,816,070
Provision for losses and mine rehabilitation costs (Notes 10 and 32)	**2,342**	17,496
Total Noncurrent Liabilities	**7,631,150**	1,833,566
Total Liabilities	**12,389,492**	15,157,407
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1 par value (Note 28)	**5,782,399**	4,940,399
Additional paid-in capital	**2,885,163**	1,143,981
Retained earnings (Note 28)		
Unappropriated	**8,493,736**	6,943,648
Appropriated	**10,500,000**	10,500,000
Net revaluation surplus	**1,849,971**	1,849,971
Equity conversion option (Note 15)	**857,863**	1,225,518
Equity reserves (Note 15)	**367,655**	–
Effect of transactions with non-controlling interests	**77,892**	77,892
Net unrealized gain on financial assets measured at FVOCI and derivative (Notes 11 and 16)	**54,870**	17,319
	30,869,549	26,698,728
Non-controlling interests (Note 28)	**(292)**	(288)
Total Equity	**30,869,257**	26,698,440
TOTAL LIABILITIES AND EQUITY	**₱43,258,749**	₱41,855,847

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2022	2021	2020
REVENUES (Note 17)	**₱9,261,576**	₱9,796,531	₱7,833,713
COSTS AND EXPENSES (Note 18)			
Production costs	**4,864,929**	4,488,274	4,215,573
Depletion, amortization and depreciation	**1,413,250**	1,217,736	1,252,204
Excise taxes and royalties	**591,905**	639,281	543,238
General and administrative expenses	**249,640**	252,932	287,133
	7,119,724	6,598,223	6,298,148
OTHER INCOME (CHARGES)			
Reversal of (provision for) impairment losses - net of other provisions, reversals and gain (Notes 8, 10, 12, 15, 26 and 32)	**125,664**	272,241	(1,900)
Foreign exchange gain (losses) - net (Note 23)	**82,703**	(46,485)	99,115
Share in net losses of associates (Note 12)	**(26,804)**	(528,848)	(47,011)
Interest income (Note 6)	**25,045**	2,186	981
Others - net	**(19,705)**	(97,861)	(56,426)
	186,903	(398,767)	(5,241)
INCOME BEFORE INCOME TAX	**2,328,755**	2,799,541	1,530,324
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**838,743**	559,498	234,407
Deferred	**(305,501)**	(191,165)	67,620
	533,242	368,333	302,027
NET INCOME	**₱1,795,513**	₱2,431,208	₱1,228,297
Net Income Attributable to:			
Equity holders of the Parent Company	**₱1,795,517**	₱2,431,212	₱1,228,308
Non-controlling interests (Note 28)	**(4)**	(4)	(11)
	₱1,795,513	₱2,431,208	₱1,228,297
Basic/Diluted Earnings Per Share (Note 30)	**₱0.339**	₱0.492	₱0.249

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2022	2021	2020
NET INCOME	**₱1,795,513**	₱2,431,208	₱1,228,297
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Loss on fair value of derivatives (Note 23)	**(6,492)**	(24,048)	–
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains on pension obligation plans (Note 21)	**1,571**	71,593	120,406
Income tax effect on remeasurement losses on pensionobligation plans (Notes 21 and 27)	–	(2,143)	(36,122)
Income tax effect on net revaluation surplus (Note 27)	–	277,586	–
Unrealized gain or loss on financial assets measured at FVOCI (Note 11)	**19,955**	9,508	(5,886)
	15,034	332,496	78,398
TOTAL COMPREHENSIVE INCOME	**₱1,810,547**	₱2,763,704	₱1,306,695
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱1,810,551**	₱2,763,708	₱1,306,706
Non-controlling interests (Note 28)	**(4)**	(4)	(11)
	₱1,810,547	₱2,763,704	₱1,306,695

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company											
	CapitalStock (Note 28)	Additional Paid-In Capital	Retained Earnings (Note 28) Unappropriated	Retained Earnings (Note 28) Appropriated	Net unrealized gain on financial assets measured at FVOCI and derivative (Notes 11 and 23)	Equity Conversion Option (Note 15)	Equity Reserves (Note 15)	Net Revaluation Surplus (Note 4)	Effect of Transactions with Non-controlling Interests	Subtotal	Non-controlling Interests (Note 28)	Total
BALANCES AT JANUARY 1, 2020	₱4,940,399	₱1,143,981	₱3,471,281	₱10,500,000	₱37,745	₱1,225,518	₱–	₱1,572,385	₱77,892	₱22,969,291	(₱273)	₱22,968,978
Net income	–	–	1,228,308	–	–	–	–	–	–	1,228,308	(11)	1,228,297
Items not to be reclassified to profit or loss in subsequent periods:												
Remeasurements of pension obligation, net of tax (Note 21)	–	–	84,284	–	–	–	–	–	–	84,284	–	84,284
Unrealized gain on financial assets measured at FVOCI - net of related deferred income tax (Note 11)	–	–	–	–	(5,886)	–	–	–	–	(5,886)	–	(5,886)
Total comprehensive loss	–	–	1,312,592	–	(5,886)	–	–	–	–	1,306,706	(11)	1,306,695
Declaration of dividends (Note 28)	–	–	(49,404)	–	–	–	–	–	–	(49,404)	–	(49,404)
BALANCES AT DECEMBER 31, 2020	4,940,399	1,143,981	4,734,469	10,500,000	31,859	1,225,518	–	1,572,385	77,892	24,226,503	(284)	24,226,219
Net income	–	–	2,431,212	–	–	–	–	–	–	2,431,212	(4)	2,431,208
Other comprehensive income												
Items not to be reclassified to profit or loss in subsequent periods:												
Loss on fair value of derivatives (Note 23)	–	–	–	–	(24,048)	–	–	–	–	(24,048)	–	(24,048)
Items not to be reclassified to profit or loss in subsequent periods:												
Remeasurements of pension obligation, net of tax (Note 21)	–	–	53,693	–	–	–	–	–	–	53,693	–	53,693
Income tax effect on net revaluation surplus (Note 27)	–	–	15,757	–	–	–	–	277,586		293,343	–	293,343
Unrealized gain on financial assets measured at FVOCI - net of related deferred income tax (Note 11)	–	–	–	–	9,508	–	–	–	–	9,508	–	9,508
Total comprehensive income	–	–	2,500,662	–	(14,540)	–	–	277,586	–	2,763,708	(4)	2,763,704
Declaration of dividends (Note 28)	–	–	(291,483)	–	–	–	–	–	–	(291,483)	–	(291,483)
BALANCES AT DECEMBER 31, 2021	₱4,940,399	₱1,143,981	₱6,943,648	₱10,500,000	₱17,319	₱1,225,518	₱–	₱1,849,971	₱77,892	₱26,698,728	(₱288)	₱26,698,440

	Equity Attributable to Equity Holders of the Parent Company											
	CapitalStock (Note 28)	Additional Paid-In Capital	Retained Earnings (Note 28) Unappropriated	Retained Earnings (Note 28) Appropriated	Net unrealized gain on financial assets measured at FVOCI and derivative (Notes 11 and 23)	Equity Conversion Option (Note 15)	Equity Reserves (Note 15)	Net Revaluation Surplus (Note 4)	Effect of Transactions with Non-controlling Interests	Subtotal	Non- controlling Interests (Note 28)	Total
BALANCES AT DECEMBER 31, 2021	₱4,940,399	₱1,143,981	₱6,943,648	₱10,500,000	₱17,319	₱1,225,518	₱–	₱1,849,971	₱77,892	₱26,698,728	(₱288)	₱26,698,440
Net income	–	–	1,795,517	–	–	–	–	–	–	1,795,517	(4)	1,795,513
Other comprehensive income:												
Items not to be reclassified to profit or loss in subsequent periods:												
Loss on fair value of derivatives (Note 23)	–	–	–	–	17,556	–	–	–	–	17,556	–	17,556
Items not to be reclassified to profit or loss in subsequent periods:												
Gain on sale of convertible bonds	–	–	–	–	–	(367,655)	367,655	–	–	–	–	–
Remeasurements of pension obligation, net of tax (Note 21)	–	–	1,571	–	–	–	–	–	–	1,571	–	1,571
Income tax effect on net revaluation surplus (Note 27)												
Unrealized gain on financial assets measured at FVOCI - net of related deferred income tax (Note 11)	–	–	–	–	19,995	–	–	–	–	19,995	–	19,995
Total comprehensive income	–	–	1,797,088	–	37,551	(367,655)	367,655	–	–	1,834,639	(4)	1,834,635
Issuance of shares (Note 28)	842,000	1,741,182	–	–	–	–	–	–	–	2,583,182	–	2,583,182
Declaration of dividends (Note 28)	–	–	(247,000)	–	–	–	–	–	–	(247,000)	–	(247,000)
BALANCES AT DECEMBER 31, 2022	₱5,782,399	₱2,885,163	₱8,493,736	₱10,500,000	₱54,870	₱857,863	₱367,655	₱1,849,971	₱77,892	₱30,869,549	(₱292)	₱30,869,257

See accompanying Notes to Consolidated Financial Statements.

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PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,328,755**	₱2,799,541	₱1,530,324
Adjustments for:			
Depletion, amortization and depreciation (Note 20)	**1,428,200**	1,232,532	1,268,738
Share in net losses of associates (Note 12)	**26,804**	528,848	47,011
Provision for (reversal of) impairment losses - net of other provisions, reversals and gain (Notes 8, 10, 12, 15, 26 and 32)	**(11,764)**	(272,241)	1,900
Movement in pension assets - net	**13,979**	29,313	33,017
Unrealized foreign exchange (gains) losses and others - net	**55,221**	76,936	(145,143)
Interest income (Note 6)	**(25,045)**	(2,186)	(981)
Operating income before working capital changes	**3,816,150**	4,392,743	2,734,866
Decrease (increase) in:			
Accounts receivable - net	**(113,699)**	(97,024)	46,256
Inventories - net	**859,375**	(616,098)	(404,518)
Other current assets - net	**(328,169)**	102,365	125,818
Increase in accounts payable and accrued liabilities	**106,126**	617,421	178,088
Cash generated from operations	**4,339,783**	4,399,407	2,680,510
Income taxes paid	**(895,635)**	(452,555)	(213,391)
Interest paid	**(178,100)**	(171,885)	(93,328)
Interest received	**25,045**	2,186	981
Net cash flows generated from operating activities	**3,291,093**	3,777,153	2,374,772
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Note 10)	**(1,026,920)**	(927,608)	(1,048,411)
Increase in deferred exploration costs and other noncurrent assets	**(719,084)**	(250,408)	(162,166)
Payment of subscription payable (Notes 12 and 26)	–	(121,114)	(63,186)
Payment of mine rehabilitation costs	–	–	(25,628)
Net cash flows used in investing activities	**(1,746,004)**	(1,299,130)	(1,299,391)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from stocks rights offering	**2,583,182**	–	305,960
Payments of:			
Convertible bonds (Note 15)	**(2,741,009)**	–	–
Dividends (Notes 28 and 33)	**(356,067)**	(392,680)	(45,426)
Short-term bank loans (Note 33)	–	(387,180)	(942,655)
Net cash flows (used in) from financing activities	**(513,894)**	(779,860)	(683,121)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,338**	1,121	3,510
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,034,533**	1,699,284	395,770
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,890,763**	1,191,479	795,709
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)		₱2,890,763	₱1,191,479

See accompanying Notes to Consolidated Fi

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1. Corporate Information, Business Operations and Authorization for Issuance of the Consolidated Financial Statements

Corporate Information

Philex Mining Corporation (PMC; the Ultimate Parent Company) was incorporated on July 19, 1955 in the Philippines and is listed in the Philippine Stock Exchange on November 23, 1956. The Parent Company's Philippine Securities and Exchange Commission (SEC) registration was renewed on July 23, 2004 after reaching 50 years corporate life. The Parent Company, Philex Gold Philippines, Inc. (PGPI, a wholly-owned subsidiary incorporated in the Philippines), Lascogon Mining Corporation (LMC, a subsidiary of PGPI and incorporated in the Philippines), and Silangan Mindanao Exploration Co., Inc. (SMECI, a wholly-owned subsidiary by the Parent Company and incorporated in the Philippines) and its subsidiary, Silangan Mindanao Mining Co. Inc. (SMMCI, a wholly-owned subsidiary by the Parent Company through SMECI, and incorporated in the Philippines) are all primarily engaged in large-scale exploration, development and utilization of mineral resources. The Parent Company operates the Padcal Mine in Benguet. PGPI operated the Bulawan Mine in Negros Occidental until the second quarter of 2002. Because of low metal prices prevailing at the time, Bulawan Mine was decommissioned and has since been kept under care and maintenance. LMC is under exploration stage and is located in Taganaan, Surigao del Norte. SMMCI owns the Silangan Project covering the Boyongan and Bayugo deposits.

The Parent Company's registered business address is 2nd floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila.

Status of Business Operations

Padcal Mine Operations

The Parent Company has the Padcal Mine as its main source of revenue. The Padcal Mine produces copper concentrates containing gold, copper and silver.

The Parent Company continues to explore various globally-accepted mining practices and employ engineering interventions as well as operational efficiency improvements as the challenges of operating the mature Padcal Mine persist.

The Group, as detailed in Note 2 to the consolidated financial statements, continues to look for sources of funding to complete the funding requirement for the development of Silangan Project (see Note 15).

On June 25, 2021, the Padcal Mine life has been extended for two (2) years, extending its life until December 31, 2024. Further, on December 7, 2022, the life of Padcal Mine has been extended for another three (3) years up to December 31, 2027. The extensions on the mine life were due to additional reserves from mineral resources delineated around the current mining level and from the completion of confirmatory drillings on the ore body and technical studies on the mining methodology that led to the confirmation of additional mineable reserves.

In light of the Coronavirus Disease 2019 (COVID-19) pandemic that started in March 2020, the Parent Company's Padcal mine site, which was allowed to remain operational under all community quarantine categories, continued to fun[illegible]plicable government mandated operating guidelines to preve[illegible]

PGPI

PGPI operated the Bulawan mine in Negros Occidental from 1996 to 2002, when it was decommissioned due to unfavorable metal prices. Exploration projects in the Vista Alegre area include the Nagtalay project and the Laburan/Skid 9 project. PGPI currently holds 98.9% of LMC.

SMMCI

SMMCI finalized the definitive feasibility study (DFS) for an underground sub-level cave mining method for the Silangan Project. The DFS that was approved at the Group's Board meeting in July 2019 cover 81 million tonnes (Mt) of ore reserves of the Boyongan deposit carrying high-quality copper and gold grades from a total mineral resource of 571 Mt. Financial advisers were engaged to secure funding for the project to proceed with its development plan.

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

The approval of the underground sub-level cave mining method under the DMPF included the ECC Three Year Development and/or Utilization Work (3YD/UWP) Program for years second-half (2H) of 2019 to first-half (1H) of 2020, 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 (3) years was submitted to MGB Central Office on December 27, 2020.

In December 2020, the Department of Environment and Natural Resources (DENR) approved the renewal for another 25-year term of Mineral Production Sharing Agreement (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 MPSA No. 149-99-XIII 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 has approved the In-Phase Mine Plan of the Silangan Project. With the plan, the capital expenditure requirement will be made in stages, and to be funded from a variety of sources including internally-generated cash and through equity and debt financing (see Note 28).

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 of the Silangan Project, 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 700 thousand tonnes per year for the first 5 years, then ramp up to 4,000 tonnes per day or 1.3 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 over 2.5 years is estimated at US$ 224 Million.

In August 2022, the Company completed the stock rights offering (SRO) as part of the funding plan for the financing of the development of the Silangan Project under SMMCI. The net proceeds of the SRO was invested as equity in SMMCI through SMECI in October 2022.

The funding plan also includes debt syndication and additional cash infusion from the Company from the internally generated cash. The debt syndication under SMMCI is on its final stages of due diligence and negotiation of the terms. Meantime, the development works in the Silangan Project already started in mid-2022 and are gearing to a full swing development following the completion of the SRO.

Recovery of Deferred Exploration Costs
The Group's ability to realize its deferred exploration costs with carrying value amounting to ₱29,491,920 and ₱28,099,836 as at December 31, 2022 and 2021, respectively (see Note 13), depends on the success of exploration and development work in proving the viability of its mining properties to produce minerals in commercial quantities, and the success of converting the Group's Exploration Permits (EPs) or Application for Production Sharing Agreements to new mineral agreements, which cannot be determined at this time. The consolidated financial statements do not include any adjustment that might result from these uncertainties.

Authorization for Issuance of the Consolidated Financial Statements
The consolidated financial statements are authorized for issuance by the Parent Company's BOD on February 23, 2023.

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group:

- Amendments to PFRS 3, *Reference to the Conceptual Framework,* which are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*, which specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*, which permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*, which clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*, which removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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

Summary of Significant Accounting Policies Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expenses in two statements: a statement displaying components of profit or loss in the consolidated statements of income and a second statement beginning with profit or loss and displaying components of other comprehensive income (OCI) in the consolidated statements of comprehensive income.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2022 and 2021. The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure or rights to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiary
Subsidiary is an entity over which the Group has control.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Parent Company's subsidiaries (collectively referred to as the Group) and their respective natures of businesses are as follows:

Subsidiaries	Nature of Business
PGPI	Incorporated in the Philippines on August 9, 1996 as a wholly-owned subsidiary of PGI and became a wholly-owned subsidiary of PGHI on April 27, 2010. In 2015, PGPI was acquired and 100% owned by the Parent Company. PGPI was primarily engaged in the operation of the Bulawan mine and the development of the Sibutad Project both on care and maintenance status since 2002. PGPI currently owns 98.9% of the outstanding shares of LMC.
LMC	Incorporated in the Philippines on October 20, 2005 to engage in exploration, development and utilization of mineral resources, particularly the Lascogon Project in Surigao.
SMECI	Incorporated in the Philippines on October 12, 1999 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources; currently the holding company of SMMCI.
SMMCI	Incorporated in the Philippines on January 4, 2000 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources, principally the Silangan Project.
FSTI	Incorporated in the Philippines on December 28, 1981 to act as a stock transfer agent and/or registrar of client corporations. The company is currently in dormant status.
Philex Land, Inc. (PLI)	Incorporated in the Philippines on February 26, 2007 to own, use, develop, subdivide, sell, exchange, lease, and hold for investment or otherwise, real estate of all kinds including buildings, houses, apartments and other structures. The company is currently in liquidation. On March 9, 2021, the SEC approved the amendments of the Articles of Incorporation shortening its life until March 31, 2021.
Philex Gold Holdings, Inc. (PGHI)	Incorporated in the Philippines on August 28, 1996 to serve as an intermediary holding company through which its subsidiaries and the Parent Company conduct large-scale exploration, development and utilization of mineral resources. PGHI owned 100% of the outstanding shares of PGPI effective April 27, 2010. In 2015, PGHI sold 100% of its ownership in PGPI to the Parent Company.

The ownership of the Parent Company and subsidiaries over the foregoing companies in 2022 and 2021 are summarized as follows:

	Percentages of Ownership	
	Direct	Indirect
PGHI	100.0	–
PGPI	100.0	–
LMC	–	98.9
SMECI	100.0	–
SMMCI	–	100.0
Fidelity Stock Transfers, Inc. (FSTI)	100.0	–
Philex Land, Inc. (PLI)	100.0	–

NCI

Non-controlling interests (NCI) represents the interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company. Profit or loss and each component of OCI (loss) are attributed to the equity holders of the Parent Company and to the NCI. Total comprehensive income (loss) is attributed to the equity holdersof the Parent Company and to the NCI even if this results in the NCI having a deficit balance.

NCI represents the portion of profit or loss and the net assets not held by the Group. Transactions with NCI are accounted for as an equity transaction.

Business Combination

Business combinations, except for business combinations between entities under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any gain or loss on remeasurement is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in the consolidated statement of income, or in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Foreign Currency Translation of Foreign Operations

The Group's consolidated financial statements are presented in Philippine Peso, which is also the Group's functional currency. Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statements of each subsidiary are measured using that functional currency. The Group has elected to recognize the translation adjustment that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

Transactions in foreign currencies are initially recorded in the functional currency rate on the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the end of the reporting period. All exchange differences are recognized in the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to insignificant risk of change in value.

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Embedded Derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as either at amortized cost or at FVTPL depending on whether the cash flows of the hybrid contract are solely payments of principal and interest and the assessment of the business model within which the financial asset is held.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVTPL

Trade receivables subject to provisional pricing are measured at FVTPL, with subsequent changes in fair value recognized in the statements of income and other comprehensive income each period until final settlement.

Included under this category are the Group's trade receivables.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

Business model assessment

The Group determined the business model at the level that best reflects how the Group manages its financial assets to achieve business objective.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from original expectations, the Group do not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group apply judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial assets is required to be measured at FVTPL.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash in banks, short-term deposits and advances to a related party.

Hedging

The Group applies hedge accounting prospectively. All of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. The Group designates only the spot element of forward contracts as hedging instrument. The forward element is recognized in OCI.

Gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

This category includes the Group's accounts payables and accrued liabilities.

Subsequent measurement

After initial recognition, payables are subsequently measured at amortized cost using the EIR method.

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective ofthe timing of the default (a lifetime ECL).

For other receivables (not subject to provisional pricing) due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by PFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortized cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs,the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based onthe Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Derecognition of Financial Assets and Financial Liabilities
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of income.

Debt Issuance Costs
Debt issuance costs are amortized using EIR method and unamortized debt issuance costs are included in the measurement of the related carrying value of the debt in the consolidated statements of financial position. When loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged in the consolidated statements of income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability.

Inventories
Mine products inventory, which consist of copper concentrates containing copper, gold and silver, are stated at NRV. Materials and supplies are valued at the lower of cost and NRV.

NRV for mine products and coal inventory is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at the consolidated statements of financial position date.

Costs of materials and supplies comprise all costs of purchase and other costs incurred in bringing the materials and supplies to their present location and condition. The purchase cost is determined on a moving average basis.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Tax Credit Certificates (TCCs)
TCCs are input VAT that can be utilized as payment for income taxes provided they are approved by the Bureau of Internal Revenue and properly supported by certificates of creditable withholding tax withheld at source subject to the rules in Philippine income taxation. TCCs are expected to be utilized as payment for income taxes within 12 months and are classified as current assets.

Deferred Input VAT
Deferred input VAT represents input VAT on purchase of capital goods exceeding one (1) million pesos. The related input VAT is recognized over five (5) years or the useful life of the capital goods, whichever is shorter. The recognition of deferred input VAT over five years, however, is allowed only until December 31, 2021 as provided under Revenue Memorandum Circular (RMC) No. 21-2022 issued on December 9, 2021. The RMC further provides that the unutilized deferred input VAT as of December 31, 2021 can still be applied until fully utilized.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depletion and depreciation and accumulated impairment in value, if any.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property, plant and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation to that cost. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of income as incurred.

When assets are sold or retired, the cost and related accumulated depletion and depreciation, and accumulated impairment in value are removed from the accounts and any resulting gain or loss is recognized in the consolidated statements of income.

Depletion or amortization of mine and mining properties is calculated using the units-of-production method based on estimated recoverable reserves. Depreciation of other items of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets or mine life whichever is shorter as follows:

	No. of Years
Buildings	10 to 40
Building improvements	5 to 10
Machinery and equipment	2 to 20
Surface structures	10

Depreciation or depletion of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or depletion ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated recoverable reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depletion and depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

Property, plant and equipment also include the estimated costs of rehabilitating the Parent Company's Padcal Mine for which the Group is constructively liable. These costs, included under land, buildings and improvements, are amortized using the units-of-production method based on the estimated recoverable mine reserves until the Group actually incurs these costs in the future.

Level and block development (included as part of mine and mining properties) and construction in progress are stated at cost, which includes the cost of construction, plant and equipment, other direct costs and borrowing costs, if any. Block development and construction in progress are not depleted nor amortized until such time as these are completed and become available for use.

Deferred Exploration Costs
Expenditures for exploration works on mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resource) are deferred as incurred and included under "Deferred exploration costs" account in the consolidated statements of financial position. If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures, and subsequent mine development costs are capitalized as part of the mine and mining properties account classified under property, plant and equipment.

A valuation allowance is provided for unrecoverable deferred exploration costs based on the Group's assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or when the project is abandoned, the deferred exploration costs associated with the project and the related impairment provisions are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for intended use or sale are capitalized as part of the asset. Borrowing costs consist of interest on borrowed funds used to finance the construction of the asset and other financing costs that the Group incurs in connection with the borrowing of funds. The capitalization of borrowing costs: (i) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed.

Other borrowing costs are recognized as an expense in the period in which they are incurred.

Impairment of Noncurrent Non-financial Assets
The Group's noncurrent non-financial assets include property, plant and equipment, investment in associate and other noncurrent assets. The Group assesses at each reporting date whether there is indication that a noncurrent non-financial asset or Cash Generating Unit (CGU) may be impaired. If any indication exists, or when an annual impairment testing for such items is required, the Group makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value lesscosts to sell and its value in use (VIU), and is determined for an individual item, unless such item doesnot generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows to begenerated by such items are discounted to their present value using a pre-tax discount rate that reflectsthe current market assessment of the time value of money and the risks specific to the asset or CGU. Impairment losses of continuing operations are recognized in the consolidated statements of income inthe expense categories consistent with the function of the impaired asset.

An assessment is made at least on each consolidated statements of financial position date as to whether there is indication that previously recognized impairment losses may no longer exist or may have decreased. If any indication exists, the recoverable amount is estimated, and a previously recognized impairment loss is reversed only if there has been a change in the estimate in the asset's or CGU's recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the item is increased to its new recoverable amount which cannot exceed the impairment loss recognized in prior years. Such reversal is recognized in the consolidated statements of income unless the asset or CGU is carried at its revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value on a systematic basis over its remaining estimated useful life.

Mine Rehabilitation Costs

The Group records the present value of estimated costs of legal and constructive obligations required to restore the mine site upon termination of the mine operations. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and settling ponds, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed, or the ground or environment is disturbed at the mine site. When the liability is initially recognized, the present value of the estimated cost is capitalized as part of the carrying amount of the related mining assets.

Changes to estimated future costs are recognized in the consolidated statements of financial position by either increasing or decreasing the rehabilitation liability and asset to which it relates if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16, *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to consolidated profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with PAS 36. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

For closed sites, changes to estimated costs are recognized immediately in consolidated profit or loss.

Capital Stock

Ordinary or common shares are classified as equity. The proceeds from the increase of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares and any excess of the proceeds over the par value or shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Dividends on Common Shares

Cash and property dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company. Stock dividends are treated as transfers from retained earnings to capital stock.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

Revenue recognition

Revenue is recognized when control passes to the customer, which occurs at a point in time when the ore concentrates is physically transferred onto a shipping vessel. The revenue is measured at the amount to which the Group expects to be entitled, being estimate of the price expected using forward price, and a corresponding receivable is recognized.

Revenue from sale of mine products

Revenue from sale of mine products is measured based on shipment value price, which is based on quoted metal prices in the London Metals Exchange (LME) and London Bullion Metal Association (LBMA) and weight and assay content, as adjusted for smelting charges to reflect the NRV of mine products inventory at the end of the financial reporting period. Contract terms for the Group's sale of metals (i.e., gold, silver and copper) in concentrates and bullion allow for a price adjustment based on final assay results of the metal content by the customer.

Provisional pricing adjustments

The terms of metal in copper concentrates sales contracts with third parties contain provisional arrangements whereby the selling price for the metal is based on prevailing spot prices on a specified future date after shipment to the customer (the quotation period). These provisional arrangements are considered embedded derivatives. Mark-to-market adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement, and such adjustments are recorded as part of revenue. The period between provisional invoicing and final settlement can be between one (1) and three (3) months. Depending on the arrangement with the buyer, initial payment could be ninety percent (90%) or hundred percent (100%) of the provisional shipment value is collected within a week from shipment date, while the remaining balance is collected upon determination of the final shipment value on final weight and assay for metal content and prices during the applicable quotational period less deduction for smelting charges.

Smelting charges

Contract terms on the sale of copper, gold and silver includes smelting charges deducted on the invoice price. Smelting charges are deducted from revenue to arrive at revenue from contracts with customers since smelting charges are considered as consideration payable to a customer in order to transform the unprocessed ore concentrates into its marketable form.

Interest income

Interest income is recognized as the interest accrues, taking into account the effective yield of the asset.

Cost and Expense Recognition

Costs and expenses are recognized in the consolidated statements of income in the year they are incurred. The following specific cost and expense recognition criteria must also be met before costs and expenses are recognized:

Production costs

Production costs, which include all direct materials, power and labor costs, handling, hauling and storage, and other costs related to the mining and milling operations, and all direct expenses incurred for logistics and store room costs for mine and mining inventories, are expensed as incurred.

Excise taxes and royalties

Excise taxes pertain to the taxes paid or accrued by the Parent Company for its legal obligation arising from the production of copper concentrates. Also, the Parent Company is paying for royalties which are due to the claim owners of the land where the mine site operations were located. These excise taxes and royalties are expensed as incurred.

General and administrative expenses
General and administrative expenses constitute the costs of administering the business and are expensed as incurred.

Retirement Costs
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in consolidated profit or loss. Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefits
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Share-based Payments
Certain officers and employees of the Group receive additional remuneration in the form of share-based payments of the Parent Company, whereby equity instruments (or "equity-settled transactions") are awarded in recognition of their services.

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation techniques. Further details are given in Note 29.

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date up to and until the vesting date reflects the extent to which the vesting period has expired, as well as the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statements of income charge or credit for the period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Foreign-Currency-Denominated Transactions and Translations
Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the consolidated statements of financial position date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchanges rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the consolidated statements of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in the consolidated statements of income.

Income Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the consolidated statements of financial position date.

Current income tax relating to items recognized directly in the statement of changes in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretationand establishes provisions where appropriate.

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits in the form of minimum corporate income tax (MCIT) and unused tax losses in the form of net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of deductible temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

In business combinations, the identifiable assets acquired and liabilities assumed are recognized at their fair values at acquisition date. Deferred tax liabilities are provided on temporary differences that arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination or are affected differently.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off the current income tax assets against the current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Basic Earnings Per Share
Basic earnings per share is computed by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted Earnings Per Share
Diluted earnings per share amounts are calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRSs.

Events After the Reporting Period
Events after the consolidated statement of financial position date that provide additional information about the Group's position at the consolidated statement of financial position date (adjusting events) are reflected in the consolidated financial statements. Events after the consolidated statement of financial position date that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. Significant Judgments, Accounting Estimates and Assumptions

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

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

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

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

Recognition of Deferred Tax Assets
The Group reviews the carrying amounts at each end of reporting period and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The sufficiency of future taxable profits requires the use of assumptions, judgments and estimates, including future prices of metals, volume of inventories produced and sold, and amount of costs and expenses that are subjectively determined like depreciation. As at December 31, 2022 and 2021, deferred income tax assets recognized in the consolidated statements of financial position amounted to ₱162,130 and

₱150,370, respectively (see Note 27). As at December 31, 2022 and 2021, no deferred income tax assets were recognized on deductible temporary differences amounting to ₱5,291,128 and ₱4,816,526, respectively (see Note 27), because management believes that it is not probable that future taxable income will be available to allow all or part of the benefit of the deferred income tax assets to be utilized.

Accounting Estimates and Assumption

The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Measurement of Mine Products Revenue

Mine products revenue is provisionally priced until or unless these are settled at pre-agreed future or past dates referred to as "quotational period," the prevailing average prices at which time become the basis of the final price. Revenue on mine products is initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotational period. Total revenues amounted to ₱9,261,576, ₱9,796,531 and ₱7,833,713, in 2022, 2021 and 2020, respectively (see note 17).

Valuation of Financial Instruments

The Group carries certain financial assets and financial liabilities (i.e., quoted and unquoted shares) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (e.g., quoted equity prices), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities is recognized in the consolidated statements of income and in the consolidated statements of comprehensive income.

The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in Note 22.

Valuation of Financial Assets measured at FVOCI

Fair value measurement requires the use of accounting estimates and judgment. At initial recognition, the fair value of quoted financial assets measured at FVOCI is based on its quoted price in an active market, while the fair value of unquoted financial assets measured at FVOCI is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology.

Changes in fair value of its financial assets measured at FVOCI is recognized in the consolidated statements of comprehensive income with no recycling to profit or loss, cumulative changes in the fair value of the financial asset is closed to retained earnings upon disposal. The Group has net cumulative unrealized gain or loss on its financial assets measured at FVOCI amounting to a gain of ₱61,362 and ₱41,367 as at December 31, 2022 and 2021, respectively. The carrying value of the Group's financial assets measured at FVOCI amounted to ₱145,207 and ₱125,212 as at December 31, 2022 and 2021, respectively (see Note 11).

Measurement of NRV of Mine Products Inventory

The NRV of mine products inventory is the estimated sales value less costs to sell, which can be derived from such inventory based on its weight and assay for metal content, and the LME and LBMA for prices, which also represents an active market for the product. Changes in weight and assay for metal content as well as the applicable prices as the mine products inventory are eventually shipped and sold are accounted for and accordingly adjusted in revenue. The NRV of mine products inventory as at December 31, 2022 and 2021 amounted to ₱709,754 and ₱1,263,701, respectively, which were also reflected as part of mine products revenue for the years then ended (see Note 8).

Write-down of Carrying Values of Materials and Supplies Inventories
The Group carries material and supplies inventories at NRV when such value is lower than cost due to damage, physical deterioration, obsolescence or other causes. When it is evident that the NRV is lower than its cost based on physical appearance and condition of inventories, an allowance for inventory obsolescence is provided. The carrying value of materials and supplies inventories amounted to ₱441,335 and ₱662,763, net of provision for impairment loss of ₱107,135 and ₱51,168 as at December 31, 2022 and 2021, respectively (see Note 8).

Impairment of Mine and Mining Properties
The Group assesses, at each reporting date, whether there is an indication that mine and mining properties may be impaired. If any indication exists, or when annual impairment testing for mine and mining properties is required, the Group estimates the mine and mining and properties' recoverable amount. An asset's recoverable amount is the higher of asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Assessments require the use of estimates and assumptions such as future cash flows, discount rates, estimated ore reserves, forecasted metal prices, and production quantities. In assessing value in use, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversal of impairment loss amounting to nil and ₱699,241 was recognized in 2022 and 2021, respectively. The carrying value of mine and mining properties amounted to ₱1,291,861 and ₱1,866,651 as at December 31, 2022 and 2021, respectively (see Note 10).

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

The estimated useful lives of the Group's property, plant and equipment are disclosed in Note 2 to the consolidated financial statements.

As at December 31, 2022 and 2021, carrying value of property, plant and equipment amounted to ₱2,729,865 and ₱3,428,552, net of accumulated depreciation, depletion and impairment amounting to ₱22,437,341 and ₱20,756,164, respectively (see Note 10).

Estimation of Ore Reserves
Ore reserves were determined using various factors such as market price of metals and production costs among others. These are economically mineable reserves based on the current market conditionand concentration of mineral resource. Reserves are key inputs to depletion, amortization and decommissioning provisions.

As discussed in Note 1, the Padcal Mine life has been extended until December 31, 2027.

As at December 31, 2022 and 2021, the carrying value of the mine and mining properties of the Parent Company amounted to ₱1,291,861 and ₱1,866,651, net of related accumulated depletion and impairment amounting to ₱16,308,746 and ₱15,193,293, respectively (see Note 10).

Estimation of Provision for Mine Rehabilitation Costs
The Group recognized a liability relating to the estimated costs of mine rehabilitation. The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates.

Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at each end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statements of financial position by adjusting the rehabilitation asset and liability. If the net rehabilitation provisions of revised mine assets for mature mines exceed the carrying value, that portion of the increase is charged directly to the consolidated statements of income. For closed sites, changes to estimated costs are recognized immediately in the consolidated statements of income. Provision for mine rehabilitation costs amounted to nil and ₱15,154 as at December 31, 2022 and 2021, respectively (see Note 10).

Impairment of Deferred Exploration Costs
The Group reviews the carrying values of its deferred exploration costs whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves.

An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. The carrying value of deferred exploration costs amounted to ₱29,491,920 and ₱28,099,836, net of allowance of impairment loss amounting to ₱3,825,412 as at December 31, 2022 and 2021, respectively (see Note 13).

Impairment of Non-financial Assets
The Group's non-financial assets include input tax recoverable, property, plant and equipment, other noncurrent asset and investment in associates. The Group assesses whether there are indications of impairment on its current and noncurrent non-financial assets, at least on an annual basis. If there is objective evidence, an impairment testing is performed.

This requires an estimation of the value in use of the CGUs to which the assets belong. Assessments require the use of estimates and assumptions suchas VAT disallowance rate, long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. In assessing value in use, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. As at December 31, 2022 and 2021, the carrying value of non-financial assets amounted to ₱7,562,266 and ₱7,883,714, respectively (see Notes 9, 10, 13 and 14).

Convertible Bonds
The Group's convertible bonds, treated as a compound financial instrument, are separated into liability and equity components based on the terms of the contract. On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of

transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized (see Note 15).

Provisions for Losses
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle the said obligations. An estimate of the provision is based on known information at each end of the reporting period, net of any estimated amount that may be reimbursed to the Group. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information (see Note 32).

Estimation of Retirement Costs
The Group's net retirement costs are actuarially computed using certain assumptions with respect to future annual salary increases and discount rates per annum, among others. The Parent Company's net excess retirement plan asset amounted to ₱345,356 and ₱357,203 as at December 31, 2022 and 2021, respectively (see Note 21). SMMCI's retirement liability amounted to ₱4,631 and ₱4,594 as at December 31, 2022 and 2021, respectively (see Note 21).

4. Business Combinations

Acquisition of SMECI and SMMCI
On February 6, 2009, the Parent Company acquired control over SMECI and SMMCI from Anglo American Exploration (Philippines), Inc. which qualified as a step acquisition. Accordingly, a revaluation surplus amounting ₱1,572,385 was recognized.

5. Segment Information

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

Operating results of the Group is regularly reviewed by the Group's President and Chief Executive Officer (CEO) and the Chief Finance Officer (CFO), with the authority from the BOD, for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on net income (loss) for the year, earnings before interest, taxes, depreciation and depletion, and amortization (EBITDA), and core net income (loss).

EBITDA is not a uniform or legally defined financial measures. EBITDA is presented because the group believes it is an important measure of its performance and liquidity. EBITDA for 2022 amounted to ₱3,523,544 and ₱4,316,836 in 2021.

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

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

The following table shows the Group's core net income used for internal reporting purposes that is provided and reviewed by the Group's President and CEO and the CFO for the years ended December 31, 2022, 2021, and 2020.

	2022	2021	2020
Revenues	**₱9,261,576**	₱9,796,531	₱7,833,713
Production costs	**(4,864,929)**	(4,488,274)	(4,215,573)
Depletion and depreciation	**(1,413,250)**	(1,217,736)	(1,252,204)
Mine products taxes and royalties	**(591,905)**	(639,281)	(543,238)
General and administrative expenses	**(249,640)**	(252,932)	(287,133)
Other recurring expenses	**(409,111)**	(665,522)	(373,413)
Core net income	**₱1,732,741**	₱2,532,786	₱1,162,152

The following table shows the Group's reconciliation of core net income to the consolidated net income for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Core net income	**₱1,732,741**	₱2,532,786	₱1,162,152
Non-recurring (losses) gains:			
Net tax effect of aforementioned adjustments	**(145,592)**	11,621	(29,165)
Reversal of (provision for) impairment losses net of other provisions, reversals and gain on modification of convertible bonds	**125,664**	272,241	(1,900)
Foreign exchange gains (losses) and others	**82,703**	(46,485)	99,115
Share in provision for impairment of PXP assets	**–**	(674,396)	(1,894)
Effect of CREATE Law	**–**	335,445	–
Net income attributable to equity holders of the Parent Company	**1,795,516**	2,431,212	1,228,308
Net income attributable to NCI (Note 28)	**(4)**	(4)	(11)
Consolidated net (loss) income	**₱1,795,512**	₱2,431,208	₱1,228,297

Core net income per share is computed as follows:

	2022	2021	2020
Core net income	**₱1,732,742**	₱2,532,786	₱1,162,152
Divided by weighted average number of common shares outstanding during year (Note 30)	**5,291,232,401**	4,940,399,068	4,940,399,068
Core net income per share	**₱0.327**	₱0.513	₱0.235

Sales of the Parent Company are made to Pan Pacific Copper Co., Ltd. (Pan Pacific), which is covered by a Sales Agreement (signed on March 11, 2004), and to IXM Pte. Ltd. (IXM and formerly known as Louis Dreyfuss Commodities Metals Suisse SA) for the remaining copper concentrates. In addition, the Parent Company entered into a Sales Agreement with Trafigura Ltd. (Trafigura) signed on March 11, 2022, whereby Trafigura agreed to buy copper concentrates from September 2022 to December 2022.

Gross revenue, including provisional pricing adjustments, from Pan Pacific, IXM and Trafigura for the years ended December 31, 2022, 2021 and 2020 are presented below:

	2022	2021	2020
IXM	**₱7,248,317**	₱8,022,942	₱6,509,276
Trafigura	**3,335,168**	–	–
Pan Pacific	–	1,779,820	1,457,901
	10,583,485	9,802,762	7,967,177
Adjustments from smelting, changes in the NRV of mine products, and other related charges	**(1,321,909)**	(6,231)	(133,464)
Net revenues	**₱9,261,576**	₱9,796,531	₱7,833,713

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2022	2021
Cash on hand	**₱1,655**	₱1,630
Cash with banks	**874,997**	1,389,639
Short-term deposits	**3,048,644**	1,499,494
	₱3,925,296	₱2,890,763

Cash with banks and short-term deposits earn interest at bank deposit rates. Short-term deposits are made for varying periods, usually of up to three months depending on the cash requirements of the Group. Interest income arising from cash with banks and short-term deposits amounted to ₱25,045, ₱2,186 and ₱981 in 2022, 2021 and 2020, respectively.

7. Accounts Receivable - net

Accounts receivable consist of:

	2022	2021
Trade	**₱442,704**	₱384,068
Loans receivable	**30,684**	–
Others, net of allowance for impairment losses amounting to ₱1,405 as at December 31, 2022 and 2021	**107,233**	82,854
	₱580,621	₱466,922

The Group's trade receivables carried at FVTPL consist of the Parent Company's trade receivables arising from shipments of copper concentrates to IXM and Trafigura.

IXM and Trafigura trade receivables are initially paid based on 90% of their provisional value, currently within one week from shipment date. The 10% final balance does not bear any interest until final settlement, which usually takes around three months from shipment date for IXM and Trafigura. The Group has US dollar (US$) accounts receivable amounting to US$7,940 and US$7,484 as at December 31, 2022 and 2021, respectively (see Note 25).

In March 2022, the Company granted loans to its associate, PXP Energy Corporation (PXP), where Philex owns 30.4% interest, through the issuance of the later of covering Promissory Notes (PNs). Under the PNs, total loans to PXP 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.

Other receivables include advances to employees, and other non-trade receivables. These advances are noninterest-bearing cash advances for business-related expenditures that are subject to liquidation. Other non-trade receivables are noninterest-bearing and are generally collectible on demand.

As at December 31, 2022 and 2021, the Parent Company has embedded derivatives, which is represented by price exposure relative to its provisionally priced commodity sales contracts.

Mark-to-market gains and losses from open or provisionally priced sales are recognized through adjustments to revenue in the consolidated statements of income and to trade receivables in the consolidated statements of financial position. The Parent Company determines mark-to-market prices using the forward price for quotational periods after the consolidated statements of financial position date stipulated in the contract. Open or provisionally priced commodity sales contract amounted to ₱2,707,535 and ₱3,569,085 as at December 31, 2022 and 2021, respectively. Fair value adjustments for these open or provisionally priced sales contract at yearend amounted to net gain of ₱144,928, ₱79,125, and ₱81,440 in 2022, 2021, and 2020, respectively, which was included under other revenue and adjusted against receivables.

8. **Inventories** - net

Inventories consist of:

	2022	2021
Mine products - at NRV	**₱709,754**	₱1,263,701
Materials and supplies at cost	**548,470**	713,931
	1,258,224	1,977,632
Less allowance for inventory obsolescence	**107,135**	51,168
	₱1,151,089	₱1,926,464

The NRV of materials and supplies inventories amounted to ₱441,335 and ₱662,763, as at December 31, 2022 and 2021, respectively.

Provision for inventory losses amounting to ₱84,000 and ₱33,000 was recognized in 2022 and 2021, respectively, included under "Reversal of (provision for) impairment losses - net of other provisions and reversals" in the consolidated statements of income.

The allowance for inventory obsolescence amounted to ₱107,135 and ₱51,168 as at December 31, 2022 and December 31, 2021, respectively.

Materials and supplies recognized as expense amounted to ₱1,787,617, ₱1,730,166 and ₱1,710,025 in 2022, 2021 and 2020, respectively (see Note 18).

9. **Other Current Assets** - net

Other current assets consist of:

	2022	2021
Input tax recoverable - net	**₱704,133**	₱327,258
Prepaid expenses and others	**61,621**	110,327
	₱765,754	₱437,585

Allowance for impairment losses on input tax amounted to nil as at December 31, 2022 and 2021.

10. **Property, Plant and Equipment** - net

Property, plant and equipment consist of:

	December 31, 2022					
	Mine, and Mining Properties	**Land, Buildings and Improvements**	**Machinery and Equipment**	**Surface Structures**	**Construction in Progress**	**Total**
Cost:						
January 1	**₱17,059,944**	**₱737,580**	**₱5,888,073**	**₱123,774**	**₱375,345**	**₱24,184,716**
Additions	**458,418**	**–**	**339,195**	**2,163**	**227,144**	**1,026,520**
Disposals	**–**	**–**	**(44,291)**	**–**	**(139)**	**(44,430)**
Reclassifications	**82,245**	**14**	**58,087**	**–**	**(140,346)**	**–**
December 31	**17,600,607**	**737,594**	**6,241,064**	**125,937**	**462,004**	**25,167,206**
Accumulated Depletion, Depreciation and Impairment:						
January 1	**15,193,293**	**437,492**	**5,011,393**	**113,986**	**–**	**20,756,164**
Depletion and depreciation for the year (Note 20)	**825,453**	**29,972**	**575,590**	**4,453**	**–**	**1,435,468**
Impairment	**290,000**	**–**	**–**	**–**	**–**	**290,000**
Disposals	**–**	**–**	**(44,291)**	**–**	**–**	**(44,291)**
December 31	**16,308,746**	**467,464**	**5,542,692**	**118,439**	**–**	**22,437,341**
Net Book Values	**₱1,291,861**	**₱270,130**	**₱698,372**	**₱7,498**	**₱462,004**	**₱2,729,865**

	December 31, 2021					
	Mine, and Mining Properties	Land, Buildings and Improvements	Machinery and Equipment	Surface Structures	Construction in Progress	Total
Cost:						
January 1	₱16,482,797	₱737,449	₱5,768,842	₱118,904	₱296,848	₱23,404,840
Additions	577,147	131	266,963	4,870	78,497	927,608
Disposals	–	–	(147,732)	–	–	(147,732)
Reclassifications	–	–	–	–	–	–
December 31	17,059,944	737,580	5,888,073	123,774	375,345	24,184,716
Accumulated Depletion, Depreciation and Impairment:						
January 1	15,229,292	404,933	4,617,191	110,442	–	20,361,858
Depletion and depreciation for the year (Note 20)	663,242	32,559	541,934	3,544	–	1,241,279
Reversal of Impairment	(699,241)	–	–	–	–	(699,241)
Disposals	–	–	(147,732)	–	–	(147,732)
December 31	15,193,293	437,492	5,011,393	113,986	–	20,756,164
Net Book Values	₱1,866,651	₱300,088	₱876,680	₱9,788	₱375,345	₱3,428,552

Mine and mining properties as at December 31, 2022 and 2021 include mine development costs of the 908 Meter Level, 798 Meter Level, 782 Meter Level and 760 Meter Level project amounting to ₱9,795,971 and ₱9,409,909, respectively. The discovery of additional resources and extension of the Padcal Mine life until December 2027 was considered as a change in estimate and the effect on the amortization of the depletion costs was taken up prospectively.

Impairment loss and its subsequent reversal are presented under "Reversal of (provision for) impairment losses - net of other provisions, reversals and gain" in the consolidated statements of income. The Parent Companyrecognized provision for impairment loss amounting to ₱290,000 in 2022 from a specific portion of the Padcal Mine that is inaccessible. A reversal of previous impairment amounting to ₱699,241 in 2021 has been recognized as a result of the continuous favorable metal prices at that time. Accumulated impairment pertains to mine and mining properties,which amounted to ₱2,056,912 and ₱1,782,293 as of December 31, 2022 and 2021, respectively.

Total depreciation cost of machinery and equipment used in exploration projects amounting to ₱5,493, ₱8,747 and ₱24,974 in 2022, 2021 and 2020, respectively, are capitalized under deferred exploration costs, which relate to projects that are currently ongoing for PMC, SMMCI and PGPI (see Note 20).

Land, buildings and improvements include the estimated costs of rehabilitating the Parent Company's Padcal Mine from 2023 up to 2030. Accretion of interest amounting to nil, ₱585 and ₱3,510 were recorded in 2022, 2021 and 2020, respectively.

The Group's provision for mine rehabilitation costs amounted to nil and ₱15,154 as at December 31, 2022 and 2021, respectively.

11. Financial assets measured at FVOCI

The Group's financial assets measured at FVOCI as of December 31, 2022 and 2021 consist of quoted and unquoted investment in share of stock as follows:

	2022	2021
Investments in quoted shares	**₱92,172**	₱72,177
Investments in unquoted shares of stock	**53,035**	53,035
	₱145,207	₱125,212

The cumulative change in value of financial assets measured at FVOCI amounted to ₱61,362 and ₱41,367 in December 31, 2022 and 2021, respectively. These changes in fair values have been recognized and shown as "Net unrealized gain on financial assets measured at FVOCI and derivative" account in the equity section of the consolidated statements of financial position and are also shown in the consolidated statements of comprehensive income.

The following table shows the movement of the "Net unrealized gain on financial assets measured at FVOCI and derivative" as follows:

	2022	2021
January 1	**₱41,367**	₱31,859
Increase (Decrease) in fair value of financial assets measured at FVOCI	**19,995**	9,508
December 31	**₱61,362**	₱41,367

12. **Investment in Associates** - net

Investment in associates consist of:

	2022	2021
Acquisition cost	**₱4,814,941**	₱4,814,941
Accumulated equity in net losses:		
Balances at January 1	**833,174**	304,326
Equity in net losses	**26,804**	528,848
Total	**859,978**	833,174
Balances at the end of the year	**3,954,963**	3,981,767
Less allowance for impairment loss	**349,286**	349,287
Investment in associates - net	**₱3,605,677**	₱3,632,480

Lepanto Consolidated Mining Company (Lepanto)
The Parent Company entered into a Joint Voting Agreement (the Agreement) with another Lepanto shareholder to jointly vote their share on all matters affecting their right on Lepanto. By virtue of the Agreement, the shareholding and board representation of the combined interest of PMC and the other Lepanto shareholder resulted in significant influence over Lepanto.

Lepanto is involved on the exploration and mining of gold, silver, copper, lead, zinc and all kinds of ores, metals, minerals, oil, gas and coal and their related by products. Lepanto is listed on the Philippine Stock Exchange (PSE). The Group's interest in Lepanto is accounted for using the equity method on the consolidated financial statements.

Allowance for impairment loss on investment in Lepanto amounted to ₱349,287 as at December 31, 2022 and 2021.

The following table summarizes the financial information of Lepanto:

	2022*	2021
Current assets	**₱1,878,921**	₱1,546,321
Non-current assets	**14,350,547**	14,568,162
Current liabilities	**(3,419,316)**	(2,903,201)
Non-current liabilities	**(7,796,879)**	(7,821,295)
Equity	**₱5,013,273**	₱5,389,987

**Balances are based on unaudited September 30, 2022 interim financial statements submitted by Lepanto to the PSE.*

	2022*	2021	2020
Revenue	**₱1,290,748**	₱1,180,435	₱1,472,978
Cost and expenses	**(1,696,655)**	(1,487,007)	(2,166,013)
Finance costs	**(8,249)**	(8,409)	(66,892)
Other income	**43,939**	18,291	12,276
Loss before income tax	**(370,217)**	(296,690)	(747,651)
Income tax expense	**(7,023)**	(1,599)	(3,325)
Loss for the year	**(₱377,240)**	(₱298,289)	(₱750,976)
Total comprehensive loss	**₱377,240**	₱396,145	₱1,049,212
Group's share of loss for the year	**₱16,425**	₱12,997	₱27,980

**Balances are based on annualized unaudited September 30, 2022 interim financial statements submitted by Lepanto to the PSE*

PXP

Details of the transactions between the Parent Company and PXP are disclosed in Note 26.

The following table illustrates the summarized financial information of the Group's investment in PXP:

	2022	2021
Current assets	**₱139,132**	₱280,937
Non-current assets	**3,162,108**	2,202
Current liabilities	**(146,700)**	(18,787)
Non-current liabilities	**(454,776)**	(111,831)
Equity	**₱2,699,764**	₱152,521

	2022	2021	2020
Revenue	**₱74,100**	₱8,938	₱30,250
Cost and expenses	**(99,572)**	(31,247)	(98,663)
Other expenses	**(5,943)**	(1,376,663)	(16,649)
Loss before income tax	**(31,415)**	(1,398,972)	(85,062)
Income tax benefit	**933**	13,235	8,792
Loss for the year	**(₱30,482)**	(₱1,385,737)	(₱76,270)
Total comprehensive loss	**₱282,766**	₱1,385,737	₱76,270
Group's share of loss for the year	**₱10,379**	₱515,851	₱23,186

13. **Deferred Exploration Costs** - net

Deferred exploration costs consist of:

	2022	2021
Deferred exploration costs	**₱33,317,332**	₱31,925,248
Less allowance for impairment losses	**3,825,412**	3,825,412
	₱29,491,920	₱28,099,836

Deferred exploration costs attributable to the Group's Silangan Project amounted to ₱27,173,738 and ₱25,795,048 as of December 31, 2022 and 2021, respectively.

Deferred exploration costs relate to projects that are ongoing. The recovery of these costs depends upon the success of exploration activities and future development of the corresponding miningproperties. Allowances have been provided for those deferred costs that are specifically identified to be unrecoverable.

14. **Other Noncurrent Assets**

Other noncurrent assets consist of:

	2022	2021
Input tax - noncurrent portion	**₱462,350**	₱435,416
Others	**60,245**	60,008
	₱522,595	₱495,424

Noncurrent portion of input VAT pertains to SMMCI's input VAT that cannot be realized within twelve (12) months after the date of the reporting period.

Others include bank accounts that the Parent Company maintain with Land Bank of the Philippines to establish their respective Mine Rehabilitation Funds (MRF), pursuant to the requirementsof Republic Act (RA) No. 7942, otherwise known as "The Philippine Mining Act of 1995." The MRF shall be used for the physical and social rehabilitation of areas and communities affected by the Padcal Mines, and for research in the social, technical and preventive aspects of their rehabilitation. Others also include advance payments made by SMMCI to claim owners for the use of its property, deductible upon commencement of SMMCI's operations and advance to landowners paid in advance as stipulated in the sale or lease contract.

15. Loans and Bonds Payable

	2022	2021
Current Loans:		
Bank loans:		
Security Bank	**₱724,815**	₱–
Philippine National Bank	**334,530**	968,985
Bank of the Philippine Islands	**334,530**	305,992
Banco de Oro (BDO)	**223,020**	203,994
Bonds payable	**–**	8,652,100
	1,616,895	10,131,071
Noncurrent Loans:		
Bonds payable	**5,907,961**	–
	₱7,524,856	₱10,131,071

Bank Loans

The Group obtains short-term, unsecured loans from various local banks. These loans have terms of ninety (90) days to one hundred eighty (180) days until maturity and are renewable subject to monthly repricing of interest. Interest rates of these short-term loans ranges from 5.0% to 5.5%.

Bonds Payable

On December 18, 2014, SMECI, with PMC as the co-issuer, issued 8-year convertible bonds with a face value of ₱7,200,000 at 1.5% coupon rate p.a. payable semi-annually to Asia Link B.V. and Social Security System (SSS) wherein the former holds 20% ownership of PMC. The bonds are convertible into 400,000 common shares of SMECI at ₱18 per share 12 months after the issue date ("Standstill Period"). On the last day of the Standstill Period, the Issuer shall have a one-time right to redeem the bonds from the holders in whole or in part. After the Standstill Period, the noteholders may exercise the conversion right, in whole but not in parts, at any time but no later than the maturity date. At redemption/maturity date, the bonds can be redeemed together with the principal or face value of the bonds at a premium, payable at a rate of 3% per annum compounded semi-annually based on the face value of the bonds and unpaid accrued interest (if there be any). The proceeds of the bonds were used to repay the SMECI's advances from PMC and fund further exploration works of SMMCI.

At the date of issuance, the carrying amount of the bonds payable and equity conversion options amounted to ₱5,794,482 and ₱1,225,518, respectively. The carrying value of convertible bonds payable amounted to ₱5,907,961 and ₱8,652,100, including accrued interest payable amounting to ₱2,692,603 and ₱3,846,575 as at December 31, 2022 and 2021, 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 ₱499,664 in the Group's statement of comprehensive income.

Interest amortization amounted to ₱484,595 and ₱348,959 in 2022 and 2021, respectively. Bonds amortization is calculated on the effective interest basis by applying EIR rate of 6.97% per annum (compounded semi-annually) for an equivalent nonconvertible bond at the date of issue of the convertible bond to the liability component of the convertible bonds.

Finance expense pertaining to the convertible bonds amounting to ₱616,721 and ₱591,418 in 2022 and 2021, respectively, was capitalized as deferred exploration costs. The rate used to determine the amount of borrowing costs eligible for capitalization was 5.61%.

The Group's loans and bonds payable has no covenants imposed by banks and creditors as of December 31, 2022 and 2021.

16. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	2022	2021
Trade	**₱706,190**	₱851,011
Accrued expenses	**752,743**	731,551
Provisions (Note 32)	**883,627**	151,245
Accrued royalties and excise taxes	**87,106**	145,252
Withholding taxes	**21,741**	22,357
Derivative liability (Note 23)	**6,492**	24,048
Other nontrade liabilities	**213,084**	630,883
	₱2,670,983	₱2,556,347

Trade payables are noninterest-bearing and are generally settled within 30 to 120 day terms. Accrued expenses consist of accrued operating and administrative expenses are settled monthly, while contracted and outside services are settled within the terms of their respective contracts. Other nontrade liabilities include payroll-related liabilities.

Accrued royalties are due to the claim owners of the land where the mine site operations were located while excise taxes pertain to the taxes paid or accrued by the Parent Company for its legal obligation arising from the production of copper concentrates. These excise taxes and royalties are expensed as incurred. Royalties are paid monthly while obligation to pay excise taxes are made quarterly.

Withholding taxes pertain to statutory deductions and withheld taxes by the Group from its employees for compensation and suppliers for expanded withholding taxes that are to be remitted to the BIR fourteen days following the end of month.

17. Revenues

	2022			2021			2020		
	Revenue from contracts with customers*	Other Revenue - Provisional pricing adjustment	Total revenue	Revenue from contracts with customers*	Other Revenue - Provisional pricing adjustment	Total revenue	Revenue from contracts with customers*	Other Revenue - Provisional pricing adjustment	Total revenue
Gold	₱4,578,319	₱122,964	₱4,701,283	₱4,771,088	(₱14,292)	₱4,756,796	₱4,675,766	(₱16,302)	₱4,659,464
Copper	4,469,156	20,730	4,489,886	4,924,729	37,890	4,962,619	3,099,063	7,025	3,106,088
Silver	69,174	1,233	70,407	76,904	212	77,116	68,753	(592)	68,161
			₱9,261,576			₱9,796,531			₱7,833,713

*net of smelting charges amounting to ₱825,991, ₱691,336 and ₱616,986 in 2022, 2021 and 2020, respectively.
*Includes realized net loss from put and gold collar amounting to ₱11,952, ₱28,898 and ₱24,146 in 2022, 2021 and 2020, respectively, and realized net gain from copper collar amounting to ₱56,302 in 2022, realized net loss from copper collar amounting to ₱26,350, and ₱51,712 2021 and 2020, respectively (see Note 23).

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

18. Costs and Expenses

Costs and expenses include the following:

	2022	2021	2020
Production costs			
Materials and supplies (Note 8)	₱1,787,617	₱1,730,166	₱1,710,025
Communications, light and water	1,491,547	1,263,100	1,127,212
Personnel (Note 19)	1,000,553	989,345	903,129
Contracted services	224,712	232,015	244,876
Others	360,500	273,648	230,331
	₱4,864,929	₱4,488,274	₱4,215,573
Depletion, amortization and depreciation (Notes 10 and 20)			
Depletion and amortization	₱825,453	₱663,242	₱584,740
Depreciation	587,797	554,494	667,464
	₱1,413,250	₱1,217,736	₱1,252,204
Excise taxes and royalties			
Excise taxes	₱363,479	₱392,938	₱320,323
Royalties	228,426	246,343	222,915
	₱591,905	₱639,281	₱543,238
General and administrative expenses			
Personnel (Note 19)	₱149,534	₱158,502	₱184,937
Contracted services	19,633	17,643	16,585
Depreciation (Notes 10 and 20)	14,950	14,796	16,534
Repairs and maintenance	9,293	9,863	8,471
Communications, light and water	9,149	5,455	5,299
Travel and transportation	3,923	2,051	2,897
Taxes and licenses	3,166	6,294	9,582
Office supplies	2,809	1,804	240
Others	37,183	36,524	42,588
	₱249,640	₱252,932	₱287,133

Other general and administrative expenses include security, janitorial and other outside services, and general miscellaneous expenses.

19. Personnel Cost

Details of personnel costs are as follows:

	2022	2021	2020
Production costs (Note 18)			
Salaries and wages	**₱642,620**	₱643,936	₱589,632
Employee benefits	**346,552**	317,014	285,102
Retirement costs (Note 21)	**11,381**	28,395	28,395
	₱1,000,553	₱989,345	₱903,129
General and administrative expenses (Note 18)			
Salaries and wages	**₱98,582**	₱104,708	₱116,057
Employee benefits	**48,354**	49,822	64,258
Retirement costs (Note 21)	**2,598**	3,972	4,622
	149,534	158,502	184,937
	₱1,150,087	₱1,147,847	₱1,088,066

The Parent Company recognized retirement costs amounting to ₱12,988, ₱32,367 and ₱33,017 in 2022, 2021 and 2020, respectively (see Note 21).

20. Depletion, Amortization and Depreciation

Details of depletion and depreciation expense are as follows:

	2022	2021	2020
Production costs (Note 18)	**₱1,413,250**	₱1,217,736	₱1,252,204
General and administrative (Note 18)	**14,950**	14,796	16,534
	₱1,428,200	₱1,232,532	₱1,268,738

Total depreciation cost of machinery and equipment used in exploration projects amounting to ₱5,493, ₱8,747 and ₱24,974 in 2022, 2021 and 2020, respectively, is capitalized under deferred exploration costs, which relate to projects that are currently ongoing for PMC, SMMCI and PGPI (see Note 10).

21. Pension asset - net

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employees retirement benefit under the collective bargaining and other agreements shall not be less than provided under the law. The law does not require minimum funding of the plan.

Parent Company Retirement Fund

The Parent Company has a funded, noncontributory, defined benefits retirement plan covering all of its regular employees. The pension funds are being administered and managed through the Retirement Gratuity Plan of Philex Mining Corporation, under trust accounts with BDO and Union Bank of the Philippines. The retirement plan provides for retirement, separation, disability and death benefits to its members.

Changes in the net defined benefit liability (asset) of funded funds of the Parent Company are as follows:

2022

		Net benefit cost in charged to consolidated statements of income					Remeasurements in other comprehensive income					
	January 1, 2022	Current service cost	Net interest	Settlement/ Curtailment	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2022
Present value of defined benefit obligation	₱724,021	₱31,094	₱16,579	₱–	₱771,694	(₱68,388)	₱–	(₱12,923)	(₱27,538)	(₱40,461)	₱–	₱662,845
Fair value of plan assets	(1,081,224)	–	(34,439)	–	(1,115,663)	68,388	39,074	–	–	39,074	–	(1,008,201)
	(₱357,203)	₱31,094	(₱17,860)	₱–	(₱343,969)	₱–	(₱39,074)	(₱12,923)	(₱27,538)	(₱1,387)	₱–	(₱345,356)

2021

		Net benefit cost in charged to consolidated statements of income					Remeasurements in other comprehensive income					
	January 1, 2021	Current service cost	Net interest	Settlement/ Curtailment	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2021
Present value of defined benefit obligation	₱789,787	₱33,755	₱12,173	₱–	₱835,715	(₱54,711)	₱–	(₱36,229)	(₱20,754)	(₱56,983)	₱–	₱724,021
Fair value of plan assets	(1,104,829)	–	(17,560)	–	(1,122,389)	54,711	(13,546)	–	–	(13,546)	–	(1,081,224)
	315,042)	₱33,755	(₱5,387)	₱–	(₱286,674)	₱–	(₱13,546)	(₱36,229)	(₱20,754)	(₱70,529)	–	(₱357,203)

2020

		Net benefit cost in charged to consolidated statements of income					Remeasurements in other comprehensive income					
	January 1, 2020	Current service cost	Net interest	Settlement/ Curtailment	Subtotal	Benefits paid	Return on plan assets (excluding amount included in N3 interest)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2020
Present value of defined benefit obligation	₱873,634	₱43,285	₱37,624	₱–	₱954,543	(₱66,940)	₱–	(₱132,865)	₱35,049	(₱97,816)	₱–	₱789,787
Fair value of plan assets	(1,100,799)	–	(47,892)	–	(1,148,691)	66,940	(23,078)	–	–	(23,078)	–	(1,104,829)
	(₱227,165)	₱43,285	₱5,661	₱–	(₱194,148)	₱–	(₱23,078)	(₱132,865)	₱35,049	(₱120,894)	₱–	(₱315,042)

The fair value of net plan assets of the Parent Company by each class as at the end of the reporting period are as follows:

	2022	2021
Assets		
Cash and cash equivalents	**₱28,360**	₱41,261
Receivables	**6,107**	874
Investment in debt securities	**562,404**	635,683
Investment in equity securities	**409,052**	359,847
Other investments	**2,609**	44,158
	1,008,532	1,081,823
Liabilities		
Accrued trust fees payables	**334**	602
	₱1,008,198	₱1,081,221

The cost of defined benefit pension plans, as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

Actuarial valuation assumptions	2022	2021
Discount rate	**6.35%**	5.00%
Future salary increases	**5.00%**	5.00%
Expected rate of return on plan assets	**5.00%**	5.00%

The overall expected rate of return of assets is determined based on market expectation prevailing on that date, applicable to the period over which the obligation is expected to be settled.

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption of the defined benefit obligation as of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	Effect on defined benefit obligation
Discount rates	**1.00%**	**(₱19,279)**
	(1.00%)	**20,274**
Future salary increases	**1.00%**	**₱21,914**
	(1.00%)	**(21,234)**

Shown below is the maturity analysis of the Company's undiscounted benefit payments:

	Expected benefit Payments
Less than one year	**₱179,834**
One to less than five years	**789,123**

The average duration of the defined benefit obligation at the end of the reporting period is 2.65 years.

The Parent Company's actuarial funding requirement in 2022 and 2021 is nil, however, the intention is to continue regular contributions to the fund. Pension expense from the defined benefit retirement plan is actuarially determined using the projected unit credit method. The latest actuarial valuation report was made as at December 31, 2022.

SMMCI Retirement Fund
SMMCI has unfunded, noncontributory defined benefit retirement plan covering its regular and full-time employees. The Company also provides additional post employment healthcare benefits to certain senior employees in the Philippines.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

Actuarial valuation assumptions	**2022**	2021
Discount rates	**7.20%**	5.02%
Future salary increases	**4.00%**	4.00%

Changes in the defined benefit liability of SMMCI are as follows:

	2022	2021	2020
January 1	**₱4,594**	₱4,710	₱3,390
Current service cost	**766**	768	664
Benefits paid from company operating funds	**(246)**	–	–
Interest cost	**225**	180	168
	745	948	832
Remeasurements in other comprehensive income			
Experience adjustments	**23**	(643)	25
Actuarial changes from changes in financial assumptions	**(731)**	(421)	463
	(708)	(1,064)	488
December 31	**₱4,631**	₱4,594	₱4,710

Retirement expense amounting to ₱991, ₱948 and ₱832 in 2022, 2021, and 2020, respectively, were capitalized as part of the deferred exploration costs.

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase (decrease)	Effect on defined benefit obligation
Discount rates	**1.00%**	**(₱267)**
	(1.00%)	**307**
Future salary increases	**1.00%**	**₱339**
	(1.00%)	**(300)**

Shown below is the maturity analysis of the undiscounted benefit payments:

	2022	2021
Less than 1 year	**₱1,188**	₱241
More than 1 year to 5 years	**3,116**	2,872
More than 5 years to 10 years	**3,484**	1,313
More than 10 years to 15 years	**772**	2,589
More than 15 years to 20 years	**7,658**	6,969
More than 20 years	**6,509**	4,416

The average duration of the defined benefit obligation at the end of the reporting period is 9.66 years.

22. Financial Instruments

The table below summarizes management's evaluation of business model and subsequent measurement for each financial assets and liabilities of the Group:

Financial Assets	Business Model	Subsequent Measurement	Remarks
Cash with banks and short-term deposits	Hold to collect	Amortized cost	NA
Trade receivable	NA	FVTPL	NA
Advances to related parties	Hold to collect	Amortized cost	Conditional fair value option not elected.
Quoted equity investments	NA	FVOCI (no recycling)	Not held for trading and FVTPL not opted.
Unquoted equity investments	NA	FVOCI (no recycling)	Not held for trading and FVTPL not opted.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group has minimal credit risk from its from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. However, the Group is not exposed to credit risk from its operating activities (primarily trade receivables) since the historical default rate of its customers is 0%.

Trade Receivables from Sale of Concentrates

As of December 31, 2022, the Group has current outstanding trade receivables from its customers amounting to ₱442,884 arising from revenue from contracts with two (2) customers, namely IXM and Trafigura Ltd. These contracts are within the scope of PFRS 15.

Based on historical transactions with the customers, there has been no instance that these customers have defaulted on their payments (historical default rate of 0%). The Group's trade receivables have a credit period of three months, indicating that the time value of money is immaterial. With these facts, ECL is not material.

23. Financial Risk Management Objectives and Policies and Hedging Activities

Financial Risk Management Objectives and Policies

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

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

Financial Risks

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

Credit and Concentration Risks

Credit risk is the risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. To avoid such losses, the Group's primary credit risk management strategy is to trade only with recognized, creditworthy third parties. At present, 67% of the Parent Company's annual production of concentrates is sold to IXM.

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

The table below summarizes the Group's exposure to credit risk for the components of the consolidated statements of financial position as of December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents		
Cash with banks	**₱874,997**	₱1,389,639
Short-term deposits	**3,048,644**	1,499,494
Accounts receivable		
Trade	**442,704**	384,068
Others	**105,008**	78,952
Financial asset measured at FVOCI		
Quoted equity investments	**92,172**	72,177
Unquoted equity investments	**53,035**	53,035
Gross maximum credit risk exposure	**₱4,616,560**	₱3,477,365

The following tables show the credit quality of the Group's financial assets by class as at December 31, 2022 and 2021 based on the Group's credit evaluation process:

		2022				
	On Demand	**Less than 30 days**	**30-60 days**	**61-90 days**	**More than 90 days**	**Total**
Cash and cash equivalents						
Cash	**₱874,997**	**₱–**	**₱–**	**₱–**	**₱–**	**₱874,997**
Short-term disposal	**3,048,644**	–	–	–	–	**3,048,644**
Accounts receivable						
Trade	**442,704**	–	–	–	–	**442,704**
Others	**105,008**	–	–	–	–	**105,008**
Financial asset measured at FVOCI						
Quote equity investments	**92,172**	–	–	–	–	**92,172**
Unquoted equity investment	**53,035**	–	–	–	–	**53,035**
Total	**₱4,616,560**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,616,560**

		2021				
	On demand	Less than 30 days	30-60 days	61-90 days	More than 90 days	Total
Cash and cash equivalents						
Cash	₱1,389,639	₱–	₱–	₱–	₱–	₱1,389,639
Short-term disposal	1,499,494	–	–	–	–	1,499,494
Accounts receivable						
Trade	384,068	–	–	–	–	384,068
Others	78,952	–	–	–	–	78,952
Financial asset measured at FVOCI						
Quote equity investments	72,177	–	–	–	–	72,177
Unquoted equity investment	53,035	–	–	–	–	53,035
Total	₱3,477,365	₱–	₱–	₱–	₱–	₱3,477,365

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

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

Liquidity Risk

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

The tables below summarize the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as at December 31, 2022 and 2021, respectively:

	December 31, 2022			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Other financial liabilities				
Short-term loans				
Principal	₱–	₱1,616,895	₱–	1,616,895
Interest	–	1,812	–	1,812
Long-term loans				
Principal	–	5,040,000	–	5,040,000
Interest	–	378,000	–	378,000
Accounts payable and accrued liabilities	–	2,405,449	–	2,405,449
Dividends payable	343,346	–	–	343,346
Total undiscounted financialliabilities	₱343,346	₱9,442,156	₱–	₱9,785,502

	December 31, 2022			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Loans and receivables				
Cash and cash equivalents	₱3,925,296	₱–	₱–	₱3,925,296
Accounts receivable				
Trade	–	442,704	–	442,704
Others	–	105,008	–	105,008
Financial assets measured at FVOCI				
Quoted equity investments	92,172	–	–	92,172
Unquoted equity investments	53,035	–	–	53,035
Total undiscounted financial assets	₱4,070,503	₱547,712	₱–	₱4,618,215

	December 31, 2021			
	On Demand	Within 1 Year	More than 1 Year	Total
Other financial liabilities				
Short-term loans				
Principal	₱–	₱1,478,971	₱–	₱1,478,971
Interest	–	1,611	–	1,611
Long-term loans				
Principal	–	7,200,000	–	7,200,000
Interest	–	540,000	–	540,000
Accounts payable and accrued liabilities	–	2,213,445	–	2,213,445
Dividends payable	452,413	–	–	452,413
Total undiscounted financialliabilities	₱452,413	₱11,434,027	₱–	₱11,886,440

	December 31, 2021			
	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables				
Cash and cash equivalents	₱2,890,763	₱–	₱–	₱2,890,763
Accounts receivable				
Trade	–	384,068	–	384,068
Others	–	78,915	–	78,915
Financial assets measured at FVOCI				
Quoted equity investments	72,177	–	–	72,177
Unquoted equity investments	53,035	–	–	53,035
Total undiscounted financial assets	₱3,015,975	₱462,983	₱–	₱3,478,958

Market Risks

Foreign Currency Risk

Foreign currency risk is the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from sales in currencies other than its functional currency. All of the Parent Company's sales are denominated in US dollar. Also, the Parent Company is exposed to foreign exchange risk arising from its US dollar-denominated cash and cash equivalents, trade receivables and loans payable. The Group recognized net foreign exchange gain of ₱82,703 for the year ended December 31, 2022, net foreign exchange loss of ₱46,485 for the year ended December 31, 2021 and net foreign exchange gain of ₱99,115 for December 31, 2020, arising from the translation of these foreign currency-denominated financial instruments.

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

The following tables summarize the impact on income before income tax of reasonable possible changes in the exchange rates of US dollar against the Peso. The reasonable movement in exchange rates was determined using 1-year historical data.

Year Ended December 31, 2022	
US$ Appreciate (Depreciate)	**Effect on Income before Income Tax**
6%	**(₱12,358)**
-6%	**12,358**

Year Ended December 31, 2021	
US$ Appreciate (Depreciate)	Effect on Income before Income Tax
4%	(₱7,536)
-4%	7,536

There were no outstanding currency derivatives as of December 31, 2022 and 2021.

Equity Price Risk

Equity price risk is the risk where the fair values of investments in quoted equity securities could increase or decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Management monitors the movement of the share prices pertaining to the Group's investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as financial assets measured at FVOCI (see Note 11). Investment in quoted shares totaling ₱92,172 and ₱72,177 represent

0.01% of the total assets of the Group as at December 31, 2022 and 2021, respectively. Reasonable possible changes were based on an evaluation of data statistics using 1-year historical stock price data.

The effect on equity, as a result of a possible change in the fair value of the Group's quoted equity instruments held as financial assets measured at FVOCI as at December 31, 2022 and 2021 that could be brought by changes in equity indices with all other variables held constant is as follows:

	December 31, 2022	
Currency	**Change in Quoted Prices of Investments Carried at Fair Value**	**Effect on Equity**
Peso	**Increase by 1%**	**₱27.47**
	Decrease by 1%	**(27.47)**

	December 31, 2021	
Currency	Change in Quoted Prices of Investments Carried at Fair Value	Effect on Equity
Peso	Increase by 3%	₱82.42
	Decrease by 3%	(82.42)

Commodity Price Risk
The Parent Company's mine products revenues are valued based on international commodity quotations (e.g., primarily on the LME and LBMA quotes) over which the Parent Company has no significant influence or control. This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash inflows. The Parent Company enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products.

The following table shows the effect on income before income tax should the change in the prices of copper and gold occur based on the inventory of the Parent Company as at December 31, 2022 and 2021. The change in metal prices is based on 1-year historical price movements.

December 31, 2022	
Change in Metal Prices	**Effect on Income before Income Tax**
Gold	
Increase by 15%	**₱693,719**
Decrease by 15%	**(693,719)**
Copper	
Increase by 28%	**₱1,507,228**
Decrease by 28%	**(1,507,228)**

December 31, 2021	
Change in Metal Prices	Effect on Income before Income Tax
Gold	
Increase by 13%	₱635,090
Decrease by 13%	(635,090)
Copper	
Increase by 25%	₱1,378,923
Decrease by 25%	(1,378,923)

Derivative Financial Instruments

Gold Derivatives

In January 2020, the Parent Company entered into gold put option contract covering 1,500 ounces of monthly gold production from January to June 2020 at a strike price of US$1,450 per ounce. Premium paid amounted to US$4.20 per ounce or a total of US$37,800 put option premium. Premium is amortized over the term of the contract.

In May 2020, the Parent Company entered into gold collar hedging contracts covering 1,900 ounces of monthly gold production from July to December 2020 at a strike price of US$1,650 per ounce for the put options and US$1,855 per ounce for the call options.

In January 2021, the Parent Company entered into gold collar hedging contracts covering 1,900 ounces of monthly gold production from January to March 2021 at a strike price of US$1,830 per ounce for the put options and US$2,050 per ounce for call options.

In March 2021, the Parent Company entered into gold collar hedging contracts covering 1,900 ounces of monthly gold production from April to September 2021 at a strike price of US$1,680 per ounce for the put options and US$1,733 per ounce for the call options.

In October 2021, the Parent Company entered into gold collar hedging contracts covering 1,900 ounces of monthly gold production from October 2021 to March 2022 at a strike price of US$1,700 per ounce for the put options and US$1,800 per ounce for the call options.

Realized net loss from put and gold collar amounted to ₱11,952, ₱28,898 and ₱24,146 in 2022, 2021 and 2020, respectively (see Note 17).

As at December 31, 2022 and 2021, outstanding gold derivatives amounted to ₱6,492 and ₱11,423, respectively.

In January 2022, the Parent Company entered into gold collar hedging contracts covering 1,900 ounces of monthly gold production from April 2022 to December 2022 at a strike price of US$1,725 per ounce for the put options and US$1,922 per ounce for the call options.

In December 2022, the Parent Company entered into gold collar hedging contracts covering 1,850 ounces of monthly gold production from January 2023 to June 2023 at a strike price of US$1,750 per ounce for the put options and US$1,903 per ounce for the call options.

Copper Derivatives

In May 2020, the Parent Company entered into a copper collar hedging contract covering 450 metric tonnes per month for the months of July to September 2020 at a strike price of US$5,725 per metric tonne for the call options and US$4,630 per metric tonne for the put options.

In January 2021, the Parent Company entered into a copper collar hedging contract covering 336 metric tonnes per month for the months of January to March 2021 at a strike price of US$8,707 per metric tonne for the call options and US$7,165 per metric tonne for the put options.

In March 2021, the Parent Company entered into a copper collar hedging contract covering 450 metric tonnes per month for the months of April to September 2021 at a strike price of US$9,413 per metric tonne for the call options and US$8,378 per metric tonne for the put options.

In October 2021, the Parent Company entered into copper collar hedging contracts covering 450 metric tonnes per month for the months of October 2021 to March 2022 at a strike price of US$9,943 per metric tonne for the call options and US$8,598 per metric tonne for the put options.

In November 2021, the Parent Company entered into copper collar hedging contracts covering 450 metric tonnes per month for the months of April to December 2022 at a strike price of US$9,943 metric tonne for the call options and US$8,267 per metric tonne for the put options.

Realized net gain from copper collar amounted to ₱56,302 in 2022, and realized net loss from collar amounted to ₱26,350 and ₱51,712 in 2021 and 2020, respectively.

As at December 31, 2022 and 2021, outstanding copper derivatives amounted to nil and ₱12,625, respectively.

In January 2023, the Parent Company entered into copper put option contract covering 450 metric tonnes of monthly copper production from January to June 2023 at a strike price of US$3.75 per metric tonnes. Premium paid amounted to ₱17,805 (US$326,250) put option premium. Premium is amortized over the term of the contract.

24. Capital Management

The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities. No significant changes have been made in the objectives, policies and processes of the Group from the previous years.

The following table summarizes the total capital considered by the Group:

	2022	2021
Capital stock	**₱5,782,399**	₱4,940,399
Additional paid-in capital	**2,885,163**	1,143,981
Retained earnings		
Unappropriated	**8,493,736**	6,943,648
Appropriated	**10,500,000**	10,500,000
	₱27,661,298	₱23,528,028

25. Foreign-Currency-Denominated Monetary Assets and Liabilities

The Group's foreign-currency-denominated monetary assets and liabilities as at December 31, 2022 and 2021 are as follows:

	2022		2021	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Assets				
Cash and cash equivalents	**$15,703**	**₱875,521**	$17,822	₱908,895
Trade receivables	**7,940**	**442,704**	7,484	381,652
	$23,643	**₱1,318,225**	$25,306	₱1,290,547

	2022		2021	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Liabilities				
Accounts payable	**$–**	**₱–**	$–	₱–
Bank loans	**29,000**	**1,616,895**	29,000	1,478,971
	29,000	**1,616,895**	29,000	1,478,971
Liabilities - net	**($5,357)**	**(₱298,670)**	($3,694)	(₱188,424)

The exchange rates of Peso to US dollar were ₱55.755 to US$1 as at December 31, 2022 and ₱50.999 to US$1 as at December 31, 2021.

26. Related Party Transactions

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Companies within the Group in the regular conduct of business, enter into transactions with related parties which consists of advances, loans, reimbursement of expenses, regular banking transactions, leases and management and administrative service agreements.

Intercompany transactions are eliminated in the consolidated financial statements.

PXP

On July 15, 2016, the Parent ceases to have control over PXP (Note 12). Previously, advances to PXP are eliminated in the consolidated financial statements.

On August 17, 2015, the Parent and PXP entered into a pledge agreement to secure the advances against certain shares of stocks owned by PXP.

On October 26, 2018, PXP, the Parent Company and Dennison Holdings Corp. (DHC), signed a subscription agreement wherein PMC and DHC will subscribe to 260 million and 340 million common shares of PXP, respectively, for a total consideration of ₱3,081,000 and ₱4,029,000, respectively.

Each share is valued at ₱11.85, which represents a 20% discount to the 90-day volume weighted average price (VWAP) of PXP shares. The agreement was approved by the Board of Directors on October 25, 2018.

On December 27, 2018, the Parent Company paid the 25% down payment of ₱770,250. As a result of the transaction, the Parent Company's total ownership interest in PXP increased from 19.76% to 30.40% as at December 31, 2018. The 75% balance of subscription payable to PXP amounting to ₱2,310,750 is included in the subscription payable of the Group totaling ₱2,312,981 as at December 31, 2018.

As of December 31, 2018, the Parent Company had advances to PXP amounting to ₱1,387,370.

On January 7, 2019, DHC paid an initial down payment of ₱40,290, with the remaining balance due on March 31, 2019. However, DHC failed to pay the remaining balance, thereby forfeiting its down payment in favor of PXP.

In 2019, the Parent Company paid subscription payable to PXP amounting to ₱1,386,450 and ₱740,000 on February 11, 2019 and December 31, 2019, respectively. The balance of subscription payable in relation to the subscription agreement with PXP amounted to ₱184,300 as at December 31, 2019.

On August 5, 2019, a Deed of Assignment was entered into by Brixton Energy & Mining Corporation (BEMC; a subsidiary of PXP) and PXP transferring BEMC's advances from the Parent Company to PXP amounting to ₱737,815. Upon assignment, the Parent Company reversed its previously written-off advances to BEMC. The reversal is included in the "Provision for impairment losses - net of reversal" in the consolidated statements of income. The transferred advances were then paid by PXP to the Parent Company on December 19, 2019.

In 2020, the Parent Company paid subscription payable to PXP amounting to ₱19,700, ₱21,864, and ₱21,622 on July 29, 2020, October 31, 2020, and December 17, 2020, respectively. The outstanding balance of subscription payable with PXP after the series of payments amounted to ₱121,114 as at December 31, 2020.

In 2021, the Parent Company paid the remaining subscription receivable to PXP amounting ₱14,440, ₱9,627 and ₱97,047 on June 2, 2021, June 25, 2021 and July 19, 2021, respectively. There was no outstanding subscription payable with PXP as at December 31, 2022.

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. (Note 7)

SMECI
On December 18, 2014, SMECI, with PMC as the co-issuer, issued 8-year convertible bonds with a face value of ₱7,200,000 at 1.5% coupon rate p.a. payable semi-annually to Asia Link B.V. and Social Security System (SSS) wherein the former holds 20% ownership of PMC. On December 7, 2022, the convertible notes held by Asia Link B. V. was extended for another 3 years. Moreover, the convertible notes held by SSS was not extended and has been settled as of December 31, 2022 (see Note 15).

Compensations of Key Management Personnel
Compensations of the members of key management personnel are as follows:

	2022	2021	2020
Short-term employee benefits	**₱74,705**	₱70,049	₱94,093
Pension costs	**835**	6,052	6,052
	₱75,540	₱76,101	₱100,145

27. Income Taxes

a. The provision for (benefit from) income tax consists of:

	2022	2021	2020
Current	**₱ 838,743**	₱559,498	₱234,407
Deferred	**(305,501)**	(191,165)	67,620
	₱533,242	₱368,333	₱302,027

The Group is subject to regular corporate income tax (RCIT) or MCIT, whichever is higher. The provision for current income tax in 2022, 2021, and 2020 represent RCIT.

b. The components of the Group's net deferred tax assets (liabilities) are as follows:

	2022	2021
Deferred tax assets on:		
Provision for losses and others	**₱79,646**	₱75,280
Unrealized foreign exchange losses – net	**57,176**	52,348
Materials and supplies obsolescence	**26,225**	26,225
Accrued retirement benefit costs-normal cost	**(514)**	–
Accumulated accretion of interest on provision for mine rehabilitation costs	**(403)**	(403)
Unamortized past service costs	**–**	(3,080)
Total deferred tax assets	**162,130**	150,370
Deferred tax liabilities on:		
Difference in fair value and carrying value of the net assets of subsidiary acquired	**(1,387,927)**	(1,387,927)
Accelerated deduction	**(192,454)**	(342,330)
Gain on modification of financial liability	**(123,557)**	–
Mine inventory at year-end	**(61,580)**	(128,833)
Net retirement plan assets	**(89,673)**	(78,786)
Unrealized foreign exchange gain and changes in FV of financial assets measured at FVOCI	**(20,608)**	(15,832)
OCI portion of retirement liability	**(7,178)**	(12,732)
Total deferred tax liabilities	**(1,882,977)**	(1,966,440)
Net deferred tax liabilities	**(₱1,720,847)**	(₱1,816,070)

c. The reconciliation of the Group's provision for income tax computed at the statutory income tax rates based on income before income tax is as follows:

	2022	2021	2020
Provision for income tax at statutory income tax rate of 25% in 2022 and 2021; 30% in 2020	**₱582,189**	₱699,886	₱459,097
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses and non-taxable income – net	**(138,786)**	(161,437)	(158,461)
Interest income already subjected to final tax	**85,098**	(568)	(185)
	2022	2021	2020
Unrecognized DTA, NOLCO and excess MCIT	**4,740**	4,205	1,576
Effect of changes in tax rates due to CREATE Law	**–**	(173,753)	–
	₱533,242	₱368,333	₱302,027

d. As at December 31, 2022 and 2021, no deferred tax assets were recognized on deductible temporary differences amounting to ₱5,291,128 and ₱4,816,526, respectively.

e. On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover as One Act" which states that the NOLCO) incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

No deferred income taxes were recognized from the NOLCO and MCIT of the Parent Company's subsidiaries as at December 31, 2022 and 2021.

f. *CREATE Law*

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

The following are the key changes to the Philippine tax law pursuant to the CREATE Law which have an impact to the Group:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporation with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

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

	Debit (Credit)
Deferred tax liability - net	467,096
Net revaluation surplus	(277,586)
Actuarial gains - OCI	(15,757)
Provision for deferred income tax	(173,753)

28. Equity

Capital Stock

The details of the Parent Company's capital stock follow:

	Number of Shares	
	2022	2021
Authorized common stock - ₱1 par value	**8,000,000,000**	8,000,000,000
Issued, outstanding and fully paid:		
As at the beginning of the year	**4,940,399,068**	4,940,399,068
Issuance of additional shares of stock due stock rights exercised during the year	**842,000,000**	–
As at the end of the year	**5,782,399,068**	4,940,399,068

Below is a summary of the capital stock movement of the Parent Company:

Year	Date of Approval	Change in Number of Authorized Capital Stock	New Subscriptions/ Issuances***
1956	November 26, 1956	60,000,000	20,590,250
1957			30,539,750
1958			107,035
1959			1,442,500
1960	September 12, 1960	30,000,000	10,997,397
1961			1,238,500
1962			9,737,294
1963	December 16, 1993	90,000,000*	103,258,378
1964	March 6, 1964	220,000,000	65,339,520
1965			61,546,755
1966			60,959,182
1969	September 22, 1969	600,000,000	182,878,280
1970			274,317,420
1971	August 20, 1971	1,000,000,000	411,476,131
1973		4,000,000,000****	2,623,160,332
1974			1,543,035,476
1978			540,062,420
1981	August 4, 1981	5,000,000,000	1,485,171,655
1983			742,006,977
1985			815,707,473
1986			3,923,841,215
1987	August 14, 1987	9,000,000,000	3,867,787,326
1989	July 11, 1989	20,000,000,000	5,028,123,524
1990	June 27, 1990	(38,000,000,000)**	(20,549,744,536)
1991			375,852,233
1992			162,869,258
1993			179,156,183
1995			403,849
1997			985,928,483
1999	May 23, 1997	3,000,000,000	–
2007			10,781,250
2008			912,279,662
2009	May 22, 2009	3,000,000,000	1,019,753,789
2010			21,525,999
2011			7,619,783
2012			3,276,075
2013			3,969,250
2014			3,403,000
2022			842,000,000
		8,000,000,000	5,782,399,068

*This is the result of the change in par value from ₱0.10 to ₱0.05.

**This is the result of the change in par value from ₱0.05 to ₱1.00.

***Information on issue/offer price on public offering not available or information not applicable since the shares were not issued in relation to a public offering.

****Information on date of approval not available.

As at December 31, 2022 and 2021, the Parent Company's total stockholders is 43,901 and 43,945, respectively.

In November 2021, the Board of Directors of the Parent Company approved the Stock Rights Offering (SRO) wherein eligible shareholders of record, as of the date to be set in accordance with existing law and regulations (the "Record Date") will have the opportunity to participate and to subscribe to common shares that will be issued in connection with the proposed SRO, subject to the approval by the SEC, and compliance with the listing requirements of the PSE.

On August 3, 2022, a total of 842,000,000 shares was listed at ₱3.15 per share. The total proceeds from the SRO amounted to ₱2,652,300,000. Together with long-term debt being arranged by a leading local financial institution and internally generated cash of the Group, the SRO proceeds will be utilized for the development of the Silangan Project.

Retained Earnings

Retained earnings consists of the following:

	2022	2021
Retained earnings:		
Unappropriated	**₱8,192,944**	₱6,644,426
Cumulative actuarial gains	**300,792**	299,222
Total unappropriated	**8,493,736**	6,943,648
Appropriated	**10,500,000**	10,500,000
Ending balance	**₱18,993,736**	₱17,443,648

On February 29, 2016, the Parent Company declared its shares of stock in PXP as property dividends to its shareholders on March 15, 2016 record date at a ratio of 17 shares for every 100 shares held. The dividend declaration was approved by the Philippine Securities and Exchange Commission (SEC) on June 22, 2016. As a result, the Parent Company ceases to have control over PXP on July 15, 2016.

On December 13, 2013, the Parent Company's BOD approved the appropriation of ₱10,000,000 of the unappropriated retained earnings for the purpose of mine development and construction of the Silangan Project (see Note 1). On February 28, 2017, the Parent Company's BOD approved further appropriation of ₱500,000 of the unappropriated retained earnings for purposes of mine and development and construction of the Silangan Project, thereby increasing total appropriation to ₱10,500,000.

On February 27, 2020, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.01 per share as regular dividends to all stockholders at record date of March 13, 2020.

On February 24, 2021, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.059 per share as regular dividends to all stockholders at record date of March 12, 2021.

On March 4, 2022, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.05 per share as regular dividends to all stockholders at record date of March 21, 2022.

The Parent Company's retained earnings available for dividend distribution amounted to ₱10,989,263 and ₱9,278,760 as at December 31, 2022 and 2021, respectively.

On February 23, 2023, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.02 per share as regular dividends to all stockholders at record date of March 13, 2023.

As at December 31, 2022 and 2021, dividends payable amounted to ₱343,346 and ₱452,413, respectively.

NCI

	2022	2021
Percentage of ownership	**1.1%**	1.1%
Amount	**₱292**	₱288

Transactions with NCI are disclosed in Note 2.

29. Share-based Payments

2011 Parent Company Stock Option Plan (SOP)

On April 27, 2011, the BOD approved the 2011 SOP of the Company, which was concurrently approved by the shareholders on June 29, 2011. Among the salient terms and features of the stock option plan are as follows:

i) Option grant date is the date on which option is awarded under the Parent Company 2011 SOP, provided such award is subsequently accepted by eligible participant;
ii) The vesting percentage and vesting schedule of the options granted under the 2011 Parent Company SOP shall be determined by the Compensation Committee of the Board;
iii) The 246,334,118 shares representing 5% of the Parent Company's outstanding capital stock shall be initially reserve for exercise of options to be granted.
iv) The exercise price for the options granted under the 2011 Parent Company SOP shall be determined by the Compensation Committee of the Board but shall not be lower than the highest of: (i) the closing price of the shares on PSE on the Option Grant Date, (ii) the average closing price of the shares on the PSE for the 5 business days on which dealings in the shares are made immediately preceding the Option Grant Date; and (iii) the par value of shares; and
v) Any amendments to the 2011 Parent Company SOP shall be deemed adopted and made effective upon approval by shareholders owning at least two-thirds of the outstanding capital stock of the Parent Company and, to the extent legally necessary, by the SEC.

On March 5, 2013, the Parent Company received the SEC resolution approving the 2011 SOP.The Parent Company granted 40,410,000 options under the 2011 SOP.

All SOPs are forfeited as at December 31, 2022. The number of unexercised vested stock options totaled to nil in 2022 and 2021. The stock options outstanding are anti-dilutive. The effect of the conversion options of the convertible bonds is anti-dilutive as at December 31, 2022 and 2021.

The total share-based compensation expense for the 2011 SOP amounted to nil in 2022, 2021 and 2020. The corresponding share-based option reserve included under Additional Paid-in Capital as at December 31, 2022 and 2021 amounted to ₱353,170.

30. Basic/Diluted (Loss) Earnings Per Share

Basic earnings per share are computed as follows:

	2022	2021	2020
Net income attributable to equity holders of the Parent Company	**₱1,795,517**	₱2,431,212	₱1,228,308
Divided by weighted average number of common shares outstanding during the year	**5,291,232,401**	4,940,399,068	4,940,399,068
Basic earnings per share	**₱0.339**	₱0.492	₱0.249

Diluted (loss) earnings per share amounts are calculated as follows:

	2022	2021	2020
Net income attributable to equity holders of the Parent Company	₱1,795,517	₱2,431,212	₱1,228,308
Divided by weighted average number of common shares adjusted for the effect of exercise of stock options	5,291,232,401	4,940,399,068	4,940,399,068
Diluted earnings per share	₱0.339	₱0.492	₱0.249
Weighted average number of common shares adjusted for the effect of exercise of stock options	5,291,232,401	4,940,399,068	4,940,399,068

The effect of the conversion options of the convertible bonds is anti-dilutive as at December 31, 2022, 2021 and 2020.

31. Farm-in Agreement with Manila Mining Corporation (MMC)

On May 11, 2011, the Parent Company entered into a farm-in agreement with MMC to acquire up to 60% of the outstanding capital stock of Kalayaan Copper Gold Resources, Inc. (Kalayaan), a wholly owned subsidiary of MMC. The Parent Company purchased from MMC 125,000 shares of Kalayaan representing 5% of the outstanding capital stock for US$25,000 or ₱1,071,521. Further, the Parent Company will subscribe to additional 3,437,500 shares of Kalayaan, representing 55% of outstanding capital stock, subject to the condition that the Parent Company will fulfill the subscription services within the earlier of three (3) years following the execution of the agreement or expiry of the term of the exploration permit.

Upon acquisition of 5% stake over Kalayaan, MMC, under the Operating Agreement, grants the Parent Company exclusive, irrevocable and unconditional rights:

a. To conduct exploration and pre-development;
b. To perform all activities necessary to complete a final feasibility study for the project; and,
c. To possess and/or exercise all of Kalayaan's surface rights, to exercise, utilize and enjoy all the rights, benefits, privileges, and perform all the obligations of Kalayaan under and in relation to the exploration permit and the mineral rights, provided that Kalayaan shall remain liable for all accrued obligations under the exploration permit as at the date of the agreement.

The transaction was recorded by allocating the US$25,000 to Investment in financial assets measured at FVOCI pertaining to the 5% interest in Kalayaan and to the exploration rights acquired. The acquisition cost is then allocated by valuing the investment in FVOCI at ₱100 and the deferred exploration cost at ₱1,071,421.

On April 19, 2017, MMC and Kalayaan agreed to extend the term of the Earn-In Period for another two (2) years and on January 24, 2019, for another two (2) years. New earn-in period will now be ten (10) years following the execution of the Farm-In Agreement and will expire on May 10, 2021.

On December 17, 2020, the new earn-in period has been extended further for 2 years. New Earn-In period will now be 12 years following the execution of the Farm-In Agreement and will expire on May 10, 2023.

32. Other Matters

a. The Group is currently involved in certain legal, contractual and regulatory matters that require the recognition of provisions for related probable claims against the Group. Management and the Group's legal counsel reassess their estimates on an annual basis to consider new relevant information. The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided. Provision recognized in the profit or loss amounted ₱103,000 and ₱325,000 in 2022 and 2021, respectively.

b. On January 17, 2023, PMC signed a term sheet with Macawiwili Gold Mining and Development Co., Inc. ("MGMDCI"), a 90-year old company engaged in mineral exploration and production in Itogon, Benguet. With over 800 hectares of contract area under its Mineral Production Sharing Agreement, MGMDCI has been exploring various mineral deposits, including gold and copper, for several decades. The Term Sheet outlines the parties' intentions to explore commercial, financial, and technical avenues in preparation for possible shares acquisition by PMC in MGMDCI.

c. DENR Issues on Mining Operations
On February 17, 2017, SMMCI and PGPI received show cause letters (Letters) from the Department of Environment and Natural Resources (DENR) directing SMMCI and PGPI, respectively, to explain why the following MPSAs should not be cancelled for being located within watershed areas:

MPSA No.	Location	Company
MPSA No. 149-99-XIII	Mainit and Placer, Surigao del Norte	SMMCI
MPSA No. 148-99-XIII	Surigao City, Sison and Placer	LMC/PGPI
MPSA No. 344-2010-XIII	Lianga and Barobo, Surigao del Sur	PGPI
MPSA No. 063-97-IX	Sibutad, Dapitan City and Rizal, Zamboanga del Norte	PGPI
MPSA No. 096-97-VI	Hinobaan, Negros Occidental	PGPI

On February 24, 2017, SMMCI and PGPI responded to the Letters stating that there is no legal nor factual basis for the cancellation of the MPSAs since the contract areas covered by the MPSAs are not located within proclaimed watershed forest reserves where mining is prohibited, and that in any case, DENR has not observed due process. SMMCI and PGPI reserve all rights to take appropriate legal action and exhaust all remedies to protect their rightful claims under contract and the law.

33. Notes to Consolidated Statements of Cash Flows

The following table summarizes the changes in liabilities arising from financing activities in 2022 and 2021:

	January 1, 2022	Dividend Declaration	Payments	Accretion of interest	Effect of changes in foreign currency exchange rates	Gain on modification of financial assets measured at FVOCI	Reclassification	December 31, 2022
Current Liabilities:								
Bonds payable	₱8,652,100	₱–	(₱2,741,009)	₱11,938	₱484,596	(₱499,664)	(₱5,907,961)	₱–
Bank loans	1,478,971	–	–	–	137,924	–	–	1,616,895
Dividend	452,413	247,000	(356,067)	–	–	–	–	343,346
Noncurrent Liability:								
Bonds payable	–	–		–	–	–	5,907,961	5,907,961
	₱10,583,484	₱247,000	(₱3,097,076)	₱11,938	₱622,520	(₱499,664)	–	₱7,868,202

	January 1, 2021	Dividend Declaration	Payments	Accretion of interest	Effect of changes in foreign currency exchange rates	Gain on modification of financial assets measured at FVOCI	Reclassification	December 31, 2021
Current Liabilities:								
Bonds payable	₱–	₱–	₱–	₱–	₱–	₱–	₱8,652,100	₱8,652,100
Bank loans	1,776,851	–	(387,180)	–	₱89,300	–	–	1,478,971
Dividend	553,610	291,483	(392,680)	–	–	–	–	452,413
Noncurrent Liability:								
Bonds payable	8,182,002	–	–	470,098	–	–	(8,652,100)	–
	₱10,512,463	₱291,483	(₱779,860)	₱470,098	₱89,300	₱–	₱–	₱10,583,484

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philex Mining Corporation
2nd floor LaunchPad,
Reliance Street corner Sheridan Street
Mandaluyong City, Metro Manila

We have examined the accompanying consolidated financial statements of Philex Mining Corporation and its subsidiaries (the Group) as at and for the year ended December 31, 2022, on which we have rendered the attached report dated February 23, 2023.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has a total number of thirty-six thousand three hundred eleven (36,311) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

AZ Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-129-2023, January 25, 2023, valid until January 26, 2026
PTR No. 9566023, January 3, 2023, Makati City

February 23, 2023

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Philex Mining Corporation
2nd floor LaunchPad,
Reliance Street corner Sheridan Street
Mandaluyong City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philex Mining Corporation and its subsidiaries (the Group) as at December 31, 2022 and 2021, and each of the three years in the period ended December 31, 2022 included in this Form 17-A and have issued our report thereon dated February 23, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

AZ Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
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Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-129-2023, January 25, 2023, valid until January 26, 2026
PTR No. 9566023, January 3, 2023, Makati City

February 23, 2023

PHILEX MINING CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Schedule
Reconciliation of Retained Earnings Available for Dividend Declaration	I
Schedule of Financial Soundness Indicators	II
Chart Showing Ownership and Relationship between the Parent Company and its Subsidiaries	III
Schedules as Required by SRC Rule 68, As Amended	IV
A. Financial Assets	
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than related Parties)	
C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements	
D. Intangible Assets - Other Assets	
E. Long Term Debt	
F. Indebtedness to Related Parties (Long-term Loans from Related Companies)	
G. Guarantees of Securities of Other Issuers	
H. Capital Stock	

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGSAVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2022

PHILEX MINING CORPORATION
2nd Floor, Launch Pad Building, Reliance St., Mandaluyong City
(Amounts in Thousands)

Unappropriated retained earnings, ***as adjusted to available for dividend distribution,*** **December 31, 2021**		₱9,278,760
Net income (loss) during the period closed to retained earnings	₱1,722,997	
Less: Recognized deferred tax asset that increased net income	(8,820)	
Equity in net income (loss) of an associate	26,804	
Unrealized foreign exchange gains, except those attributable to cash and cash equivalent	–	
Other realized gains (loss) or adjustments to the retained earnings as a result of certain transactions accounted under the PFRSs	216,522	
	1,957,503	
Net income actually earned during the period		11,236,263
Less: Dividend declared during the year		247,000
Appropriation of Retained Earnings during the year		–
Unappropriated retained earnings as at December 31, 2022, as adjusted		₱10,989,263

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Philippines

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Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Philex Mining Corporation
2nd floor LaunchPad,
Reliance Street corner Sheridan Street
Mandaluyong City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Philex Mining Corporation and its subsidiaries (the Group) as at December 31, 2022 and for each of the three years in the period ended December 31, 2022, 2021 and 2020, and have issued our report thereon dated February 23, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2022 and for each of the three years in the period ended December 31, 2022, 2021 and 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

AZ Zaragoza

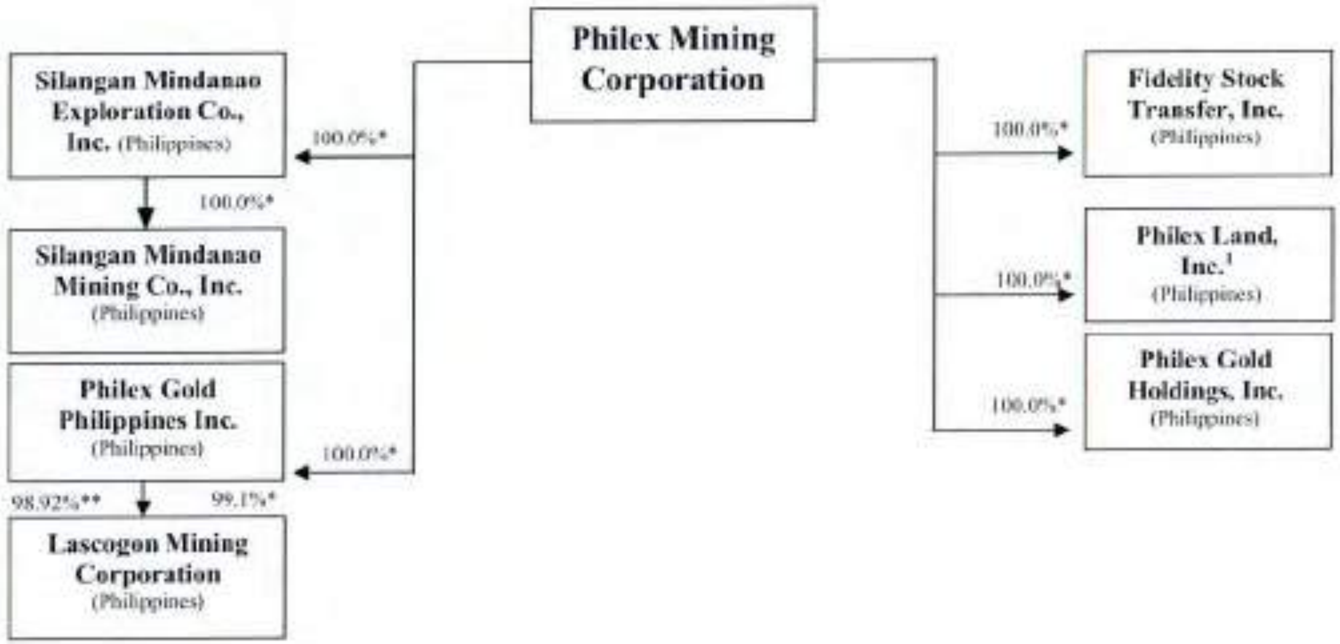
Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-129-2023, January 25, 2023, valid until January 26, 2026
PTR No. 9566023, January 3, 2023, Makati City

February 23, 2023

SCHEDULE II
PHILEX MINING CORPORATION AND SUBSIDIARIES SCHEDULE SHOWING FINANCIAL SOUNDNESS PURSUANT TO SRC RULE 68, AS AMENDED DECEMBER 31, 2022

	2022	2021	2020
Current/Liquidity ratios			
Current ratio	**1.35**	0.43	0.82
Quick ratio	**0.95**	0.25	0.37
Solvency ratios and debt to equity ratio			
Debt-to-equity ratio	**0.40**	0.57	0.61
Solvency ratio	**0.26**	0.24	0.17
Financial leverage ratios			
Asset-to-equity ratio	**1.40**	1.57	1.61
Interest rate coverage ratio	–	–	–
Profitability ratios			
Return on assets	**4.22%**	6.02%	3.20%
Return on equity	**6.24%**	9.55%	5.21%
Net profit margin	**19.39%**	24.81%	15.68%

SCHEDULE III
PHILEX MINING CORPORATION AND SUBSIDIARIES
CHART SHOWING OWNERSHIP AND RELATIONSHIP BETWEEN THE PARENT COMPANYAND ITS SUBSIDIARIES PURSUANT TO SRC RULE 68, AS AMENDED DECEMBER 31, 2022



Note:

*Interest of immediate parent

**Effective interest of Philex Mining Corporation

1. On March 9, 2021, the SEC approved the amendments of the Articles of Incorporation shortening the life of Philex Land, Inc. until March 31, 2021.

SCHEDULE IV

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE A
FINANCIAL ASSETS
(Amounts in Thousands, Except Number of Shares)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Investments in quoted shares:			
The Philodrill Corporation	277,500,000	₱2,747	₱–
Wack Wack Golf and Country Club	1	44,995	–
Manila Polo Club	1	30,000	–
Valle Verde Country Club	3	14,430	–
		₱92,172	₱–
Investments in unquoted shares:			
Pacific Global One Aviation	1	37,500	–
Philippine Associated Smelting and Refining Corporation	14,047,247	14,055	–
Others	Various	1,480	–
		53,035	–
		₱145,207	₱–

The Group elected to classify irrevocably its equity investments as financial assets measured at FVOCI asit intends to hold these investments for the foreseeable future. Financial assets measured at FVOCI are valued based on market quotation as of December 31, 2022. Financial assets measured at FVOCI are carriedat fair value with cumulative changes in fair values presented as a separate account in equity.

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE B
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2022

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
PXP Energy Corporation	₱–	₱–	₱–	₱–	₱–	₱–	₱–

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION
December 31, 2022
(Amounts in Thousands)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Subsidiary: *(Advances)*							
Silangan Mindanao Exploration Co., Inc.	₱731,386	₱2,878,714	(₱792,238)	₱–	₱2,817,862	₱–	₱2,817,862
Silangan Mindanao Mining Co., Inc.	1,795,658	518,289	(1,458,946)	–	855,001	–	855,001
	₱2,527,044	₱3,397,003	(₱2,252,184)	₱–	₱3,672,863	₱–	₱3,672,863

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE D
INTANGIBLE ASSETS - OTHER ASSETS
December 31, 2022
(Amounts in Thousands)

Description	Beginning balance	Additions at Cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
i) Intangible Asset						
Goodwill	₱–	₱–	₱–	₱–	₱–	₱–
ii) Other Assets						
Deferred exploration costs	31,925,248	1,392,084	–	–	–	33,317,332
Allowance for impairment	(3,825,412)	–	–	–	–	(3,825,412)
	28,099,836	1,392,084	–	–	–	29,491,920
Input tax – non current portion	435,416	26,934	–	–	–	462,350
Others	60,008	237	–	–	–	60,245
Allowance for write down	–	–	–	–	–	–
	495,424	27,171		–	–	522,595
	₱28,595,260	₱1,419,255	₱–	₱–	₱–	₱30,014,515

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE E
LONG TERM DEBT
December 31, 2022
(Amounts in Thousands, Except Share Price and Number of Shares)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Loans and bonds payable"	Amount shown caption "Long-term Debt"
Convertible Bonds	**₱5,040,000**	**₱5,907,961**[1]	**₱–**

Note:

1. 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 then classified as part of the Group's equity reserves.

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE F
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
December 31, 2022

Name of the Related Party	Balance at beginning of period	Balance at end of period

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE G
GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2022

Name of the issuing entity of securities guaranteed by the company for which the statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is lifted	Nature of guarantee

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE H
CAPITAL STOCK
December 31, 2022

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	**8,000,000,000**	**5,782,399,068**	–	–	**8,702,014**	–

Annex A: Sustainability Report Disclosures

Company Details

Name of Organization	Philex Mining Corporation
Location of Headquarters	2nd Floor Launchpad, Reliance Street corner Sheridan Street, Mandaluyong City 1550, Philippines
Location of Operations	• Padcal Mine: Padcal, Tuba, Benguet • Silangan Project: Surigao del Norte • Bulawan Project *(under Final Mine Rehabilitation and/or Decommissioning Plan (FMR/DP) status)*: Sipalay City, Negros Occidental • Sibutad Project *(under Final Mine Rehabilitation and/or Decommissioning Plan (FMR/DP) status)*: Municipalities of Rizal and Sibutad, Zamboanga del Norte
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	The report contains disclosure information on the material issues over which Philex Mining Corporation (PMC) has direct or joint management control.
Business Model, including Primary Activities, Brands, Products, and Services	PMC is primarily engaged in large-scale exploration, development and utilization of mineral resources. It was incorporated in the Philippines in 1955 and was listed on the Philippine Stock Exchange on November 23, 1956. For the past 64 years, the Company has operated the Sto. Tomas II deposit (Padcal Mine) in Padcal, Tuba, Benguet Province – the first underground block caving operation in the Far East. Padcal Mine produces copper concentrates, containing copper, gold and silver. • Mining Business (wholly owned subsidiaries): ○ Philex Gold Philippines, Inc. (PGPI): operated the Bulawan gold mine in Sipalay, Negros Occidental until its decommissioning in 2002; also developed the mine sites in Sibutad, Zamboanga del Norte and Lascogon, Surigao del Norte ○ Silangan Mindanao Exploration Co., Inc. (SMECI): completed the acquisition of the Silangan Copper and Gold Project

	(Silangan Project) in Surigao del Norte, Northeastern Mindanao in 2010. ○ Silangan Mindanao Mining Co., Inc. (SMMCI): potential development of the Silangan Mega Copper and Gold Project in Surigao del Norte, Northeastern Mindanao starting in 2022. ● Energy and Hydro-Carbon Business (affiliate): ○ PXP Energy Corporation (PXP Energy, formerly Philex Petroleum Corporation): upstream oil and gas production
Reporting Period	January 1 to December 31, 2022
Highest Ranking Person responsible for this report	Mr. Eulalio B. Austin Jr. President and CEO Philex Mining Corporation

Materiality Process

For the purpose of this report, PMC uses the definition of "materiality" under the Global Reporting Initiative (GRI): "Those topics and indicators that reflect the organization's significant economic, environmental, and social impacts or that would substantially influence the assessments and decisions of stakeholders."

PMC started identifying the most material topics to its business operations and to its stakeholders in 2015. It continues to assess these topics every year along with tracking its performance. To determine the risks, opportunities, and other factors that materially impact its ability to create long-term sustainable value, PMC undergoes this materiality process:

1. **Identification:** The Company performs risk assessments to ensure that it is able to address them expeditiously and in the most efficient way. It undergoes risk management processes, review of internal performance and its impacts on the external environment, and robust engagement with both internal and external stakeholders.
2. **Analysis:** Material matters are evaluated according to the significance of their potential effects to the Company and to its key stakeholders.
3. **Prioritization:** The material topics are built into PMC's corporate strategy, governance frameworks, risk management systems, and operational management processes.
4. **Reporting:** The Company discloses the information to its stakeholders through the annual publication of its Sustainability Report that expands on its financial reporting.
5. **Engagement:** Most material matters relating to sustainability are determined through continuous engagement with internal and external stakeholders, such as employees, contractors, affected people in its host communities and government representatives. The information obtained from these engagements is analyzed and collated into material topics most representative of the sentiments of all stakeholder groups.

The table below shows the material topics organized into key focus areas:

FOCUS AREAS	MATERIAL TOPICS	STAKEHOLDERS AFFECTED	RELEVANCE
Financial Returns	Revenue Payments Local employment Share value (stocks) Fluctuation in metal prices (world market) Mining exploration	Company Shareholders Business partners, lenders Employees Contractors, suppliers	Consistent earning power and steady financial growth help ensure the Company's sustainability as an enterprise.
Corporate Governance	Leadership in corporate governance Internal process management	Company Shareholders Business partners, lenders, suppliers	Good governance in the form of adhering to the Company's Codes of Conduct, avoiding bribes, following procurement rules, among other things, helps the Company realize long-term benefits, including reducing risks, attracting new investors and shareholders, and increasing its equity.
Legal Compliance	Compliance with regulatory requirements	Regulators Lenders	Adhering to strict regulatory guidelines and policies enables the Company to protect its reputation as well as its relationships with its stakeholders.
Labor Practices	Strikes, lockouts Freedom of association Recruitment and employment Employee relations	Company Employees	PMC considers its workforce as its most valuable asset, and believes that sound labor practices and relationships are key to the long-term sustainability of its enterprise.
Environmental Conservation	Energy Management • Electricity generation and consumption • Energy efficiency in operations • Fuel consumption	Company Regulators Local communities Civil society	Reducing or minimizing the environmental impact of the Company's operations is paramount to the creation of its sustainable value and reputation.

	Water Management • Impact on water sources and of water pollution • Water quality and discharge • Tailings pond management • Efficiency in water consumption • Water recycling Waste/Chemicals Management • Oil spill management • Reagents management • Solid waste management Land Resource Management • Land rehabilitation and reforestation • Biodiversity and Ecosystem Management • Geologic risk assessments Air Quality Management • Ambient air quality monitoring • Dust and noise pollution		
Community Development	Diseases and illnesses Risks and conflicts with local communities and indigenous peoples Information, consultation, and participation mechanisms	Stakeholders in the communities where we operate	PMC provides Social Development and Management Programs to demonstrate its corporate social responsibility and long-term commitment to the sustainability of its host communities.
Health and Safety	Education and training Safety procedures in the facility	Employees, workers Contractors	Strict enforcement of safety standards and protocols, and safeguarding the health

	Safety performance monitoring		and well-being of its employees and workers are essential to the Company's sustainable practices.
Facility Protection	Emergency preparedness License to operate Supplier screening Security of site	Company Employees, workers Contractors	Ensuring the protection of its facility is critical to PMC's local operations and the creation of long-term value.

ECONOMIC PERFORMANCE

Direct Economic Value Generated and Distributed

Disclosure	Amount in Php	Details
Direct economic value generated (revenue)	9.262 billion	Consolidated Statements of Income (Philex 2022 Audited Financial Statements)
Direct economic value distributed:		
a. Operating costs	7.120 billion	Consolidated Statements of Income (Philex 2022 Audited Financial Statements)
b. Interest payments on all forms of debt and borrowings	Philex: 167.1 million SMMCI: 309.9 million	For Philex - Interest payments consist of: 1) Interest on local bank loans: Php49.615 million 2) interest on Convertible Notes: Php117.49 million
c. Employee wages and benefits*	Philex: 1.153 billion SMMCI: 55.63 million PGPI: 1.6 million	Note 19 of Philex 2022 Consolidated Audited Financial Statements
d. Dividends given to stockholders	247 million (0.05 per common share)	Note 28 of Philex 2022 Consolidated Audited Financial Statements
e. Taxes given to government	Philex: 1.862 billion SMMCI: 61.09 million PGPI: 3.19million	All taxes and fees paid, including income tax
f. Investments to community	Philex: 108.79 million SMMCI: 4.35million	2022 Annual Social Development and

		Management Program (SDMP) of Padcal Mine. Accomplishment Report submitted to the Mines and Geosciences Bureau. Silangan Mining's advance SMDP
g. Donations	1.153 million	Excluding SMDP

Discussions

Identification of Impact	Stakeholders Affected	Management Approach, Risks & Opportunities
1. Revenues from Mining Operations		
In 2022, tonnes milled amounted to 7,431,651, lower than tonnage of 7,945,879 in 2021. Due to lower tonnage, copper production went down to 25,085,952 pounds in 2022 from 26,200,259 in 2021. Gold production was also lower at 48,567 ounces compared to 55,149 ounces in 2021. The favorable foreign exchange rate in 2022 partially offset the impact of lower metal output and average copper price. In 2022, operating revenues, net of smelting charges, decreased by 5% to Php9.262 billion from Php9.797 billion in 2021. *For more information on the Company's results of operations and financial conditions, please refer to the 2022 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements contained in its SEC Form 17-A.*	Company Shareholders Business partners, lenders	The Company expects significant regulatory changes, such as the suspension of the ban on new mining agreements and lifting of the ban on open pit mining method, to auger well for the mining industry in 2022.
2. Operating Costs		
The Company's full-year operating cost and expenses amounted to Php7.120 billion in 2022 from Php6.598 billion in 2021.	Company Shareholders Business partners, lenders	The increase in operating costs was due to the higher cost of materials and supplies and logistics expenses influenced by inflationary pressures and depreciation of the Peso

For more information on the Company's results of operations and financial conditions, please refer to the 2022 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements contained in its SEC Form 17-A.		currency against US dollar and higher power cost due to higher coal prices. EBITDA decreased by 18% to Php3.525 billion in 2022 from Php4.317 billing in 2021.
3. Employee Wages and Benefits		
The Company continued to keep its General and Administrative Expenses (G&A) under control for the past three years. G&A slightly decreased to Php250 million in 2022 from Php253 million in 2021.	Company Shareholders Employees	PMC is determined to manage costs and expenses to stay competitive in the face of global market volatility and the declining ore grade from Padcal Mine. In 2022, it continued the implementation of cost management programs.
4. Taxes Paid to the Government		
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. The Company also paid income tax amounting to Php715 million in 2022 and Php559 million in 2021. *For more information on the Company's results of operations and financial conditions, please refer to the 2022 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements contained in its SEC Form 17-A.*	Company Government	The Company has been dutifully paying royalties and other taxes to the government as part of its compliance and in accordance with good corporate governance.
5. Investments to Community		
In 2022, the Company invested Php108.79 million (includes project expenses carried over from 2021) in its Social Development and Management Program (SDMP) and the advance SMDP of Silangan Mining. Pursuant to Republic Act 7942 and DAO's 2010-21, the amount allocated to the SDMP should be 1.5% of the company's total operating cost. *More information on the Company's SDMP can be found under the Social Performance section of this report.*	Stakeholders in host and neighboring communities	PMC's and Silangan Mining's 2022 SDMPs helped their host and neighboring communities through their Health, Education, Livelihood, Public Infrastructure, and Socio-cultural programs or (HELPS). Under this program, the companies are able to: ● Bring quality health services closer to its host and neighboring communities; ● Implement educational programs (including scholarships) that gave

		wider access to quality education; ● Create livelihood opportunities and assistance that led to better agroforestry production and increased household incomes; ● Help build needed infrastructure and provide various farm equipment, resulting in increased household savings; and ● Develop and improve water systems that ensure water supply availability for the community's household and farms.

Climate-Related Risks and Opportunities

Impact: PMC is inherently exposed to climate-related and other environmental risks due to the nature of its business and the geographic location of its country of operations, the Philippines, among the world's most vulnerable to extreme weather disturbances brought about by climate change. Natural disasters such as earthquakes, floods and landslides could potentially damage company facilities and surrounding infrastructure, block access to its mining assets, cause injuries to workers, and result in the suspension of its operations. Rising temperatures can also lead to the scarcity of water, a critical resource to PMC's operations. All these could materially and adversely affect the Company's business, financial condition, results of operations, and business outlook.

Strategy: PMC has been investing in climate change adaptation and mitigation in and around its mine sites to manage the risks that climate change poses. Such investments also help to build the adaptive capacities of the local communities that host its mine sites.

Risk Management: To manage climate-related risks, the Company puts a great deal of effort and invests heavily in 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.

Metrics	Initiatives / Targets
Governance on Climate-Related Risks	The Company has adopted an environmental policy statement, which is consistent with ISO 14001 Certification on Environmental Management Systems.
Risk Management and Mitigation	The Company is covered by a comprehensive insurance policy, with a business interruption clause, to respond to climate-risk eventualities and other forms of disruptions.

	In addition, PMC has a pollution liability insurance coverage to mitigate the impact of environmental pollution-related events. As part of its mitigating measures in avoiding forest fires, fire line or grass-cutting activities were implemented for the 1st and 2nd semesters of 2022, covering 33 hectares. An additional 110 hectares of forest plantation were established in Itogon and Tuba, host communities of Padcal Mines, to sustain PMC's reforestation efforts. It also continues to maintain and protect the areas of existing plantations. The Company also installed landslide prevention facilities, e.g., shotcrete, drainage canal roads, retaining walls, grouted riprap box culvert and flood controls.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Amount	Unit
Procurement budget used for significant locations of operations that is spent on local suppliers	1,809,601,791 (includes PMC's 1,772,811,079 and Silangan Project's 36,790,712)	Php
Proportion of procurement budget used for significant locations of operations that is spent on local suppliers	81	%
Specify the geographical definition of 'local'	Manila, Baguio, Benguet, Panagasinan, other provinces inside the Philippines (PMC) Surigao Del Norte, Butuan, Davao, Metro Manila (Silangan)	
Specify locations of overseas suppliers	Australia, Canada, China, Sweden, United Kingdom, USA (PMC)	

	USA, Singapore, Australia, China (Silangan)	
Total no. of suppliers (local and overseas)	533 (473-PMC, 60-Silangan)	
Total no. of local suppliers	456 (400-PMC, 56-Silangan)	
Total no. of overseas suppliers	77 (73-PMC, 4-Silangan)	
Percentage of local suppliers out of total suppliers	86	%

Discussions

Identification of Impact	Stakeholders Affected	Management Approach, Risks & Opportunities
Greening the Supply Chain		
PMC takes into account the environmental impact of a product or service when making purchasing decisions. This demonstrates the Company's serious commitment to being a responsible miner.	Company Suppliers	Under the Company's Integrated Management System (IMS) is the integrated Risk Register where environmental and social risks along the supply chain are identified, monitored, and acted upon. PMC reviews these risks yearly and makes quarterly updates. PMC implements Green Purchasing (SCM.PRO.14.00) in which chemical compositions and product testing of materials delivered are required. PMC also has a Supply Chain Manual (SCM.PRO.14.00) in which the following policies in dealing with all suppliers are enforced: ● Supply Chain (SC) Process Compliance and Audit ● SCM.PCA.01.00 - Vendor Accreditation ● SCM.PCA.02.00 - Vendor Database Maintenance ● SCM.PCA.03.00 - Vendor Performance Evaluation ● SCM.PCA.04.00 - Vendor Relations Management ● SCM.PCA.05.00 - Records and File Maintenance

		In addition, supplier accreditation also takes into account the environmental performance of the supplier, the use of forced or child labor, observance of human rights, anti-bribery and corruption policies with the supplier's organization.

Anti-Corruption

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

Training on Anti-Corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

Discussions

Identification of Impact	Stakeholders Affected	Management Approach, Risks & Opportunities
Code of Business Conduct		
PMC has a Code of Business Conduct and Ethics which upholds professionalism and ethics in business dealings and transactions. This includes policies on vendor relations and on gifts, entertainment, and sponsored travel.	Company Employees Suppliers/vendors	Under the Company's Gifts, Entertainment, and Sponsored Travel Policy, directors, employees, and consultants shall refrain from putting themselves in situations or acting in a manner that could significantly affect the objective, independent, or effective performance of their duties and

		responsibilities in the Company. Directors, employees, and consultants who have received gifts, entertainment, and sponsored travel from any third party, with whom the Company does business or proposes to do business, whether directly or indirectly, shall inform their donor that these were received in behalf of the Company and shall be handled in accordance with Company policy (Php4,000.00 limit). Sponsored travel from third parties requires disclosure and prior approval from the superior, and this approval shall conform to the terms of this policy. In 2022, the Company did not receive any reports of violations of this policy. PMC has also been enforcing a Supply Chain Management Conduct Policy since 2012 to avoid impropriety in the conduct of purchasing supplies and services. The policy also contains provisions to avoid conflict of interest where an employee has an interest in another company dealing with the PMC, among others. A Vendor Relations Policy puts emphasis on the decorum required when dealing with suppliers.

ENVIRONMENTAL PERFORMANCE

Resource Management

Energy Consumption within the Organization

Within the Organization	Quantity	Units
Electricity (including consumption of Head Office, SMMCI, for PGPI - Sibutad only)	251,546,634	kwh
Gasoline	61,684.91*	liters
LPG	Not utilized in the operation	GJ
Diesel	4,979,938.75*	liters
Per Load Center		
Mill	170,650,816	kWh

Mine	57,993,935	kWh
Banget Compressor	9,417,396	kWh
Residential, School buildings	6,871,073	kWh
Padcal Compressor	1,583,708	kWh
Domestic Water	2,200,172	kWh
Assay	989,617	kWh
Surface Shops and Offices	1,225,627	kWh
Head Office	**228,245**	**kWh**
SMMCI	**385,267**	**kWh**
PGPI	**778**	**kWh**
Total	**251,546,634**	**kWh**

Reduction of Energy Consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	*Increase of 1,821.58GJ due to inclusion of Head Office consumption*	GJ
Energy reduction (LPG)	*Not applicable*	GJ
Energy reduction (diesel)	*Increase of 51,131.07GJ due to inclusion of Head Office consumption and in the Silangan Project activities*	GJ
Energy reduction (electricity)	42,247	GJ
Percentage of energy reduction (vs. 2021)	4.46	%

** Increase in value is due to inclusion of Head Office, SMMCI, and PGPI consumptions for 2022*

Discussions

Identification of Impact	Stakeholders Affected	Management Approach, Risks & Opportunities
Energy Efficiency		

Energy is a critical input factor for PMC's production and represents a significant cost. Thus the Company strives to achieve energy efficiency to secure necessary supply while reducing its carbon footprint.	Company	The Company strictly monitors and manages its energy consumption through the following: ● An Energy Conservation Program is integrated in the IMS Manual Vol. 2 (ENV-STD-007 Energy Conservation) that ensures that processes are developed, implemented, and maintained by the Company for the efficient use of natural resources, energy, and high-value materials in areas of its operation. ● Since 2014, PMC has been implementing a Power Load Shedding (PLS) Program that aims to reduce electricity supply in the residential areas in Padcal by up to 5 hours a day. ● PMC substations have a Certificate of Electrical Inspection from the Mines and Geosciences Bureau-Cordillera Administrative Region, which is renewed annually. ● A Power Optimization Program is also being observed in Padcal Operations, resulting in total energy savings of 12,054,523 kwh.

Water Consumption within the Organization

Disclosure	Quantity	Units
Water withdrawal	10,148,233	Cubic meters
Water consumption	19,052,327*	Cubic meters
Water recycled and reused	8,903,399	Cubic meters

**Sum of total withdrawn, total recycled, domestic consumption, and Head Office consumption*

Materials Used by the Organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• Renewable water	8,903,399	Cubic meter
• Non-renewable (Reagents)		kg
• Collectors	260,0000	kg
• Frother	44,000	kg
• Lime	2,281,000	kg
Percentage of recycled input materials used to manufacture the organization's primary products and services (water)	48*	%

**Total recycled water divided by total water consumed for operation (fresh water withdrawn from the operation and recycled water)*

Ecosystems and Biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	
Habitats protected or restored *(see details below)*	4,636.25	ha
IUCN[1] Red List species and national conservation list species with habitats in areas affected by operations	44 plant species 38 animal species	#

[1] International Union for Conservation of Nature

Details on Habitats Protected or Restored

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/ Agroforestry	Fruit trees: coffee, mango, pomelo, guyabano, papaya, tamarind, guava, calamansi, chesa, santol, star apple, atis, rambutan, jackfruit, marang, avocado, cacao, duhat, blackberry, lomboy, orange Forest trees: anstoan dilau, Benguet pines, tibig, oak tree/palayen, Ceylon tea, cotton tree, madre de agua, ice cream beans, banaba, acacia/raintree, 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 Care & Maintenance	842.66*	Forest Plantation	mangium, auri, mahogany, gmelina, raintree, coffee, native trees
PGPI- Sibutad	38	MPSA-063 Care & Maintenance	192.63	Forest Plantation	mangium, auri, falcata, coffee, cacao, bamboo, narra, lombayao
			39.16	Mangrove Plantation	bakauan (Rhizophora Mucrunata)

PMC-LMC Surigao	37	MPSA-148 Exploration	10	Forest and Agroforestry	falcata, narra, mangium, coffee, mahogany, fruit trees
SMMCI	33.696	MPSA-149	197.8	Agroforestry	mahogany, mangium, falcata, narra, cacao, coffee, Palawan cherry, lanzones, marang, rambutan, etc.
Kalayaan, Surigao	14		9	Agroforestry	falcata, coffee
Total	**848.69**		**4,636.25**		

** Areas on Assisted Natural Regeneration (ANR) are included*

Environmental Impact Management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	11,775.80	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	151,507.90	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)		Tonnes

Air Pollutants

Disclosure	Quantity	Units
NO_x	*The Company monitors air quality through the Air Quality Monitoring equipment (EBAM) PM 10 The results range from good to fair.*	kg
SO_x		kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

Air Pollutants	Location	Daily Average** (µg/m3)												Maximum Permissible Limit* (µg/m3)
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
PM10	Mill Plant	158	110	173	161	180	230	181	123	205	145	105	146	200
	Outside Mill Plant	86	101	96	94	100	105	-	129	47	62	90	-	150

Solid and Hazardous Wastes

Hazardous Waste

Disclosure	Unit	Quantity	Disposal Method
Sulfuric Waste	Tonne	0.009	Neutralized and disposed in Tailings Storage Facility (TSF) 3
Hydrochloric Acid	Tonne	0.550	
Nitric Acid	Tonne	1.030	
Ammonium Hydroxide	Tonne	0.058	
Lime Slurries	Tonne	2,280.49	
Lead Compounds (Lead-contaminated Cupels/Slag)		12.259	Treated by DoloMatrix Philippines, Inc. For SMMCI: properly stored onsite and disposal will be through an accredited EMB TSD Facility
Lead Compounds (Used Lead-acid Batteries)	Tonne	2.976	
Mercury and Mercury Compounds (Busted Fluorescent Lamps)	Tonne	0.340	Treated by Joechem Environmental Corporation For SMMCI: .04 is properly stored onsite and disposal will be through an accredited EMB TSD Facility
Other Waste with Inorganic Chemicals (Mine Tailings)	Tonne	7,347,679.00	Disposed in TSF 3
Explosive and Unstable Chemicals (Sodium Isobutyl Xanthate)	Tonne	259.860	Disposed in TSF 3
Oil-Water Mixture	Tonne	1.47	For SMMCI: properly stored onsite and disposal will be through an accredited EMB TSD Facility
Oil-Contaminated Materials	Tonne	89.510	Treated by Dolomatrix Philippines Inc. For SMMCI: properly stored on-site and disposal will be through an accredited EMB TSD Facility

Used Industrial Oil including Sludge	Tonne	52.898	Treated by Joechem Environmental Corporation For SMMCI: 2.33 is properly stored onsite and disposal will be through an accredited EMB TSD Facility
Polychlorinated Biphenyl (PCB) Wastes	Tonne		
Used Industrial Grease	Tonne	1.91	For SMMCI: properly stored onsite and disposal will be through an accredited EMB TSD Facility
WEEE (Waste Electrical and Electronic Equipment)	Tonne	0.30	For SMMCI: properly stored onsite and disposal will be through an accredited EMB TSD Facility
Containers Previously Containing Toxic Chemical Substances	Tonne	1.514	For SMMCI: properly stored onsite and disposal will be through an accredited EMB TSD Facility
Pathological or Infectious Wastes (Hospital Wastes, Expired Medicines)	Tonne	0.005	For SMMCI: (expired medicines) properly stored onsite
		7,350,384.18	

Note: Changed Ton to Tonne since Padcal is using the conversion of 1 = 1000 kg

Effluents

Disclosure	**Quantity**	**Units**
Total volume of water discharges	57,514,933*	Cubic meters
Percent of wastewater recycled	None	%

Note: Estimated Waste Water Discharged at the TSF 3

Environmental Compliance

Non-Compliance with Environmental Laws and Regulations

Disclosure	**Quantity**	**Units**
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

Discussions

PMC strives to ensure that the environmental impact of its business operations is mitigated and/or minimized and that it strictly abides by regulatory standards and policies. Below are details of its initiatives on environmental management:

<table>
<tr><th>Identification of Impact</th><th>Stakeholders Affected</th><th>Management Approach, Risks & Opportunities</th></tr>
<tr><td colspan="3">Managing Air Quality</td></tr>
<tr><td></td><td>Host communities</td><td>The Company is compliant with the Philippine Clean Air Act – Republic Act 8749 (1999) by following the set ambient air quality standards and pollutant limitation.

UNDERGROUND
• Maintained and sustained the operations of the ventilation system at the underground to ensure the production/generation of good quality air in the working areas;
Driving of ventilation drifts/raises and maintenance of all existing blowers were undertaken; and
• The use of respirators was also enforced among workers assigned in the different working areas.

MILL PLANT
• Maintained the dust collectors of the secondary crushing plant;
• Maintained the fume heads at the secondary heads at the secondary crushing plant;
• Provision of PPE (Dust masks/respirators) is continuously being enforced among workers assigned in the area;
• Monitoring of ambient air within the Mill Plant was conducted; air quality index is rated good to fair; and
Emission test certificates of vehicles and equipment are submitted to the Land Transportation Office during annual license registrations.

An Emissions Management Strategy is integrated in the IMS Manual Vol. 2 (ENV-STD-004 Emissions Management), ensuring that processes are developed, implemented, and maintained by the Company to comply with the applicable regulations of RA 8749.

In addition, PMC implements a 5-minute warmup on cold engines to minimize unburn gases (Fuel-Air Mixture). It also strictly follows a preventive maintenance schedule for all company surface equipment.</td></tr>
<tr><td colspan="3">Managing Water Use</td></tr>
</table>

Water is a valuable resource to the Company's Mill Plant operations. PMC's mill obtains its raw water from three sources: the Sal-angan river, CYM tunnel, and Smith Tunnel water reservoir overflow. Sal-angan river is the main source of raw water for the mill year-round while CYM and Smith tunnels provide water during rainy seasons. Water supply poses a major challenge for the processing plant during the dry season (February to May) so PMC promotes efficient water management to ensure continuous operations.	Host communities	The Company is compliant with the Philippine Clean Water Act RA 9275 (2004) by following the standards set for management of water quality and effluent/discharge standards through a multi-sectoral and participatory approach. A Water Management Plan is integrated in the IMS Manual Vol. 2 (ENV-STD-006 Water Management) ensuring that processes are developed, implemented, and maintained by the company to comply with the applicable regulations of RA 9275.
Managing Waste		
PMC practices ecological solid waste management as part of being a responsible miner and in accordance with the requirements under its Environmental Compliance Certificate issued by the Environmental Management Bureau of the DENR.		The Company is compliant with RA 9003 - Ecological Solid Waste Management Program, RA 6969 - Hazardous Materials Management, as well as with the Department of Health and Department of Environment and Natural Resouces Joint Order # 2, Series of 2005 - Policies and Guidelines on Effective and Proper Handling, Collection, Transport, Treatment, Storage and Disposal of Health Care Waste. A Waste Management Plan is integrated in the IMS Manual Vol. 2 (ENV-STD-002 Waste Management), ensuring that processes are developed, implemented, and maintained by the company in the proper identification, treatment, storage, and disposal of waste. In 2022, PMC implemented the following: • Solid Waste Management Program • Hazardous waste disposal and treatment through accredited transporters and treaters • Community re-greening activities using recycled materials • Recycling of industrial water at the processing plant • Regular Effluent Monitoring and analysis (continuous monitoring of effluent analysis from the established sampling points) • All safety measures and maintenance works are undertaken to ensure smooth operations of

		tailings conveyance to TSF # 3 reservoir. • Planting of vetiver grass at the Spillway and at the TSF3 Spanish Culvert
Managing Waste Water		
Water is a shared resource between the Company and its host and neighboring communities. Thus, PMC recognizes its responsibility to prudently manage its water consumption and monitor the water quality in its areas of operation, both for surface water and drinking water sources.	Company Host communities	Philex Mill reclaims process water by operating two units of 250-feet diameter thickeners. The overflow from the tailings thickeners is re-circulated back to the plant as process water while the underflow (remaining dense slurry) is fed into the tailings storage pond (Tailings Storage Facility or TSF) through a 2.7-kilometer long pipeline. A system for flocculant addition is provided to promote faster solid settling in the thickeners and to increase water recovery. A tailings cyclone was also installed to increase the percentage of water recovery. Rehabilitation of the 250-feet thickeners is done annually wherein major structure, rake and cables are replaced to restore reliability. These mega structure thickeners were commissioned in 1972 and play an important role in the milling process which reduced Philex's dependence on fresh/raw water source. For 2022, a total volume of 8,903,399 cu.m. of water were reclaimed.
Managing Land Resource and Protecting Biodiversity		
PMC promotes the progressive rehabilitation of its land resources as part of its land resource management. Protection of habitats and biodiversity is also part of its commitment to its host communities.	Host communities	Rehabilitation of decommissioned mine sites has been demonstrated by Philex for its Sibutad Project (Zamboanga del Norte) and Bulawan Project (Negros Occidental). It is also continuously doing progressive rehabilitation initiatives in Padcal mine site even while operating. The results of the Biodiversity Assessment Study conducted by the researchers of the University of the Philippines Los Baños has been shared with respective local government units and appropriate government agencies through an Information, Education, Communication (IEC) activity in January 2020. Most of the recommendations in the study were considered in the planning and budgeting activity for 2022. The study also served as the baseline and basis for the Biodiversity Management and Conservation Plan of the

		company. Other Biodiversity programs have been included in current operational practices through the following: • Setting up biodiversity monitoring transect walks in three biodiversity conservation areas • Improving existing nurseries • Starting the Comprehensive Development and Management Program for 5 of 25 hectares near TSF 3 operations In addition, PMC maintains a forest nursery to supply its reforestation activities and to donate to individuals/groups in support of tree planting and livelihood activities. It also has a bamboo plantation with a target of producing 3,000 bamboo propagules to support the government's initiative of promoting the planting and use of bamboo.

SOCIAL PERFORMANCE

Employee Management

Employee Hiring

Disclosure	Quantity	Units
Total number of employees[2]	1,940	#
a. Number of female employees	143	#
b. Number of male employees	1797	#
Attrition rate[3]	-7.10	%
Ratio of lowest paid employee against minimum wage	1.8:1	ratio

Employee Benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100	100
Philhealth	Y	100	100

[2] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[3] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Pag-ibig	Y	100	100
Parental Leaves	Y	6	5
Vacation Leaves	Y	100	96
Sick Leaves*	Y	100	100
Medical Benefits aside from Philhealth	Y	100	85
Housing Assistance (aside from Pag-IBIG)**	Y	71	97
Retirement Fund (aside from SSS)	Y	4.2	3
Educational Support***	Y	48	51
Company Stock Options			
Telecommuting (Work from Home)		100****	
Flexible Working Hours			

** Unused Sick Leaves (SL) are converted to monetary value / For Head Office unused Vacation Leaves (VL) are forwarded to the succeeding year up to maximum of 30 days total VL balance*
***Free housing in Padcal – 99% of Padcal site employees are availing of the free housing*
****For Head Office – educational support / For Padcal Mine employees - free elementary and subsidized high school education*
***** Telecommuting for Head Office only lasted until March 3, 2022*

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	28,838	hours
a. Female employees	3,315	hours
b. Male employees	25,523	hours
Average training hours provided to employees		
a. Female employees	23	hours/employee
b. Male employees	14	hours/employee

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	86	%
Number of consultations conducted with employees concerning employee-related policies	12	#

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	7	%
% of male workers in the workforce	93	%

Number of employees from indigenous communities and/or vulnerable sector*	1,143	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	HO: 128,832 PX: 6,670,284 SMMCI : 3,001,010 PGPI: 207,150	Man-hours
No. of work-related injuries	18	#
No. of work-related fatalities	2	#
No. of work related ill-health	0	#
No. of safety drills/trainings	45	#

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	The Company does not practice forced labor and ensures the individual's right to personal dignity. This policy is contained in PMC's Corporate Social Responsibility Manual, ISO 26000.
Child labor	Y	The Company is compliant with labor standards setting the age of qualified applicants to 18 years old for those in surface operations and 21 years old for underground operations. This is part of the hiring policy of PMC.
Human Rights	Y	PMC is committed to conducting its business with respect for all internationally recognized human rights, and is dedicated to doing so consistently. This policy is contained in PMC's Corporate Social Responsibility Manual, ISO 26000.

Supply Chain Management

Do you have a supplier accreditation policy? (Please see attached policy.)

The Company has a Supply Chain Manual that lays down the policies in dealing with suppliers under the Supply Chain (SC) Process Compliance and Audit:

SCM.PCA.01.00 - Vendor Accreditation
SCM.PCA.02.00 - Vendor Database Maintenance
SCM.PCA.03.00 - Vendor Performance Evaluation
SCM.PCA.04.00 - Vendor Relations Management
SCM.PCA.05.00 - Records and File Maintenance

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Under PMC's Supply Chain Manual (SCM.PRO.14.00), the life cycle environmental impact is considered in all purchasing decisions, when appropriate. The Company implements Green Purchasing (SCM.PRO.14.00) in which it requires chemical compositions and product testing of materials delivered. Under the Integrated Management System (IMS) is an integrated Risk Register where environmental and social risk along the supply chain are identified, monitored and acted. A yearly review of the risk is being done and quarterly update is made.
Forced labor	Y	Sustainability topics are included in the New Vendor Accreditation Application Form. Existing suppliers are also required to submit the updated New Vendor Application Form.
Child labor	Y	
Human rights	Y	
Bribery and corruption	Y	PMC's Code of Business Conduct and Ethics governs the professional behavior and ethics in all business dealings and transactions of PMC employees. The Company also has a Vendor Relations Policy and Policy on Gifts, Entertainment and Sponsored Travel to avoid conflict of interest when dealing with suppliers and vendors. The policy is in PMC's website: http://www.philexmining.com.ph/0ur-policies/

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous	Collective or individual rights that have been identified that or particular	Mitigating measures (if negative) or enhancement measures (if positive)

			people (Y/N)?	concern for the community	
Mining operations	Camp 3, Tuba, Benguet and Ampucao, Itogon, Benguet	Individuals living in ancestral lands (Children and youth, elderly, persons with disabilities, poor)	Y	1. Water for household and farming 2. Continuation of mining operation and its social development programs	Water systems for households, farms, and schools have been installed. Various health, education, livelihood, socio-cultural and infrastructure projects have been implemented under Philex's social development and management program. These are developed and implemented together with host communities, barangay and municipal government units. These programs are designed to sustain community welfare and development even the life of mind comes to an end.

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational

Certificates	Quantity	Units
FPIC process is still undergoing	0	#

CP secured	1*	#

Certification Precondition for MPSA 276

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	PMC strives to be attentive and responsive to the concerns of the buyers of its products and services. These concerns are actively discussed and resolved through constant communication via emails and or telephone calls to ensure customer satisfaction.	N

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	N/A	#
No. of complaints addressed	N/A	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Marketing and Labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Customer Privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	N/A	#
No. of customers, users and account holders whose information is used for secondary purposes	N/A	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

UN Sustainable Development Goals

Product or Service Contribution to UN SDGs

UN SDGs	Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	**Social Development and Management Program (SMDP)** Pursuant to Republic Act 7942 (Implementing Rules and Regulations, DAO 2010-21 Sec.134), mining companies must set aside at least 1.5% of their total operating costs for the development of host and neighboring communities, Information Education Communication (IEC), and Development of Mining Technology and Geo-Sciences. In 2022, the Company spent Php108.79 million for its mandated SDMP	To help uplift the lives of the people in its host and neighboring communities where it operates, PMC provides employment and livelihood opportunities, as well as access to basic services such as education, clean water, health programs, and sanitation. The highlights of our Padcal 2022 Social Development and Management Programs (SDMP) Accomplishments for our host and neighboring communities are follows: <u>Education</u> • Scholarships to 537 college students with 26 graduates, 385 from Senior High , 434 from Junior High School, and 89 Technical/Vocational students.	Non-compliance with RA 7942	The Company ensures strict compliance with all the social laws, rules, and regulations applicable to mining companies, including the law on SMDP. PMC even exceeds the requirements set by the government, through the provision of health, educational, livelihood, and public infrastructure services to its host and neighboring communities to constantly secure community endorsement and public approval for its operations. In addition, the Company is aligning with ISO 26000, a guidance on social responsibility standards, to assess and address corporate social responsibility concerns and

	in Padcal, and Php4.35M in its advance SMDP for Silangan Mining.	• 812 pupils with subsidized elementary education • 487 students with subsidized high school education • Supported 23 Elementary schools, 8 High Schools, and 18 Child Development Centers. <u>Health</u> • 904 beneficiaries of Maintenance Medicine Distribution • 23 beneficiaries of Social Health Care Program • 278 beneficiaries of Medical Assistance • 907 beneficiaries of Health Care Services at the Sto. Nino Hospital • 4 health center improved • Provided health training to 308 individuals • Provided 1 brand new emergency vehicle <u>Livelihood (Business Enterprise)</u> • Assisted 12 livelihood association and 1 cooperative • Supported the tourism program of two barangays (Camp 3 and Dalupirip) • Public infrastructure - 1.36 kms of road pavements - Constructed 18 retaining wall/ flood control		effectively strengthen its social license to operate.

		structures/pathway railings - Construction and improvement of 14 Water System - Construction/ improvement of Multipurpose Building: 8 buildings - Electrification projects: benefitted 152 households <u>Socio-Cultural</u> • Provided bereavement assistance to 93 families • Assisted 13 religious groups • Supported 5 barangays promoting the practice and preservation of cultural and social values <u>SMMCI</u> • The Company allocated Php4.35 million of its Php4.5-million ASDMP fund to provide financial assistance to the victims of typhoon Odette. The remaining amount was used in the implementation of other social development projects.		
13 CLIMATE ACTION	**Environmental Protection and Enhancement Program (EPEP)** DAO No. 2010-21 mandates the	As a manifestation of its commitment to responsible and sustainable mineral resource development, the Company has adopted an environmental policy	Environmental risks (natural disasters, calamities, etc.) which could hamper Company operations.	To manage the risk, the Company invests a substantial amount of resources into its EPEP, in addition to ensuring compliance with all

	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 Php278M or 7.43% of the direct mining and milling cost for the implementation of the Annual Environmental Protection and Enhancement Program for the CY 2022.	statement, which is consistent with ISO 14001 Certification on Environmental Management Systems. The Company is currently negotiating for pollution liability insurance coverage in case of environmental pollution-related events. In addition, the Company also invests heavily on the ongoing environmental management programs in 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. PMC also entered into a partnership with the		applicable environmental laws and regulations. The Company has adopted an environmental policy statement, which is consistent with ISO 14001 Certification on Environmental Management Systems. To mitigate the risk from business disruption, PMC obtained a comprehensive insurance policy with a business interruption clause.

		Chamber of Mines of the Philippines for the local adoption of the Towards Sustainable Mining (TSM) initiative that leans on world-leading environmental practices for sustainable development.		
	**Energy Conservation Program** The program is integrated in the Company's IMS Manual Vol. 2, ensuring that processes are developed, implemented, and maintained to ensure the efficient use of natural resources, energy, and high-valued materials in its areas of operation.	• A Power Load Shedding Program is being implemented since 2014, reducing electricity supply in residential areas of up to 5 hours a day. • A Power Optimization Program is also being implemented in Padcal operations, resulting to total energy savings of 12,054,523 kwh in Padcal operations.		
	**Ridge to Reef Management Program**	The Company has been regreening terrestrial and mangrove reforestation in its site vicinity. It also seeks to partner with local government units on the adoption of a marine sanctuary. It has also been regularly monitoring wastewater disposal to ensure that it complies with regulatory standards.		

	Reforestation and Rehabilitation programs	The Company conducts progressive rehabilitation initiatives in Padcal mine site even while operating. For its reforestation efforts, an additional 110 hectares of forest plantation located in some parts of Tuba and Itogon were done. Fireline/grass-cutting activities were also implemented for the first and second semesters of 2022, covering 33 hectares. In line with the MGB Memorandum dated June 11, 2020, the Company's Padcal Operations had established a one-hectare Bamboo Nursery at Tailings Storage Facility No.1, Sitio Sal-angan, Ampucao, Itogon, Benguet. The established 5.3-hectare bamboo plantation in 1998 at Tailing Storage Facility no.1 became the source of bamboo propagules being propagated. Forest tree and fruit tree seeds were collected in the declared seed procurement areas (SPAs), propagated and were planted in the reforestation areas. Endemic wildlings and seeds were also gathered in areas for mass production. Likewise, maintenance of the 5-hectare		

		Bamboo Plantation was also implemented. A target of 3,000 bamboo propagules was 100% accomplished.		
	**Green Purchasing and Recycling**	Under PMC's Supply Chain Manual (SCM.PRO.14.00), the life cycle environmental impact is considered in all purchasing decisions, when appropriate. The Company implements Green Purchasing (SCM.PRO.14.00) in which it requires chemical compositions and product testing of materials delivered. In addition, the Company operates two megastructure tailings thickeners in its mill, which re-circulate back the water to the plant as process water while feeding the underflow into the tailings storage pond (Tailings Storage Facility or TSF) through a 2.7-km long pipeline. PMC also installed a tailings cyclone to increase the percentage of water recovery.		
	Human Resources policy of PMC	The Company employs 143 female employees in its Corporate Office and Padcal Mining Site. In addition, it also has 1,143 employees from indigenous communities and/or vulnerable sector, who comprise 59% of its total workforce in 2022.		

10 REDUCED INEQUALITIES				
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS		PMC adopts best practices and standards such as: • Toward Sustainable Mining (TSM) Initiative in partnership with the Mining Association of Canada and the Chamber of Mines of the Philippines • Global Reporting Initiative (GRI) guidelines • Environmental, Social, Governance (ESG) Reporting guidelines • ISO 26000 Guidance on Corporate Social Responsibility • Sustainability Reporting • Corporate Governance In addition, the Company constantly engages concerned parties and educates the public and local government units.	Acts of terrorism and insurgency threats	To prevent a repeat of a 2017 terrorism incident, which affected the transport of ore from the Padcal mine site to the Poro Port installation for shipment, the Company has increased vigilance among residents within the camp and coordinated with various groups to identify and deter possible threats.

PHILEX MINING CORPORATION

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 financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, 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 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 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

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING & QUALITY ASSURANCE DIVISION
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APR 12 2023
Amy J

EULALIO 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	TIN 914-481-801-000
Eulalio B. Austin, Jr.	TIN 131-691-825-000
Romeo B. Bachoco	TIN 908-524-883-000

Notary Public
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
IBP No. 273436; 01/06/23; Pasig City- Manila III Chapter
Roll of Attorneys No. 62424

Doc. No. 436
Page No. 89
Book No. II
Series of 2023

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APR 12 2023

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

10044

COMPANY NAME

PHILEX MINING CORPORATION

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

2nd floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRM	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
philex@philexmining.com.ph	(632) 8631-1381	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
43,901	07/15	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Romeo B. Bachoco	rbbachoco@philexmining.com.ph	(632) 8631-1381	N/A

CONTACT PERSON's ADDRESS

2nd floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
Philex Mining Corporation
2nd floor LaunchPad,
Reliance Street corner Sheridan Street
Mandaluyong City, Metro Manila

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Philex Mining Corporation (the Parent Company) which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the parent company financial statements.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the parent company financial statements, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the parent company financial statements, management is responsible for assessing the Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 32 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philex Mining Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

AZ Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-129-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9566023, January 3, 2023, Makati City

February 23, 2023

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PHILEX MINING CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands, Except Par Value Per Share)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱1,355,972**	₱2,786,966
Receivables (Note 5)	**572,928**	460,850
Advances to related parties (Note 23)	**3,672,863**	2,527,044
Inventories (Note 6)	**1,151,032**	1,926,406
Other current assets (Note 7)	**691,470**	373,966
Total Current Assets	**7,444,265**	8,075,232
Noncurrent Assets		
Property, plant and equipment - net (Note 8)	**2,640,120**	3,342,830
Deferred exploration costs and other noncurrent assets (Notes 1 and 11)	**2,144,169**	2,130,775
Financial assets measured at fair value through other comprehensive income (FVOCI) (Note 9)	**145,207**	125,212
Investments in subsidiaries - net (Note 9)	**17,633,091**	12,396,164
Investment in associates - net (Note 10)	**3,605,677**	3,632,480
Pension assets - net (Note 18)	**345,356**	357,203
Total Noncurrent Assets	**26,513,620**	21,984,664
TOTAL ASSETS	**₱33,957,885**	₱30,059,896
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Note 12)	**₱1,282,365**	₱1,172,977
Accounts payable and accrued liabilities (Notes 13 and 29)	**2,577,218**	2,505,000
Subscription payable (Note 10)	**2,767**	2,767
Dividends payable (Note 25)	**343,346**	452,413
Income tax payable (Note 24)	**124,351**	181,243
Total Current Liabilities	**4,330,047**	4,314,400
Noncurrent Liabilities		
Deferred tax liabilities - net (Note 24)	**188,852**	406,853
Provision for mine rehabilitation costs (Note 8)	**–**	15,154
Total Noncurrent Liabilities	**188,852**	422,007
Total Liabilities	**4,518,899**	4,736,407
Equity		
Capital stock - ₱1 par value (Note 25)	**5,782,399**	4,940,399
Additional paid-in capital (Note 25)	**2,897,132**	1,138,225
Retained earnings (Note 25)		
Unappropriated	**10,204,584**	8,727,546
Appropriated	**10,500,000**	10,500,000
Net unrealized gain on financial assets measured at FVOCI and derivative (Notes 9 and 13)	**54,871**	17,319
Total Equity	**29,438,986**	25,323,489
TOTAL LIABILITIES AND EQUITY	**₱33,957,885**	₱30,059,896

See accompanying Notes to Parent Company Financial Statements.

PHILEX MINING CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(Amounts in Thousands)

	Years Ended December 31	
	2022	2021
REVENUE (Note 14)	**₱9,261,576**	₱9,796,531
COSTS AND EXPENSES (Note 15)		
Production costs	**4,864,929**	4,488,273
Depletion, depreciation and amortization	**1,413,250**	1,217,736
Excise taxes and royalties	**591,905**	639,281
General and administrative expenses	**249,640**	252,931
	7,119,722	6,598,221
OTHER (CHARGES) INCOME-NET		
Share in net loss of an associate (Note 10)	**(26,804)**	(528,848)
Reversal of (provision for) impairment losses - net of other provisions and reversals (Notes 6, 8 and 29)	**(374,000)**	272,241
Interest expense (Notes 8 and 12)	**(49,615)**	(50,047)
Foreign exchange gains (losses) - net (Note 20)	**107,298**	(29,673)
Interest income (Note 4)	**423,268**	1,712
Others - net	**(2,211)**	(78,875)
	77,936	(413,490)
INCOME BEFORE INCOME TAX	**2,219,790**	2,784,820
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)		
Current	**715,141**	559,479
Deferred	**(218,348)**	(203,531)
	496,793	355,948
NET INCOME	**₱1,722,997**	₱2,428,872

See accompanying Notes to Parent Company Financial Statements.

PHILEX MINING CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31	
	2022	2021
NET INCOME	**₱1,722,997**	₱2,428,872
OTHER COMPREHENSIVE INCOME		
Item to be reclassified to profit or loss in subsequent periods:		
Loss on fair value of derivatives (Note 20)	**(6,492)**	(24,048)
Items not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gains on defined benefit plans (Note 18)	**1,340**	70,529
Unrealized gain (loss) on financial assets measured at FVOCI - net of related deferred income tax (Note 9)	**19,995**	9,508
Income tax effect	**(335)**	(1,875)
TOTAL OTHER COMPREHENSIVE INCOME	**14,508**	54,114
TOTAL COMPREHENSIVE INCOME	**₱1,737,505**	₱2,482,986

See accompanying Notes to Parent Company Financial Statements.

PHILEX MINING CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Thousands)

	Capital Stock (Note 25)	Additional Paid-in Capital	Retained Earnings (Note 25) Unappropriated	Retained Earnings (Note 25) Appropriated	Net unrealized gain on financial assets measured at FVOCI and derivative (Notes 9 and 13)	Total
BALANCES AT DECEMBER 31, 2020	₱4,940,399	₱1,138,225	₱6,521,503	₱10,500,000	₱31,859	₱23,131,986
Net income	–	–	2,428,872	–	–	2,428,872
Other comprehensive income:						
Item to be reclassified to profit or loss in subsequent periods:						
Loss on fair value of derivatives (Note 20)	–	–	–	–	(24,048)	(24,048)
Items not to be reclassified to profit or loss in subsequent periods:						
Unrealized gain on financial assets measured at FVOCI - net of related deferred income tax (Note 9)	–	–	–	–	9,508	9,508
Effect of changes in tax rates due to CREATE Law	–	–	15,757	–	–	15,757
Remeasurement of pension asset - net of tax (Note 18)	–	–	52,897	–	–	52,897
Total comprehensive income	–	–	2,497,526	–	(14,540)	2,482,986
Declarations of dividends (Note 25)	–	–	(291,483)	–	–	(291,483)
BALANCES AT DECEMBER 31, 2021	₱4,940,399	₱1,138,225	₱8,727,546	₱10,500,000	₱17,319	₱25,323,489

See accompanying Notes to Parent Company Financial Statements

	Capital Stock (Note 25)	Additional Paid-in Capital	Retained Earnings (Note 25) Unappropriated	Retained Earnings (Note 25) Appropriated	Net unrealized gain on financial assets measured at FVOCI and derivative (Notes 9 and 13)	Total
BALANCES AT DECEMBER 31, 2021	₱4,940,399	₱1,138,225	₱8,727,546	₱10,500,000	₱17,319	₱25,323,489
Net income	–	–	1,722,997	–	–	1,722,997
Other comprehensive income:						
Item to be reclassified to profit or loss in subsequent periods:						
Loss on fair value of derivatives (Note 20)	–	–	–	–	17,557	17,557
Items not to be reclassified to profit or loss in subsequent periods:						
Unrealized gain on financial assets measured at FVOCI, net of related deferred income tax (Note 9)	–	–	–	–	19,995	19,995
Remeasurement of pension asset - net of tax (Note 18)	–	–	1,005	–	–	1,005
Total comprehensive income	–	–	1,724,002	–	37,552	1,778,873
Issuance of shares	842,000	1,758,907	–	–	–	2,600,907
Declarations of dividends (Note 25)	–	–	(247,000)	–	–	(247,000)
BALANCES AT DECEMBER 31, 2022	₱5,782,399	₱2,897,132	₱10,204,584	₱10,500,000	₱54,871	₱29,438,986

See accompanying Notes to Parent Company Financial Statements

PHILEX MINING CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱2,219,790**	₱2,784,820
Adjustments for:		
Depletion, depreciation and amortization (Note 17)	**1,428,200**	1,232,532
Share in net loss of associates (Note 10)	**26,804**	528,848
Provision for (reversal of) impairment losses - net		
Impairment losses on deferred exploration costs, property, plant and equipment and other assets - net (Notes 6, 8 and 29)	**374,000**	(272,241)
Unrealized foreign exchange (gains) losses and others - net	**75,014**	72,562
Interest expense (Notes 8 and 12)	**49,615**	50,047
Pension Assets (Note 18)	**11,847**	28,368
Interest income (Note 4)	**(423,268)**	(1,712)
Operating income before working capital changes	**3,762,002**	4,423,224
Decrease (increase) in:		
Inventories	**775,375**	(616,098)
Other current assets	**(317,504)**	103,760
Receivables	**(112,078)**	(96,999)
Increase in accounts payable and accrued liabilities	**72,218**	443,927
Cash generated from operations	**4,180,013**	4,257,814
Income taxes paid	**(715,141)**	(452,536)
Interest paid	**(49,615)**	(50,543)
Interest received	**423,268**	1,712
Net cash flows generated from operating activities	**3,838,525**	3,756,447
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment (Note 8)	**(1,015,629)**	(926,761)
Advances to a related party (Note 23)	**(1,145,819)**	(199,909)
Investment in subsidiaries	**(5,230,753)**	–
Investment in associate: payment of subscription receivable (Note 10)	**–**	(121,114)
Deferred exploration costs and other noncurrent assets (Notes 11 and 29)	**(13,394)**	(5,300)
Net cash flows used in investing activities	**(7,405,595)**	(1,253,084)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares (Note 30)	**2,583,182**	–
Payments of:		
Short-term loans (Note 30)	**–**	(387,180)
Dividends (Note 30)	**(356,067)**	(392,680)
Net cash flows generated in financing activities	**2,227,115**	(779,860)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(91,039)**	(581)
NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS	**(1,430,994)**	1,722,922
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,786,966**	1,064,044
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,355,972**	₱2,786,966

See accompanying Notes to Parent Company Financial Statements.

PHILEX MINING CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS
(Amounts in Thousands, Except Amounts Per Unit, Share Price and Number of Shares)

1. Corporate Information, Status of Business Operations, and Authorization for Issuance of the Parent Company's Financial Statements

Corporate Information

Philex Mining Corporation (PMC; the Ultimate Parent Company) was incorporated on July 19, 1955 in the Philippines and is listed in the Philippine Stock Exchange on November 23, 1956. The Parent Company's Philippine Securities and Exchange Commission (SEC) registration was renewed on July 23, 2004 after reaching 50 years corporate life. The Parent Company, Philex Gold Philippines, Inc. (PGPI, a wholly-owned subsidiary incorporated in the Philippines), Lascogon Mining Corporation (LMC, a subsidiary of PGPI and incorporated in the Philippines), and Silangan Mindanao Exploration Co., Inc. (SMECI, a wholly-owned subsidiary directly by the Parent Company and incorporated in the Philippines) and its subsidiary, Silangan Mindanao Mining Co. Inc. (SMMCI, a wholly-owned subsidiary directly by the Parent Company and through SMECI, and incorporated in the Philippines) are all primarily engaged in large-scale exploration, development and utilization of mineral resources. The Parent Company operates the Padcal Mine in Benguet. PGPI operated the Bulawan Mine in Negros Occidental until the second quarter of 2002. Because of low metal prices prevailing at the time, Bulawan Mine was decommissioned and has since been kept under care and maintenance. LMC is under exploration stage and is located in Taganaan, Surigao del Norte. SMMCI owns the Silangan Project covering the Boyongan and Bayugo deposits.

The Parent Company's registered business address is 2nd floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila.

Status of Business Operations

Padcal Mine Operations

The Parent Company has the Padcal Mine as its main source of revenue. The Padcal Mine produces copper concentrates containing gold, gold bullion, copper and silver.

The Parent Company continues to explore various globally-accepted mining practices and employ engineering interventions as well as operational efficiency improvements as the challenges of operating the mature Padcal Mine persist.

The Parent Company continues to look for sources of funding to complete the funding requirement for the development of its Silangan Project.

On June 25, 2021, the Padcal Mine life has been extended for two (2) years, extending its life until December 31, 2024. Further, on December 7, 2022, the life of Padcal Mine has been extended for another three (3) years up to December 31, 2027. The extensions on the mine life were due to additional reserves from mineral resources delineated around the current mining level and from the completion of confirmatory drillings on the ore body and technical studies on the mining methodology that led to the confirmation of additional mineable reserves.

In light of the Coronavirus Disease 2019 (COVID-19) pandemic that started in March 2020, the Company's Padcal mine site, which is allowed to remain operational under all community quarantine categories, continues to function in strict compliance with the applicable government mandated operating guidelines to prevent the spread of the virus.

In August 2022, the Parent Company completed the stock rights offering (SRO) as part of the funding plan for the financing of the development of the Silangan Project under SMMCI. The net proceeds of the SRO was invested as equity in SMMCI through SMECI in October 2022.

Recovery of Deferred Exploration Costs

The Parent Company's ability to realize its deferred exploration costs with carrying value amounting to ₱2,137,624 and ₱2,124,230 as at December 31, 2022 and 2021, respectively (see Note 11), depends on the success of exploration and development work in proving the viability of its mining properties to produce minerals in commercial quantities, and the success of converting the Parent Company's Exploration Permits (EPs) or Application for Production Sharing Agreements to new mineral agreements, which cannot be determined at this time. The financial statements do not include any adjustment that might result from these uncertainties.

Authorization for Issuance of the Parent Company Financial Statements

The parent company financial statements were authorized for issuance by the Board of Directors (BOD) on February 23, 2023.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Parent Company:

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021 and its impact,* which provides relief to lessees from applying PFRS 16 requirement on lease modifications to rent concessions as a direct consequence of COVID-19 pandemic for any reduction in lease payments originally due on or before June 30, 2022. The amendments are effective on April 1, 2021.
- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2,* which provide temporary reliefs which address the financial reporting effects of interbank offered rate with an alternative nearly risk-free interest rate. The amendments are effective as at January 1, 2021.

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standard, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as a Current or Non-current*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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

Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition, and that are subject to insignificant risk of change in value.

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

Embedded Derivatives
An embedded derivative in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVTPL
Trade receivables subject to provisional pricing are measured at FVTPL, with subsequent changes in fair value recognized in the statements of income and other comprehensive income each period until final settlement.

Included under this category are the Parent Company's trade receivables.

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Parent Company. The Parent Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The details of these conditions are outlined below.

Business model assessment
The Parent Company determined the business model at the level that best reflects how the Parent Company manages its financial assets to achieve business objective.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from original expectations, the Parent Company do not change the classification of the remaining financial assets held in that business model,but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test
The Parent Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Parent Company apply judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial assets is required to be measured at FVTPL.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at amortized cost include cash in banks, short-term deposits and advances to a related party.

Hedging
The Parent Company applied hedge accounting prospectively. All of the Parent Company's existing hedging relationships were eligible to be treated as continuing hedging relationships. The Parent Company designates only the spot element of forward contracts as hedging instrument. The forward element is recognized in OCI.

Gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables net of directly attributable transaction costs.

This category includes the Parent Company's accounts payables, accrued liabilities, short-term loans and dividend payable.

Subsequent measurement
After initial recognition, payables are subsequently measured at amortized cost using the EIR method.

Impairment of Financial Assets
The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual

cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For other receivables (not subject to provisional pricing) due in less than 12 months, the Parent Company applies the simplified approach in calculating ECLs, as permitted by PFRS 9. Therefore, the Parent Company does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Parent Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortized cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Parent Company's historical experience and informed credit assessment including forward-looking information.

The Parent Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Parent Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to third party under a "pass-through" arrangement; or
- the Parent Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Parent Company's continuing involvement is the amount of the transferred asset that the Parent Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Parent Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability.

Inventories

Mine products inventory, which consist of copper concentrates containing copper, gold and silver, are stated at NRV. Materials and supplies are valued at the lower of cost and NRV.

NRV for mine products is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at the parent company statement of financial position date.

Costs of materials and supplies comprise all costs of purchase and other costs incurred in bringing the materials and supplies to their present location and condition. The purchase cost is determined on a moving average basis.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Tax Credit Certificates (TCCs)
TCCs are input VAT that can be utilized as payment for income taxes provided, they are properly supported and approved by the Bureau of Internal Revenue subject to the rules in Philippine income taxation. TCCs are expected to be utilized as payment for income taxes within 12 months and are classified as current assets.

Deferred Input VAT
Deferred input VAT represents input VAT on purchase of capital goods exceeding one (1) million pesos. The related input VAT is recognized over five (5) years or the useful life of the capital goods, for the month whichever is shorter. The recognition of deferred input VAT over five years, however, is allowed only until December 31, 2021 as provided under Revenue Memorandum Circular (RMC) No. 21-2022 issued on December 9, 2021. The RMC further provides that the unutilized deferred input VAT as of December 31, 2021 can still be applied until fully utilized.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depletion and depreciation and accumulated impairment in value, if any. Land is stated at cost less any accumulated impairment in value.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property, plant and equipment item and restoring the site on which it is located to the extent that the Parent Company had recognized the obligation to that cost. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Parent Company recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the Parent Company statement of income as incurred.

When assets are sold or retired, the cost and related accumulated depletion and depreciation, and accumulated impairment in value are removed from the accounts and any resulting gain or loss is recognized in the Parent Company statement of income.

Construction in-progress (CIP), included in property and equipment, is stated at cost. CIP is not depreciated until such time the relevant assets are completed and become available for use.

Depletion or amortization of mine and mining properties is calculated using the units-of-production method based on estimated recoverable reserves. Depreciation of other items of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

	No. of Years
Buildings	10 to 40
Building improvements	5 to 10
Machinery and equipment	2 to 20
Surface structures	10

Depreciation or depletion of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or depletion ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated recoverable reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depletion and depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

Property, plant and equipment also include the estimated costs of rehabilitating the Padcal Mine, for which the Parent Company is constructively liable. These costs, included under land, buildings and improvements, are amortized using the units-of-production method based on the estimated recoverable mine reserves until the Parent Company actually incurs these costs in the future.

Level and block development (included as part of mine and mining properties) and construction in progress are stated at cost, which includes the cost of construction, plant and equipment, other direct costs and borrowing costs, if any. Block development and construction in progress are not depleted or amortized until such time as these are completed and become available for use.

Deferred Exploration Costs

Expenditures for exploration works on mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource) are deferred as incurred and included under "Deferred exploration costs and other noncurrent assets" account in the parent company statement of financial position. If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures and subsequent development costs are capitalized as part of the mine and mining properties account classified under property, plant and equipment.

A valuation allowance is provided for unrecoverable deferred exploration costs based on the Parent Company's assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or when the project is abandoned, the deferred exploration costs associated with the project and the related impairment provisions are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Investments in Subsidiaries

Subsidiaries are entities over which the Parent Company exhibits control. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

The Parent Company's subsidiaries and their respective nature of business are as follows:

Subsidiaries	Nature of Business
PGPI	Incorporated in the Philippines on August 9, 1996 as a wholly owned subsidiary of PGI and became a wholly owned subsidiary of PGHI on April 27, 2010. In 2015, PGPI was acquired and 100% owned by the Parent Company. PGPI was primarily engaged in the operation of the Bulawan mine and the development of the Sibutad Project both on care and maintenance status since 2002. PGPI currently owns 98.9% of the outstanding shares of LMC.
LMC	Incorporated in the Philippines on October 20, 2005 to engage in exploration, development and utilization of mineral resources, particularly the Lascogon Project in Surigao.
SMECI	Incorporated in the Philippines on October 12, 1999 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources; currently the holding company of SMMCI.

(Forward)

Subsidiaries	Nature of Business
SMMCI	Incorporated in the Philippines on January 4, 2000 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources, principally the Silangan Project.
Fidelity Stock Transfers, Inc. (FSTI)	Incorporated in the Philippines on December 28, 1981 to act as a stock transfer agent and/or registrar of client corporations. The company is currently in dormant status.
Philex Land, Inc. (PLI)	Incorporated in the Philippines on February 26, 2007 to own, use, develop, subdivide, sell, exchange, lease, and hold for investment or otherwise, real estate of all kinds including buildings, houses, apartments and other structures. The company is currently in liquidation. On March 9, 2021, the SEC approved the amendments of the Articles of Incorporation shortening its life until March 31, 2021.
Philex Gold Holdings, Inc. (PGHI)	Incorporated in the Philippines on August 28, 1996 to serve as an intermediary holding company through which its subsidiaries and the Parent Company conduct large-scale exploration, development and utilization of mineral resources. PGHI owned 100% of the outstanding shares of PGPI effective April 27, 2010. In 2015, PGHI sold 100% of its ownership in PGPI to the Parent Company.

The ownership of the Parent Company and subsidiaries over the foregoing companies in 2021 and 2020 are summarized as follows:

	Percentages of Ownership			
	2022		2021	
	Direct	**Indirect**	Direct	Indirect
PGHI	**100.0**	–	100.0	–
PGPI	**100.0**		100.0	
LMC	–	**98.9**	–	98.9
SMECI	**100.0**	–	100.0	–
SMMCI	–	**100.0**	–	100.0
FSTI	**100.0**	–	100.0	–
PLI	**100.0**	–	100.0	–

Investment in Associates

Associate in an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If an entity holds, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (e.g. through subsidiaries), less than 20% of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the entity and its investee;

- interchange of managerial personnel; or
- provision of essential technical information.

In addition, although there is a presumption that an investor that holds less than 20% of the voting power in an investee cannot exercise significant influence, where investments give rise to only slightly less than 20% careful judgment is needed to assess whether significant influence may still exist.

Impairment of Noncurrent Non-financial Assets

The Parent Company's noncurrent non-financial assets include property, plant and equipment, investments in share of stock, deferred exploration costs and other noncurrent assets. The Parent Company assesses at each reporting date whether there is indication that a noncurrent non-financial asset or cash-generating unit (CGU) may be impaired. If any indication exists, or when an annual impairment testing for such items is required, the Parent Company makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual item, unless such item does not generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU. Impairment losses of continuing operations are recognized in the parent company statement of income in the expense categories consistent with the function of the impaired asset.

An assessment is made at least on each parent company statement of financial position date as to whether there is indication that previously recognized impairment losses may no longer exist or may have decreased. If any indication exists, the recoverable amount is estimated and a previously recognized impairment loss is reversed only if there has been a change in the estimate in the assets or CGU's recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the item is increased to its new recoverable amount which cannot exceed the impairment loss recognized in prior years. Such reversal is recognized in the parent company statement of income unless the asset or CGU is carried at its revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining estimated useful life.

Mine Rehabilitation Costs

The Parent Company records the present value of estimated costs of legal and constructive obligations required to restore the mine site upon termination of the mine operations. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and settling ponds, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed or the ground or environment is disturbed at the mine site. When the liability is initially recognized, the present value of the estimated cost is capitalized as part of the carrying amount of the related mining assets.

Changes to estimated future costs are recognized in the parent company statement of financial position by either increasing or decreasing the rehabilitation liability and asset to which it relates if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16, *Property, Plant and Equipment.* Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Parent Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with PAS 36. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to expense.

For closed sites, changes to estimated costs are recognized immediately in profit or loss.

Capital Stock

Ordinary or common shares are classified as equity. The proceeds from the increase of ordinary or common shares are presented in equity as capital stock to the extent of the par value of issued shares and any excess of the proceeds over the par value of shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Dividends on Common Shares

Cash and property dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company. Stock dividends are treated as transfers from retained earnings to capital stock.

Dividends for the year that are approved after the parent company statement of financial position date are dealt with as an event after the parent company statement of financial position date.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

Revenue Recognition

Revenue is recognized when control passes to the customer, which occurs at a point in time when the ore concentrates is physically transferred onto a shipping vessel. The revenue is measured at the amount to which the Parent Company expects to be entitled, being estimate of the price expected using forward price, and a corresponding receivable is recognized.

Revenue from sale of mine products

Revenue from sale of mine products is measured based on shipment value price, which is based on quoted metal prices in the London Metals Exchange (LME) and London Bullion Metal Association (LBMA) and weight and assay content, as adjusted for smelting charges to reflect the NRV of mine products inventory at the end of the financial reporting period. Contract terms for the Parent Company's sale of metals (i.e., gold, silver and copper) in concentrates and bullion allow for a price adjustment based on final assay results of the metal content by the customer.

Provisional pricing adjustments

The terms of metal in copper concentrates sales contracts with third parties contain provisional arrangements whereby the selling price for the metal is based on prevailing spot prices on a specified future date after shipment to the customer (the quotation period). These provisional arrangements are considered embedded derivatives. Mark-to-market adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement, and such adjustments are recorded as part of revenue. The period between provisional invoicing and final settlement can be between one (1) and three (3) months. Depending on the arrangement with the buyer, initial payment could be ninety percent (90%) or 100% of the provisional shipment value is collected within a week from shipment date, while the remaining balance is collected upon determination of the final shipment value on final weight and assay for metal content and prices during the applicable quotational period less deduction for smelting charges. Provisional price adjustments are mark-to-market adjustments and not part of revenue from contracts with customers but are presented as other revenues.

Smelting charges
Contract terms on the sale of copper, gold and silver includes smelting charges deducted on the invoice price. Smelting charges are deducted from revenue to arrive at revenue from contracts with customers since smelting charges are considered as consideration payable to a customer in order to transform the unprocessed ore concentrates into its marketable form.

Interest income
Interest income is recognized as the interest accrues using the effective interest method.

<u>Cost and Expense Recognition</u>
Costs and expenses are recognized in the parent company statement of income in the year they are incurred. The following specific cost and expense recognition criteria must also be met before costs and expenses are recognized:

Production costs
Production costs, which include all direct materials, power and labor costs, handling, hauling and storage, and other costs related to the mining and milling operations, and all direct expenses incurred for logistics and store room costs for mine and mining inventories, are expensed as incurred.

Excise taxes and royalties
Excise taxes pertain to taxes paid or accrued by the Parent Company for its legal obligation arising from the production of copper concentrates. Also, the Parent Company is paying for royalties which are due to the claim owners of the land where the mine site operations were located. These excise taxes and royalties are expensed as incurred.

General and administrative expenses
General and administrative expenses constitute the costs of administering the business and are expensed as incurred.

<u>Retirement Costs</u>
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<u>Share-based Payments</u>

Certain officers and employees of the Parent Company receive additional remuneration in the form of share-based payments, whereby equity instruments (or "equity-settled transactions") are awarded in recognition of their services.

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation technique. Further details are given in Note 26.

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date up to and until the vesting date reflects the extent to which the vesting period has expired, as well as the Parent Company's best estimate of the number of equity instruments that will ultimately vest. The Parent Company's statements of income charge or credit for the period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Foreign-Currency-Denominated Transactions and Translations

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the parent company statement of financial position date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the parent company statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the profit or loss, any exchange component of that gain or loss shall be recognized in the parent company statement of income.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the parent company statement of financial position date.

Current income tax relating to items recognized directly in the statement of changes in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate

Deferred tax
Deferred tax is provided, using the balance sheet liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:
- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, excess MCIT and NOLCO can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off the current income tax assets against the current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions
Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Parent Company statements of income, net of any reimbursement. If the effect of the time value of money is

material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies
Contingent liabilities are not recognized in the Parent Company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the parent company statement of changes in equity) that are not recognized in the parent company statement of income for the year in accordance with PFRSs.

Events After the Reporting Period
Events after the end of reporting period that provide additional information about the Parent Company's position at the financial reporting date (adjusting events) are reflected in the Parent Company's financial statements. Events after the end of reporting period that are not adjusting events, if any, are disclosed when material to the financial statements.

3. Significant Judgments, Accounting Estimates and Assumption

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

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

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

Determination of the Parent Company's Functional Currency
The Parent Company, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Peso. It is the currency of the primary economic environment in which the Parent Company primarily operates.

Recognition of Deferred Tax Assets
The Parent Company reviews the carrying amounts at each statement of financial position date and adjusts the balance of deferred tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The

sufficiency of future taxable profits requires the use of assumptions, judgments and estimates, including future prices of metals, volume of inventories produced and sold, and amount of costs and expenses that are subjectively determined like depreciation. As at December 31, 2022 and 2021, deferred tax assets recognized in the Parent Company statements of financial position amounted to ₱162,130 and ₱150,370, respectively (see Note 24). As at December 31, 2022 and 2021, no deferred tax assets were recognized on deductible temporary differences amounting to ₱4,537,987 and ₱4,182,843, respectively, because management believes that it is not probable that future taxable income will be available to allow all or part of the benefit of the deferred tax assets to be utilized (see Note 24).

Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainties at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year follows:

Measurement of Mine Products Revenue
Mine products revenue is provisionally priced until or unless these are settled at pre-agreed future or past dates referred to as "quotational period," the prevailing average prices at which time become the basis of the final price. Revenue on mine products is initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotational period. Total revenue amounted to ₱9,261,576 and ₱9,796,531 in 2022 and 2021, respectively (see Note 14).

Provision for expected credit losses on advances to a related party
The Parent Company uses the general approach model in the calculation of its ECL. An assessment of the ECL relating to advances to a related party is undertaken upon initial recognition and each financial year by examining the financial position of the related party and the market in which the related party operates applying the general approach of the ECL impairment model of PFRS 9. The general approach of the ECL impairment model involves exercise of significant judgment. Key areas of judgment include defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; debtor's capacity to pay and incorporating forward-looking information in calculating ECL. Total carrying value of other receivables and advances to a related party amounted to ₱3,772,402 and ₱2,603,826 as at December 31, 2022 and 2021, respectively (see Notes 5 and 23).

Valuation of Financial Instruments
The Parent Company carries certain financial assets and financial liabilities (i.e., quoted and unquoted shares) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (e.g., quoted equity prices), the amount of changes in fair value would differ if the Parent Company utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities is recognized in the statements of income and in the statements of comprehensive income.

The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in Note 19.

Valuation of Financial Assets measured at FVOCI
Fair value measurement requires the use of accounting estimates and judgment. At initial recognition, the fair value of quoted financial assets measured at FVOCI is based on its quoted price in an active

market, while the fair value of unquoted financial assets measured at FVOCI is based on the latest available transaction price. The amount of changes in fair value would differ if the Parent Company utilized a different valuation methodology.

Changes in fair value of its financial assets measured at FVOCI is recognized in the statements of comprehensive income with no recycling to profit or loss, cumulative changes in the fair value of the financial asset is closed to retained earnings upon disposal. The Parent Company has net cumulative unrealized gain or loss on its financial assets measured at FVOCI amounting to a gain of ₱61,362 and ₱41,367 in December 31, 2022 and 2021, respectively. The carrying value of the Parent Company's financial assets measured at FVOCI amounted to ₱145,207 and ₱125,212 as at December 31, 2022 and 2021, respectively (see Note 9).

Measurement of NRV of Mine Products Inventory
The NRV of mine products inventory is the estimated sales value less costs to sell, which can be derived from such inventory based on its weight and assay for metal content, and the LME and LBMA for prices, which also represents an active market for the product. Changes in weight and assay for metal content as well as the applicable prices as the mine products inventory are eventually shipped and sold are accounted for and accordingly adjusted in revenue. The NRV of mine products inventory amounted to ₱709,754 and ₱1,263,701 as at December 31, 2022 and 2021, respectively, which were also reflected as part of mine products revenue for the years then ended (see Note 6).

Write-down of Carrying Values of Materials and Supplies Inventories
The Parent Company carries material and supplies inventories at NRV when such value is lower than cost due to damage, physical deterioration, obsolescence or other causes. When it is evident that the NRV is lower than its cost based on physical appearance and condition of inventories, an allowance for inventory obsolescence is provided. The carrying value of materials and supplies inventories amounted to ₱441,278 and ₱662,705 net of provision for impairment loss of ₱107,135 and ₱51,168 as at December 31, 2022 and 2022, respectively (see Note 6).

Impairment of Mine and Mining Properties
The Parent Company assesses, at each reporting date, whether there is an indication that mine and mining properties may be impaired. If any indication exists, or when annual impairment testing for mine and mining properties is required, the Parent Company estimates the mine and mining and properties' recoverable amount. An asset's recoverable amount is the higher of asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Assessments require the use of estimates and assumptions such as future cash flows, discount rates, estimated ore reserves, forecasted metal prices, and production quantities. In assessing value in use, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversal of impairment loss amounted to nil and ₱699,241 as at December 31, 2022 and 2021. The carrying value of mine and mining properties amounted to ₱1,291,861 and ₱1,866,652 as at December 31, 2022 and 2021, respectively (see Note 8).

Estimation of Useful Lives of Property, Plant and Equipment
The Parent Company estimates the useful lives of depreciable property, plant and equipment, except for land and mine and mining properties, based on internal technical evaluation and experience. These estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the

use of the assets. For mine and mining properties which were depleted based on units-of-production method, the Parent Company estimates and periodically reviews the remaining recoverable reserves to ensure that remaining reserves are reflective of the current condition of the mine and mining properties.

The estimated useful lives of the Parent Company's property, plant and equipment are disclosed in Note 2 to the parent company financial statements.

As at December 31, 2022 and 2021, carrying value of property, plant and equipment amounted to ₱2,640,120 and ₱3,342,830, net of accumulated depreciation, depletion and impairment amounting to ₱21,585,498 and ₱19,911,589, respectively (see Note 8).

Estimation of Ore Reserves
Ore reserves were determined using various factors such as market price of metals and production costs among others. These are economically mineable reserves based on the current market condition and concentration of mineral resource. Reserves are key inputs to depletion, amortization and decommissioning provisions. On June 25, 2021, the Padcal Mine life has been extended for another two (2) years, extending its life until December 31, 2024. Further, on December 7, 2022, the life of Padcal Mine has been extended for another three (3) years up to December 31, 2027. The extensions on the mine life were due to additional reserves from mineral resources delineated around the current mining level and from the completion of confirmatory drillings on the ore body and technical studies on the mining methodology that led to the confirmation of additional mineable reserves.

As at December 31, 2022 and 2021, the carrying value of the mine and mining properties amounted to ₱1,291,862 and ₱1,866,652, respectively, net of related accumulated depletion and impairment amounting to ₱16,308,745 and ₱15,193,292, respectively (see Note 8).

Estimation of Provision for Mine Rehabilitation Costs
The Parent Company recognized a liability relating to the estimated costs of mine rehabilitation. The Parent Company assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates.

Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at each end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the parent company statements of financial position by adjusting the rehabilitation asset and liability. If the net rehabilitation provisions of revised mine assets for mature mines exceed the carrying value, that portion of the increase is charged directly to the Parent Company statements of income. For closed sites, changes to estimated costs are recognized immediately in the parent company statements of income. Provision for mine rehabilitation costs amounted to nil and ₱15,154 as at December 31, 2022 and 2021, respectively (see Note 11).

Impairment of Deferred Exploration Costs
The Parent Company reviews the carrying values of its deferred exploration costs whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. The ability of the Parent Company to recover its deferred exploration costs would depend on the commercial viability of the reserves.

An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. No impairment loss was recognized in 2022 and 2021. Deferred exploration costs amounted to ₱2,137,624 and ₱2,124,230 as at December 31, 2022 and 2021, respectively (see Note 11).

Impairment of Non-financial Assets
The Parent Company's non-financial assets include input tax recoverable, property, plant and equipment, investments in subsidiaries, investment in associates, pension assets, and other noncurrent assets. The Parent Company assesses whether there are indications of impairment on its current and noncurrent non-financial assets, at least on an annual basis. If there is objective evidence, an impairment testing is performed.

This requires an estimation of the value in use of the CGUs to which the assets belong. Assessments require the use of estimates and assumptions such as VAT disallowance rate, long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. In assessing value in use, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. No impairment losses were recognized in 2022 and 2021, respectively. As at December 31, 2022 and 2021, the carrying value of non-financial assets amounted to ₱24,007,986 and ₱20,384,804, respectively (see Notes 7, 8, 9, 10, 11 and 18).

Provisions for Losses
The Parent Company provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at statement of financial position date, net of any estimated amount that may be reimbursed to the Parent Company. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information (see Note 29).

Estimation of Retirement Costs
The Parent Company's net retirement costs are actuarially computed using certain assumptions with respect to future annual salary increases and discount rates per annum, among others. The Parent Company's net excess retirement plan asset amounted to ₱345,356 and ₱357,203 as at December 31, 2022 and 2021, respectively (see Note 18). The related net retirement expense amounted to ₱13,234 and ₱28,368 for December 31, 2022 and 2021, respectively (see Note 16).

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2022	2021
Cash on hand	**₱809**	₱809
Cash with banks	**615,795**	1,294,197
Short-term deposits	**739,368**	1,491,960
	₱1,355,972	₱2,786,966

Cash with banks and short-term deposits earn interest at bank deposit rates. Short-term deposits are made for varying periods, usually of up to three months depending on the cash requirements of the Parent Company. Interest income earned from cash with banks and short-term deposits amounted to ₱25,044 and ₱1,712 in 2022 and 2021, respectively.

The Parent Company has US dollar (US$) accounts and short-term deposits in various banks amounting to US$12,760 and US$17,822 as at December 31, 2022 and 2021, respectively (see Note 22).

5. Receivables

Receivables consist of:

	2022	2021
Trade	₱442,704	₱384,068
Others	130,224	76,782
	₱572,928	₱460,850

The Parent Company's trade receivables consist of receivables arising from shipments of copper concentrates to Trafigura Pte. Ltd. (Trafigura).

Trade receivables are initially paid based on 90% of their provisional value, currently within one week before shipment date. The 10% final balance does not bear any interest until final settlement, which usually takes around three months from shipment date. The Parent Company has US dollar (US$) accounts receivable amounting to US$7,940 and US$7,484 as at December 31, 2022 and 2021, respectively (see Note 22).

In March 2022, the Parent Company granted loans to its associate, PXP Energy Corporation (PXP), where The Parent Company owns 30.4% interest, through the issuance of Promissory Notes (PNs). Under the PNs, total loans to PXP amounted to ₱30,684 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.

Other receivables include advances to employees, and other non-trade receivables. These advances are noninterest bearing cash advances for business-related expenditures that are subject to liquidation. Other non-trade receivables are non-interest bearing and are generally collectible on demand.

As at December 31, 2022 and 2021, the Parent Company has embedded derivatives, which is represented by price exposure relative to its provisionally priced commodity sales contracts. Mark-to-market gains and losses from open or provisionally priced sales are recognized through adjustments to revenue in the statements of income and to trade receivables in the parent company statements of financial position. The Parent Company determines mark-to-market prices using the forward price for quotational periods after the statements of financial position date stipulated in the contract. Open or provisionally priced commodity sales contract amounted to ₱2,707,535 and ₱3,569,085 as at December 31, 2022 and 2021, respectively. Fair value adjustments for these open or provisionally priced sales contract at yearend amounted to net gain of ₱144,928 and ₱79,125 in 2022 and 2021, respectively, which was included under revenue and adjusted against receivables.

6. Inventories

Inventories consist of:

	2022	2021
Mine products - at NRV	₱709,754	₱1,263,701
Materials and supplies at cost	548,413	713,873
	1,258,167	1,977,574
Less allowance for inventory obsolescence	107,135	51,168
	₱1,151,032	₱1,926,406

As at December 31, 2022 and 2021, the NRV of materials and supplies inventories amounted to ₱441,335 and ₱662,706, respectively.

Provision for inventory losses amounting to ₱84,000 and ₱33,000 was recognized in 2022 and 2021, respectively, and included in "Reversal of impairment losses - net of other provisions and reversals" in the parent company statements of income.

The allowance for inventory obsolescence amounted to ₱107,135 and ₱51,168 as at December 31, 2022 and December 31, 2021, respectively.

Materials and supplies recognized as expense amounted to ₱1,787,617 and ₱1,730,166 for the years ended December 31, 2022 and 2021, respectively (see Note 15).

7. Other Current Assets

Other current assets consist of:

	2022	2021
Input tax recoverable	₱646,280	₱269,442
Prepaid expenses and others	45,190	104,524
	₱691,470	₱373,966

Based on the 2022 issued guidelines on VAT zero-rating which retroacts to December 10, 2021, all purchases of goods and services by the Parent Company shall be subject to 12% VAT but can still be refunded to the Parent Company, being an exporter, by the Bureau of Internal Revenue for VAT on local purchases and by Bureau of Customs for VAT on importations.

There was no allowance for impairment losses on input tax as at December 31, 2022 and 2021.

8. Property, Plant and Equipment

Property, plant and equipment consist of:

	December 31, 2022					
	Mine and Mining Properties	Land, Buildings and Improvements	Machinery And Equipment	Surface Structures	Construction in Progress	Total
Cost:						
January 1	₱17,059,944	₱562,740	₱5,143,397	₱113,443	₱374,895	₱23,254,419
Additions	458,418	–	327,904	2,163	227,144	1,015,629
(Forward)						

	December 31, 2022					
	Mine and Mining Properties	Land, Buildings and Improvements	Machinery And Equipment	Surface Structures	Construction in Progress	Total
Disposals	₱–	₱–	(₱44,291)	₱–	(₱139)	(₱44,430)
Reclassifications	82,245	14	58,087	–	(140,346)	–
December 31	17,600,607	562,754	5,485,097	115,606	461,554	24,225,618
Accumulated Depletion, Depreciation and Impairment:						
January 1	15,193,292	342,451	4,272,190	103,656	–	19,911,589
Depletion and depreciation for the year (Notes 15 and 17)	825,453	25,593	572,701	4,453	–	1,428,200
Disposals	–	–	(44,291)	–	–	(44,291)
Additional impairment	290,000	–	–	–	–	290,000
December 31	16,308,745	368,044	4,800,600	108,109	–	21,585,498
Net Book Values	₱1,291,862	₱194,710	₱684,497	₱7,497	₱461,554	₱2,640,120

	December 31, 2021					
	Mine and Mining Properties	Land, Buildings and Improvements	Machinery And Equipment	Surface Structures	Construction in Progress	Total
Cost:						
January 1	₱16,482,797	₱562,609	₱5,024,154	₱108,573	₱296,848	₱22,474,981
Additions	577,147	131	266,566	4,870	78,047	926,761
Disposals	–	–	(147,323)	–	–	(147,323)
Reclassifications	–	–	–	–	–	–
December 31	17,059,944	562,740	5,143,397	113,443	374,895	23,254,419
Accumulated Depletion, Depreciation and Impairment:						
January 1	15,229,291	314,271	3,880,756	100,112	–	19,524,430
Depletion and depreciation for the year (Notes 15 and 17)	663,242	28,180	538,757	3,544	–	1,233,723
Disposals	–	–	(147,323)	–	–	(147,323)
Reversal of impairment	(699,241)	–	–	–	–	(699,241)
December 31	15,193,292	342,451	4,272,190	103,656	–	19,911,589
Net Book Values	₱1,866,652	₱220,289	₱871,207	₱9,787	₱374,895	₱3,342,830

Mine and mining properties as at December 31, 2022 and 2021 include mine development costs of the 908 Meter Level, 798 Meter Level, 782 Meter Level and 760 Meter Level project amounting to ₱9,795,971 and ₱9,409,909, respectively. The discovery of additional resources and extension of the Padcal Mine life until December 2027 was considered as a change in estimate and the effect on the amortization of the depletion costs was taken up prospectively.

Impairment loss and its subsequent reversal are presented under "Reversal of (provision for) impairment losses - net of other provisions, reversals and gain" in the statements of income. The Parent Company recognized provision for impairment loss amounting to ₱290,000 in 2022 from a specific portion of the Padcal Mine that is inaccessible. A reversal of previous impairment amounting to ₱699,241 in 2021 has been recognized as a result of the continuous favorable metal prices at that time. Accumulated impairment pertains to mine and mining properties,which amounted to ₱2,056,912 and ₱1,782,293 as of December 31, 2022 and 2021, respectively.

Total depreciation cost of machinery and equipment used in exploration projects amounting to nil and ₱1,191 in 2022 and 2021, respectively, are capitalized under deferred exploration costs, which relate to projects of Parent Company that are currently ongoing.

Land, buildings and improvements include the estimated costs of rehabilitating the Parent Company's Padcal Mine from 2027 up to 2034, discounted at a rate of 2.79%. Accretion of interest amounted to nil and ₱585 were recorded in 2022 and 2021, respectively.

The Parent Company's provision for mine rehabilitation costs amounted to nil and ₱15,154 as at December 31, 2022 and 2021, respectively.

9. Investments in Subsidiaries - net

The Parent Company's financial assets measured at FVOCI and AFS financial assets consist of quoted and unquoted investment in share of stock as of December 31, 2022 and 2021 as follows:

	2022	2021
Investment in quoted shares	**₱92,172**	₱72,177
Investment in unquoted shares	**53,035**	53,035
	₱145,207	₱125,212

The cumulative change in value of financial assets measured at FVOCI amounted to a ₱61,362 and ₱41,367 in December 31, 2022 and 2021, respectively. These changes in fair values have been recognized and shown as "Net unrealized gain on financial assets measured at FVOCI" account in the equity section of the statements of financial position and are also shown in the statements of comprehensive income.

The following table shows the movement of the "Net unrealized gain on financial assets measured at FVOCI" in 2022 and 2021 account:

	2022	2021
January 1	**₱41,367**	₱31,859
Increase (decrease) in fair value of financial assets measured at FVOCI	**19,995**	9,508
December 31	**₱61,362**	₱41,367

<u>Investments in Subsidiaries - net</u>

Investments in shares of stock of subsidiaries, which are accounted for under the cost method amounted to ₱17,633,091 and ₱12,396,164 as at December 31, 2022 and 2021, respectively, net of accumulated impairment losses amounting to ₱2,152,407 as of December 31, 2022 and 2021. The accumulated impairment loss pertains to Parent Company's investment in PGHI.

In October 2022, the Parent Company subscribed 75,787 common shares from SMECI for a total consideration of ₱2,579,638. The cost of the investment came from the net proceeds of the stock rights offering (SRO). (see Note 1)

In December 2022, the Parent Company made additional subscription of 101,471 common shares from SMECI amounting to ₱2,494,078.

The following are the summarized financial information of major subsidiaries as at and for the years ended December 31, 2022 and 2021:

	2022	2021
SMECI and its subsidiary:		
Total assets	₱17,016,528	₱14,697,470
Total liabilities	6,447,767	9,021,238
Net loss	10,016,528	609,393
PGPI:		
Total assets	₱469,811	₱479,307
Total liabilities	1,514,009	1,514,674
Net loss	8,831	16,345

10. Investment in Associates - net

Investment in associates consist of:

	2022	2021
Acquisition cost	₱4,814,941	₱4,814,941
Accumulated equity in net losses:		
Balances at January 1	833,174	304,326
Equity in net losses	26,803	528,848
Total	859,977	833,174
Balances at the end of the year	3,954,964	3,981,767
Less allowance for impairment loss	349,287	349,287
Investment in associates - net	₱3,605,677	₱3,632,480

Lepanto Consolidated Mining Company (Lepanto)

The Parent Company entered into a Joint Voting Agreement (the Agreement) with another Lepanto shareholder to jointly vote their share on all matters affecting their right on Lepanto. By virtue of the Agreement, the shareholding and board representation of the combined interest of the Parent Company and the other Lepanto shareholder resulted in significant influence over Lepanto. The Parent Company owns 3.27% of the total shares of Lepanto as at December 31, 2022 and 2021.

Lepanto is involved in the exploration and mining of gold, silver, copper, lead, zinc and all kinds of ores, metals, minerals, oil, gas and coal and their related by products. Lepanto is listed in the PSE. The Parent Company's interest in Lepanto is accounted for using the equity method on the financial statements.

Allowance for impairment loss on investment in Lepanto amounted to ₱349,287 as at December 31, 2022 and 2021, respectively.

The following table summarizes the financial information of Lepanto:

	2022*	2021
Current assets	**₱1,878,921**	₱2,103,767
Non-current assets	**14,350,547**	14,435,657
Current liabilities	**(3,419,316)**	(2,906,233)
Non-current liabilities	**(7,796,879)**	(8,145,347)
Equity	**₱5,013,273**	₱5,487,844

**Balances are based on unaudited September 30, 2022 interim financial statements submitted by Lepanto to PSE*

	2022	2021
Revenue	**₱1,290,748**	₱1,180,435
Cost and expenses	**(1,696,655)**	(1,487,007)
Finance costs	**(8,249)**	(8,409)
Other income	**43,939**	18,291
Loss before income tax	**(370,217)**	(296,690)
Provision for income tax	**(7,023)**	(1,599)
Loss for the year	**(₱377,240)**	(₱298,289)
Total comprehensive loss	**₱377,240**	₱298,289
Parent Company's share of loss for the year (annualized)	**₱16,425**	₱12,997

**Balances are based on unaudited September 30, 2022 interim financial statements submitted by Lepanto to PSE*

PXP

The Parent Company declared its shares of stock in PXP as property dividends to its shareholders on March 15, 2016 record date at a ratio of 17 shares for every 100 shares held. The dividend declaration was approved by the Philippine Securities and Exchange Commission (SEC) on June 22, 2016. The Parent Company ceased to have control over PXP on July 15, 2016 (see Note 23).

On October 26, 2018, PXP, PMC, and Dennison Holdings Corp. (DHC) signed a subscription agreement wherein PMC and DHC will subscribe to 260 million and 340 million common shares of PXP, respectively, for a total consideration of ₱3,081,000 and ₱4,029,000, respectively.

On December 27, 2018, PMC paid the 25% downpayment of ₱770,250 million. As a result of the transaction, PMC's total ownership interest in PXP increased from 19.76% to 30.40% as at December 31, 2018. The 75% balance of subscription payable to PXP amounting to ₱2,310,750 is included in the subscription payable of the Parent Company totaling ₱2,312,981 as at December 31, 2018.

On January 7, 2019, DHC paid an initial downpayment of ₱40,290, with the remaining balance due on March 31, 2019. However, DHC failed to pay the remaining balance, thereby forfeiting its downpayment in favor of PXP.

In 2019, PMC paid subscription payable to PXP amounting to ₱1,386,450 and ₱740,000 on February 11, 2019 and December 31, 2019, respectively. The balance of subscription payable in relation to the subscription agreement with PXP amounted to ₱184,300 as at December 31, 2019.

In 2020, PMC paid subscription payable to PXP amounting to ₱19,700, ₱21,864, and ₱21,622 on July 29, 2020, October 31, 2020, and December 17, 2020, respectively. The outstanding balance of

subscription payable with PXP after the series of payments amounted to ₱121,114 as at December 31, 2020.
In 2021, PMC paid the remaining subscription receivable to PXP amounting ₱14,440, ₱9,627 and ₱97,047 on June 2, 2021, June 25, 2021 and July 19, 2021, respectively. There was no outstanding subscription payable with PXP as at December 31, 2022.

The following table illustrates the summarized financial information of the Parent Company's investment in PXP:

	2022	2021
Current assets	₱139,132	₱280,937
Non-current assets	3,162,108	2,202
Current liabilities	(146,700)	(18,787)
Non-current liabilities	(454,776)	(111,831)
Equity	₱2,699,764	₱152,521
Revenue	₱74,100	₱8,938
Cost and expenses	(99,572)	(31,247)
Other expenses	(5,943)	(1,376,663)
Loss before income tax	(31,415)	(1,398,972)
Benefit from income tax	933	13,235
Loss for the year	(₱30,482)	(1,385,737)
Total comprehensive loss	₱282,766	(₱1,385,737)
Parent Company's share of loss for the year	₱10,379	₱515,851

11. Deferred Exploration Costs and Other Noncurrent Assets

Deferred exploration costs and other noncurrent assets consist of:

	2022	2021
Deferred exploration costs	₱4,060,199	₱4,046,805
Less allowance for impairment losses	1,922,575	1,922,575
	2,137,624	2,124,230
Others	6,545	6,545
	₱2,144,169	₱2,130,775

Deferred Exploration Costs

Deferred exploration costs relate to projects that are ongoing. The recovery of these costs depends upon the success of exploration activities and future development of the corresponding mining properties that can be produced in commercial quantities. Allowances have been provided for those deferred exploration costs that are specifically identified to be unrecoverable.

Other Noncurrent Assets

This account consists bank accounts that the Parent Company maintain with Land Bank of the Philippines to establish their respective Mine Rehabilitation Funds (MRF), pursuant to the requirements of Republic Act (RA) No. 7942, otherwise known as "The Philippine Mining Act of 1995" under Section 181. The MRF shall be used for the physical and social rehabilitation of areas and communities affected by the Padcal mine and for research in the social, technical and preventive aspects of their rehabilitation. As at December 31, 2022 and 2021, the Parent Company's MRF amounted to ₱6,094.

12. Short-term Loans

Short-term loans consist of:

	2022	2021
Bank loans		
Security Bank	₱724,815	₱–
Bank of the Philippine Islands	334,530	305,992
Banco de Oro (BDO)	223,020	203,994
Philippine National Bank	–	662,991
	₱1,282,365	₱1,172,977

The Parent Company obtains short term, unsecured loans from various local banks. These loans have terms of ninety (90) days to one hundred eighty (180) days until maturity and are renewable subject to monthly repricing of interest. Interest rates of these short term loans ranges from 5.0% to 5.5%.

Interest expense related to short-term loans amounted to ₱49,615 and ₱49,462 in 2022 and 2021, respectively.

The Parent Company's loans have no covenants imposed by banks and creditors as of December 31, 2022 and 2021.

13. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	2022	2021
Trade	₱705,279	₱847,891
Accrued expenses	87,106	145,252
Provisions (Note 29)	579,245	476,245
Accrued royalties and excise taxes	657,609	709,624
Derivative liability (Note 20)	6,492	24,048
Other nontrade liabilities	541,487	301,940
	₱2,577,218	₱2,505,000

Trade payables are non-interest bearing and are generally settled within 30 to 120-day terms. Accrued expenses consist of accrued operating and administrative expenses are settled monthly, while contracted and outside services are settled within the terms of their respective contracts. Other nontrade liabilities include payroll-related liabilities.

Accrued expenses consist of accrued operating and administrative expenses and contracted services and other outside services which are normally settled within 30 to 90 days.

14. Revenue

	2022			2021		
	Revenue from contracts with customers*	**Other Revenue - Provisional pricing adjustment**	**Total revenue**	Revenue from contracts with customers*	Other Revenue - Provisional pricing adjustment	Total revenue
Gold	**₱4,578,319**	**₱122,964**	**₱4,701,283**	₱4,771,088	(₱14,292)	₱4,756,796
Copper	**4,469,156**	**20,730**	**4,489,886**	4,924,729	37,890	4,962,619
Silver	**69,174**	**1,233**	**70,407**	76,904	212	77,116
			₱9,261,576			₱9,796,531

**net of smelting charges amounting to ₱825,991 and ₱691,336 in 2022 and 2021, respectively.*
**Includes realized net loss from put and gold collar amounting to ₱11,952 and ₱28,898 in 2022 and 2021, respectively, and realized net gain from copper collar amounting to P56,302 in 2022, realized net loss from copper collar amounting to ₱26,350 in 2021*
(see Note 20).

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

15. Costs and Expenses

Costs and expenses include the following:

	2022	2021
Production costs		
Materials and supplies (Note 6)	**₱1,787,617**	₱1,730,166
Communications, light and water	**1,491,547**	1,263,100
Personnel (Note 16)	**1,000,553**	989,346
Contracted services	**224,712**	232,015
Repairs and maintenance	**45,937**	38,051
Others	**314,563**	235,595
	₱4,864,929	₱4,488,273
Depletion, amortization and depreciation (Notes 8 and 17)		
Depletion and amortization	**₱825,453**	₱663,242
Depreciation	**587,797**	554,494
	₱1,413,250	₱1,217,736
Excise taxes and royalties		
Excise taxes	**₱363,479**	₱392,938
Royalties	**228,426**	246,343
	₱591,905	₱639,281

	2022	2021
General and administrative expenses		
Personnel (Note 16)	**₱149,534**	₱158,502
Contracted services	**19,633**	17,643
Depreciation (Notes 8 and 17)	**14,950**	14,796
Taxes and licenses	**3,166**	6,294
Repairs and maintenance	**9,293**	9,863
Communications, light and water	**9,149**	5,455
Stock Transfer Expenses	**3,974**	3,579
Travel and transportation	**3,923**	2,051
Advertisement & Publication Expenses	**2,113**	1,882
Office supplies	**2,809**	1,804
Others	**31,096**	31,062
	₱249,640	₱252,931

Other general and administrative expenses include security, janitorial, and other outside services, and general miscellaneous expenses.

16. Personnel Costs

Details of personnel costs are as follows:

	2022	2021
Production costs (Note 15)		
Salaries and wages	**₱642,620**	₱643,936
Employee benefits	**346,552**	321,014
Retirement costs (Note 18)	**11,381**	24,396
	₱1,000,553	989,346
General and administrative expenses (Note 15)		
Salaries and wages	**₱98,582**	₱104,708
Employee benefits	**48,354**	49,822
Retirement costs (Note 18)	**2,598**	3,972
	149,534	158,502
	₱1,152,532	₱1,147,847

The Parent Company recognized retirement costs amounting to ₱13,234 and ₱28,368 in 2022 and 2021, respectively (see Note 18).

17. Depletion, Depreciation and Amortization

Details of depletion and depreciation expense are as follows:

	2022	2021
Production costs (Note 15)	**₱1,413,250**	₱1,217,736
General and administrative (Note 15)	**14,950**	14,796
	₱1,428,200	₱1,232,532

Total depreciation cost of machinery and equipment used in exploration projects amounting to nil and ₱1,191 in 2022 and 2021, respectively, are capitalized under deferred exploration costs, which relate to projects that are currently ongoing for the Parent Company.

18. Retirement Costs

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employees retirement benefit under the collective bargaining and other agreements shall not be less than provided under the law. The law does not require minimum funding of the plan.

Parent Company Retirement Fund

The Parent Company has a funded, noncontributory, defined benefits retirement plan covering all of its regular employees. The pension funds are being administered and managed through the Retirement Gratuity Plan of Philex Mining Corporation, under trust accounts with BDO and Union Bank of the Philippines. The retirement plan provides for retirement, separation, disability and death benefits to its members.

Changes in the net defined benefit asset of funded funds of the Parent Company are as follows:

2022

	January 1, 2022	Current service cost	Net interest	Settlement/ Curtailment	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest	Actuarial changes arising from changes in experience Adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2022
	Net benefit cost in charged to Parent Company statements of income						Remeasurements in other comprehensive income					
Present value of defined benefit obligation	₱724,021	₱31,094	₱16,579	₱–	₱771,694	(₱68,388)	₱–	(₱12,923)	(₱27,538)	(₱40,461)	₱–	₱662,845
Fair value of plan assets	(1,081,224)	–	(34,439)	–	(1,115,663)	68,388	39,074	–	–	39,074	–	(1,008,201)
	(₱357,203)	₱31,094	(₱17,860)	₱–	(₱343,969)	₱–	(₱39,074)	(₱12,923)	(₱27,538)	(₱1,387)	₱–	(₱345,356)

2021

	January 1, 2021	Current service cost	Net interest	Settlement/ Curtailment	Subtotal	Benefits paid	Return on plan assets (excluding Amount included in net interest	Actuarial changes arising from changes in experience Adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2021
	Net benefit cost in charged to Parent Company statements of income						Remeasurements in other comprehensive income					
Present value of defined benefit obligation	₱789,787	₱33,755	₱12,173	₱–	₱835,715	(₱54,711)	₱–	(₱36,229)	(₱20,754)	(₱56,983)	₱	₱724,021
Fair value of plan assets	(1,104,829)	–	(17,560)	–	(1,122,389)	54,711	(13,546)	–	–	(13,546)	–	(1,081,224)
	(₱315,042)	₱33,755	(₱5,387)	₱–	(₱286,674)	–	(₱13,546)	(₱36,229)	(₱20,754)	(₱70,529)	₱–	(₱357,203)

The fair value of net plan assets of the Parent Company by each class as at the end of the reporting period are as follows:

	2022	2021
Assets		
Cash and cash equivalents	**₱28,360**	₱41,261
Receivables	**6,107**	874
Investment in debt securities	**562,404**	635,683
Investment in equity securities	**409,052**	359,847
Other investments	**2,609**	44,158
	1,008,532	1,081,823
Liabilities		
Accrued trust fees payables	**334**	602
	₱1,008,198	₱1,081,221

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

Actuarial valuation assumptions	2022	2021
Discount rate	**6.35%**	2.64%
Salary increase rate	**5.00%**	5.00%
Expected rate of return on plan assets	**5.00%**	5.00%

The overall expected rate of return of assets is determined based on market expectation prevailing on that date, applicable to the period over which the obligation is expected to be settled.

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption of the defined benefit obligation as of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	Effect on defined benefit obligation
Discount rates	**1.00%**	**(₱19,279)**
	(1.00%)	**20,274**
Future salary increases	**1.00%**	**₱21,914**
	(1.00%)	**(21,234)**

Shown below is the maturity analysis of the Parent Company's undiscounted benefit payments:

	Expected benefit payments
Less than one year	**₱179,834**
One to less than five years	**789,123**

The average duration of the defined benefit obligation at the end of the reporting period is 2.65 years.

The Parent Company's actuarial funding requirement in 2022 and 2021 is nil, however, the intention is to continue regular contributions to the fund. Pension expense from the defined benefit retirement plan is actuarially determined using the projected unit credit method. The latest actuarial valuation report was made as at December 31, 2022.

19. Financial Instruments

The table below summarizes management's evaluation of business model and subsequent measurement for each financial assets and liabilities of the Parent Company:

Financial Assets	Business Model	Subsequent Measurement	Remarks
Cash with banks and short-term deposits	Hold to collect	Amortized cost	NA
Trade receivable	NA	FVTPL	NA
Advances to related parties	Hold to collect	Amortized cost	Conditional fair value option not elected.
Quoted equity investments	NA	FVOCI (no recycling)	Not held for trading and FVTPL not opted.
Unquoted equity investments	NA	FVOCI (no recycling)	Not held for trading and FVTPL not opted.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Parent Company is exposed to credit risk from its from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. However, the Parent Company is not exposed to credit risk from its operating activities (primarily trade receivables) since the historical default rate of its customers is 0%.

Trade Receivables from Sale of Concentrates

As of December 31, 2022, the Group has current outstanding trade receivables from its customers amounting to ₱442,884 arising from revenue from contracts with Trafigura. This contract is within the scope of PFRS 15.

Based on historical transactions with the customers, there has been no instance that these customers have defaulted on their payments (historical default rate of 0%). The Group's trade receivables have a credit period of three months, indicating that the time value of money is immaterial. With these facts, ECL is not material.

20. Financial Risk Management Objectives and Policies and Hedging Activities

Financial Risk Management Objectives and Policies

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

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

Financial Risks

The main risks arising from the Parent Company's financial instruments are credit and concentration risks, liquidity risk, and market risk. The market risks exposure of the Parent Company can be further classified into foreign currency risk, equity price risk and commodity price risk. The BOD reviews and approves the policies for managing some of these risks and they are summarized as follows:

Credit and Concentration Risks

Credit risk is the risk where the Parent Company could incur a loss if its counterparties fail to discharge their contractual obligations. To avoid such losses, the Parent Company's primary credit risk management strategy is to trade only with recognized, creditworthy third parties. At present, 70% of the Parent Company's annual production of concentrates is sold to IXM Pte. Ltd. (IXM).

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

The table below summarizes the Parent Company's exposure to credit risk for the components of the parent company statements of financial position as at December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents		
Cash with banks	**₱615,795**	₱1,294,197
Short-term deposits	**739,368**	1,491,960
Receivables		
Trade	**442,704**	384,068
Others	**128,003**	76,782
Advances to related parties	**3,672,863**	2,527,044
Financial asset measured at FVOCI		
Quoted equity investments	**92,172**	72,177
Unquoted equity investments	**53,035**	53,035
Gross maximum credit risk exposure	**₱5,743,940**	₱5,899,263

These financial assets are assessed as high grade based on the nature of the counterparty and the Parent Company's evaluation process.

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

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

The following tables summarize the maturity profile of the Parent Company's financial assets that can be used by the Parent Company to manage its liquidity risk and the maturity profile of the Parent Company's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as at December 31, 2022 and 2021, respectively:

	December 31, 2022			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Short-term loans				
Principal	**₱–**	**₱1,282,365**	**₱–**	**₱1,282,365**
Interest	–	**1,812**	–	**1,812–**
Accounts payable and accrued liabilities	–	**2,303,818**	–	**2,303,818**
Dividends payable	**343,346**	–	–	**343,346**
Total undiscounted financial liabilities	**₱343,346**	**₱3,587,995**	**₱–**	**₱3,931,341**
Cash and cash equivalents	**₱1,355,972**	**₱–**	**₱–**	**₱1,355,972**
Receivables				
Trade	–	**442,704**	–	**442,704**
Others	–	**128,003**	–	**128,003**
Advances to related parties	**3,672,863**	–	–	**3,672,863**
Financial assets measured at FVOCI:				
Quoted equity investments	**92,172**	–	–	**92,172**
Unquoted equity investments	**53,035**	–	–	**53,035**
Total undiscounted financial assets	**₱5,174,042**	**₱570,707**	**₱–**	**₱5,744,749**

	December 31, 2021			
	On Demand	Within 1 Year	More than 1 Year	Total
Short-term loans				
Principal	₱–	₱1,172,977	₱–	₱1,172,977
Interest	–	1,611	–	1,611
Accounts payable and accrued liabilities	–	2,175,320	–	2,175,320
Dividends payable	452,413	–	–	452,413
Total undiscounted financial liabilities	₱452,413	₱3,349,908	₱–	₱3,802,321
Cash and cash equivalents	₱2,786,966	₱–	₱–	₱2,786,966
Receivables				
Trade	–	384,068	–	384,068
Others	–	76,782	–	76,782
Advances to related parties	2,527,044	–	–	2,527,044
AFS financial assets:				
Quoted equity investments	72,177	–	–	72,177
Unquoted equity investments	53,035	–	–	53,035
Total undiscounted financial assets	₱5,439,222	₱460,850	₱–	₱5,900,072

Market Risks

Foreign Currency Risk

Foreign currency risk is the risk where the value of the Parent Company's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from sales in currencies other than its functional currency (see Note 22). All of the Parent Company's sales are denominated in US dollar. Also, the Parent Company is exposed to foreign exchange risk arising from its US dollar-denominated cash and cash equivalents, and trade receivables. For the years ended December 31, 2022 and 2021, the Parent Company recognized net foreign exchange gains (losses) of ₱107,298 and (₱29,673), respectively, arising from the translation and settlement of these foreign-currency-denominated financial instruments.

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

The following table summarizes the impact on income before income tax of reasonable possible changes in the exchange rates of US dollar against the Peso. The reasonable movement in exchange rates was determined using 1-year historical data.

Year Ended December 31, 2022	
US$ Appreciate (Depreciate)	**Effect on Income before Income Tax**
6%	**(₱12,358)**
(6%)	**12,358**

Year Ended December 31, 2021	
US$ Appreciate (Depreciate)	Effect on Income before Income Tax
4%	(₱7,536)
(4%)	7,536

There were no outstanding currency derivatives as of December 31, 2022 and 2021.

Equity Price Risk

Equity price risk is the risk where the fair values of investments in quoted equity securities could increase or decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Management monitors the movement of the share prices pertaining to the Group's investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as financial assets measured at FVOCI (see Note 11). Investment in quoted shares totaling ₱92,172 and ₱72,177 represent 0.01% of the total assets of the Group as at December 31, 2022 and 2021, respectively. Reasonable possible changes were based on an evaluation of data statistics using 1-year historical stock price data.

The effect on equity, as a result of a possible change in the fair value of the Group's quoted equity instruments held as financial assets measured at FVOCI as at December 31, 2022 and 2021 that could be brought by changes in equity indices with all other variables held constant is as follows:

	December 31, 2022	
Currency	**Change in Quoted Prices of Investments Carried at Fair Value**	**Effecton Equity**
Peso	**Increase by 1%**	**₱27.47**
	Decrease by 1%	**(27.47)**

	December 31, 2021	
Currency	Change in Quoted Prices of Investments Carried at Fair Value	Effecton Equity
Peso	Increase by 3%	₱82.42
	Decrease by 3%	(82.42)

Commodity Price Risk
The Parent Company's mine products revenues are valued based on international commodity quotations (e.g., primarily on the LME and LBMA quotes) over which the Parent Company has no significant influence or control. This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash inflows. The Parent Company enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products.

The following table shows the effect on income before income tax should the change in the prices of copper and gold occur based on the inventory of the Parent Company as at December 31, 2022 and 2021. The change in metal prices is based on 1-year historical price movements.

December 31, 2022	
Change in Metal Prices	**Effect on Income before Income Tax**
Gold	
Increase by 15%	**₱693,719**
Decrease by 15%	**(693,719)**
Copper	
Increase by 28%	**₱1,507,228**
Decrease by 28%	**(1,507,228)**

December 31, 2021	
Change in Metal Prices	Effect on Income before Income Tax
Gold	
Increase by 13%	₱635,090
Decrease by 13%	(635,090)
Copper	
Increase by 25%	₱1,378,923
Decrease by 25%	(1,378,923)

Derivative Financial Instruments
Gold Derivatives
In January 2020, the Parent Company entered into gold put option contract covering 1,500 ounces of monthly gold production from January to June 2020 at a strike price of US$1,450 per ounce. Premium paid amounted to US$4.20 per ounce or a total of US$37,800 put option premium. Premium is amortized over the term of the contract.

In May 2020, the Parent Company entered into gold collar hedging contracts covering 1,900 ounces of monthly gold production from July to December 2020 at a strike price of US$1,650 per ounce for the put options and US$1,855 per ounce for the call options.

In January 2021, the Parent Company entered into gold collar hedging contracts covering 1,900 ounces of monthly gold production from January to March 2021 at a strike price of US$1,830 per ounce for the put options and US$2,050 per ounce for call options.

In March 2021, the Parent Company entered into gold collar hedging contracts covering 1,900 ounces of monthly gold production from April to September 2021 at a strike price of US$1,680 per ounce for the put options and US$1,733 per ounce for the call options.

In October 2021, the Parent Company entered into gold collar hedging contracts covering 1,900 ounces of monthly gold production from October 2021 to March 2022 at a strike price of US$1,700 per ounce for the put options and US$1,800 per ounce for the call options.

Realized net loss from put and gold collar amounted to ₱11,952, ₱28,898 and ₱24,146 in 2022, 2021 and 2020, respectively (see Note 17).

As at December 31, 2022 and 2021, outstanding gold derivatives amounted to ₱6,492 and ₱11,423, respectively.

In January 2022, the Parent Company entered into gold collar hedging contracts covering 1,900 ounces of monthly gold production from April 2022 to December 2022 at a strike price of US$1,725 per ounce for the put options and US$1,922 per ounce for the call options.

In December 2022, the Parent Company entered into gold collar hedging contracts covering 1,850 ounces of monthly gold production from January 2023 to June 2023 at a strike price of US$1,750 per ounce for the put options and US$1,903 per ounce for the call options.

Copper Derivatives
In May 2020, the Parent Company entered into a copper collar hedging contract covering 450 metric tonnes per month for the months of July to September 2020 at a strike price of US$5,725 per metric tonne for the call options and US$4,630 per metric tonne for the put options.

In January 2021, the Parent Company entered into a copper collar hedging contract covering 336 metric tonnes per month for the months of January to March 2021 at a strike price of US$8,707 per metric tonne for the call options and US$7,165 per metric tonne for the put options.

In March 2021, the Parent Company entered into a copper collar hedging contract covering 450 metric tonnes per month for the months of April to September 2021 at a strike price of US$9,413 per metric tonne for the call options and US$8,378 per metric tonne for the put options.

In October 2021, the Parent Company entered into copper collar hedging contracts covering 450 metric tonnes per month for the months of October 2021 to March 2022 at a strike price of US$9,943 per metric tonne for the call options and US$8,598 per metric tonne for the put options.

In November 2021, the Parent Company entered into copper collar hedging contracts covering 450 metric tonnes per month for the months of April to December 2022 at a strike price of US$9,943 metric tonne for the call options and US$8,267 per metric tonne for the put options.

Realized net gain from copper collar amounted to ₱56,302 in 2022, and realized net loss from collar amounted to ₱26,350 and ₱51,712 in 2021 and 2020, respectively.

As at December 31, 2022 and 2021, outstanding copper derivatives amounted to nil and ₱12,625, respectively.

In January 2023, the Parent Company entered into copper put option contract covering 450 metric tonnes of monthly copper production from January to June 2023 at a strike price of US$3.75 per metric tonnes. Premium paid amounted to ₱17,805 (US$326,250) put option premium. Premium is amortized over the term of the contract.

21. Capital Management

The Parent Company maintains a capital base to cover risks inherent in the business. The primary objective of the Parent Company's capital management is to optimize the use and earnings potential of the Parent Company's resources, ensuring that the Parent Company complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Parent Company's activities. No significant changes have been made in the objectives, policies and processes of the Parent Company from the previous years.

The following table summarizes the total capital considered by the Parent Company:

	2022	2021
Capital stock	**₱5,782,399**	₱4,940,399
Additional paid-in capital	**2,897,132**	1,138,225
Retained earnings:		
Unappropriated	**10,204,584**	8,727,546
Appropriated	**10,500,000**	10,500,000
	₱29,384,115	₱25,306,170

22. Foreign-Currency-Denominated Monetary Assets and Liabilities

The Parent Company's foreign-currency-denominated monetary assets and liabilities as at December 31, 2021 and 2020 follow:

	2022		2021	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Assets				
Cash and cash equivalents	**$12,760**	**₱711,434**	$17,822	₱908,895
Trade receivables	**7,940**	**442,704**	7,531	384,068
	$20,700	**₱1,154,138**	$25,353	₱1,292,963
Liabilities				
Bank loan	**23,000**	**1,282,365**	**23,000**	1,172,977
Net Liabilities	**($2,300)**	**(₱128,227)**	$2,353	₱119,986

The exchange rates of Peso to US dollar were ₱55.755 and ₱50.999 to US$1 as at December 31, 2022 and 2021, respectively.

23. Related Party Transactions

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions.

Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

The Parent Company, in the regular conduct of business, enters into transactions with related parties which consist of advances, loans, reimbursement of expenses, regular banking transactions, leases and management and administrative service agreements.

The Parent Company's related party transactions, which are under terms that are no less favorable than those arranged with third parties, are as follows:

Category	Amount/ Volume	Outstanding Balances	Terms	Conditions
Advances to related parties				
PXP				
2022	**₱–**	**₱–**	Collectible in cash and on demand, noninterest-bearing	Refer to note "a" below
2021	₱–	₱–		
SMMCI				
2022	**518,289**	**855,001**	Collectible in cash and on demand, noninterest-bearing	Unsecured, not guaranteed, no impairment
2021	77,153	1,795,658		
SMECI				
2022	**2,878,714**	**2,817,862**	Collectible in cash and on demand, noninterest-bearing	Unsecured, not guaranteed, no impairment
2021	122,756	731,386		
2022, Total	**₱3,397,003**	**₱3,672,863**		
2021, Total	₱199,909	₱2,527,044		

a. On August 17, 2015, the PMC and PXP entered into a pledge agreement to secure the advances against certain shares of stocks owned by PXP.

Upon the adoption of PFRS 9, the Parent Company recognized impairment on the advances to PXP amounting to ₱1,312,243 which was charged directly to retained earnings as at January 1, 2018. Such amount represents the difference between the carrying value of the advances which carries an on-demand feature, and the fair value of the pledged shares.

On October 26, 2018, PXP, PMC and Dennison Holdings Corp. (DHC), signed a subscription agreement wherein PMC and DHC will subscribe to 260 million and 340 million common shares of PXP, respectively, for a total consideration of ₱3,081,000 and ₱4,029,000, respectively.

Each share is valued at ₱11.85, which represents a 20% discount to the 90-day volume weighted average price (VWAP) of PXP shares. The agreement was approved by the Board of Directors on October 25, 2018.

On December 27, 2018, PMC paid the 25% downpayment of ₱770,250 million. As a result of the transaction, PMC's total ownership interest in PXP increased from 19.76% to 30.40% as at December 31, 2018.

PXP's proceeds from the subscription agreement will be utilized for the repayment of its advances from the Parent Company. In December 2018, PXP made payments to PMC amounting to ₱781,262 while in 2019, PXP fully paid the cash advances from PMC. As a result, the related pledge was extinguished.

The subscription agreement in October 2018 and subsequent payments made by PXP to PMC resulted in enhancement of credit quality of the advances to PXP. As a result, the provision for expected credit losses on advances to a related party amounting to ₱1,312,243 was reversed in 2018. The reversal is included in the "Provision for impairment losses - net of reversal" in the statements of income.

On January 7, 2019, DHC paid an initial downpayment of ₱40,290, with the remaining balance due on March 31, 2019. However, DHC failed to pay the remaining balance, thereby forfeiting its downpayment in favor of PXP.

PMC paid subscription payable to PXP amounting to ₱1,386,450 and ₱740,000 on February 11, 2019 and December 31, 2019, respectively. The balance of subscription payable in relation to the subscription agreement with PXP amounted to ₱184,300 as at December 31, 2019.

On August 5, 2019, a Deed of Assignment was entered into by Brixton Energy & Mining Corporation (BEMC; a subsidiary of PXP) and PXP transferring BEMC's advances from PMC to PXP amounting to ₱737,815. Upon assignment, PMC reversed its previously written-off advances to BEMC. The reversal is included in the "Provision for impairment losses - net of reversal" in the statements of income. The transferred advances were then paid by PXP to PMC on December 19, 2019.

In 2020, PMC paid subscription payable to PXP amounting to ₱19,700, ₱21,864, and ₱21,622 on July 29, 2020, October 31, 2020, and December 17, 2020, respectively. The outstanding balance of subscription payable with PXP after the series of payments amounted to ₱121,114 as at December 31, 2020.

In 2021, the Parent Company paid the remaining subscription receivable to PXP amounting ₱14,440, ₱9,627 and ₱97,047 on June 2, 2021, June 25, 2021 and July 19, 2021, respectively. There was no outstanding subscription payable with PXP as at December 31, 2021.

In March 2022, the Parent Company granted loans to its associate, PXP Energy Corporation, where the Parent Company owns 30.4% interest, through the issuance of Promissory Notes (PNs). Under the PNs, total loans to PXP Energy amounted to ₱30,684 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.

In December 2022, portion of the advances to SMECI and SMMCI amounted to ₱792,238 and ₱1,458,946, respectively, were settled.

Compensations of Key Management Personnel

Compensations of the members of key management personnel follow:

	2022	2021
Short-term employee benefits	**₱74,705**	₱70,049
Retirement costs	**835**	6,052
	₱75,540	₱76,101

24. Income Taxes

a. The components of the Parent Company's net deferred tax liabilities as at December 31, 2021 and 2020 are as follows:

	2022	2021
Deferred tax assets on:		
Provision for losses and others	**₱79,646**	₱75,280
Unrealized foreign exchange losses – net	**57,176**	52,348
Materials and supplies obsolescence	**26,225**	26,225
Accrued retirement benefit costs-normal cost	**(514)**	–
Accumulated accretion of interest on provision for mine rehabilitation costs	**(403)**	(403)
Unamortized past service costs	–	(3,080)
Total deferred tax assets	**162,130**	150,370
Deferred tax liabilities on:		
Accelerated depreciation and deferred explorations cost	**(₱192,454)**	(₱331,790)
Net retirement plan assets	**(89,673)**	(89,325)
Measurement of mine products inventory at NRV	**(61,580)**	(128,833)
Changes in FV of financial assets measured at FVOCI	**(₱7,275)**	(₱7,275)
Total deferred tax liabilities	**(350,982)**	(557,223)
Net deferred tax liabilities	**(₱188,852)**	(₱406,853)

b. The provision for current income tax amounted to ₱715,141 and ₱559,479 as of December 31, 2022 and 2021, respectively. This pertains to the Parent Company's RCIT in 2022 and 2021. The Parent Company has income tax payable amounting to ₱124,351 and ₱181,243 as at December 31, 2022 and 2021, respectively.

c. A reconciliation of the Parent Company's provision for income tax computed at the statutory income tax rate based on income before income tax to the provision for income tax is as follows:

	2022	2021
Provision for income tax at the statutory income tax rate of 25% in 2021 and 30% in 2020	**₱554,947**	₱696,206
Additions to (reductions in) income tax resulting from:		
Nondeductible expenses	**(52,190)**	(166,077)
Interest income already subjected to final tax	**(5,965)**	(428)
Effect on changes in tax rates due to CREATE Act	–	(173,753)
Provision for income tax	**₱496,793**	₱355,948

d. No deferred tax assets were recognized on the following deductible temporary differences because management believes that it is not probable that future taxable income will be available to allow all or part of the benefit of the deferred tax assets to be utilized:

	2022	2021
Allowance for impairment losses on:		
Investment in subsidiary	**₱2,152,407**	₱2,153,695
Investment in associate	**349,287**	349,287
Property, Plant and Equipment	**2,072,293**	1,679,861
	₱4,573,987	₱4,182,843

e. On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover as One Act" which states that the NOLCO) incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

   No deferred income taxes were recognized from the NOLCO and MCIT of the Parent Company as at December 31, 2022 and 2021.

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

   The following are the key changes to the Philippine tax law pursuant to the CREATE Law which have an impact to the Parent Company:
   - Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporation with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
   - MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
   - Imposition of improperly accumulated earnings tax (IAET) is repealed.

   Applying the provisions of CREATE Law, the Parent Company have been subjected to lower RCIT of 25% or the reduced MCIT of 1% of gross income effective July 1, 2020.

25. Equity

Capital Stock
The details of the Parent Company's capital stock follow:

	Number of Shares	
	2022	2021
Authorized common stock - ₱1 par value	**8,000,000,000**	8,000,000,000
Issued, outstanding and fully paid:		
As at the beginning of the year	**4,940,399,068**	4,940,399,068
Issuance of additional shares of stock due stock rights exercised during the year	**842,000,000**	–
As at the end of the year	**5,782,399,068**	4,940,399,068

Below is a summary of the capital stock movement of the Parent Company:

Year	Date of Approval	Change in Number of Authorized Capital Stock	New Subscriptions/ Issuances***
1956	November 26, 1956	60,000,000	20,590,250
1957			30,539,750
1958			107,035
1959			1,442,500
1960	September 12, 1960	30,000,000	10,997,397
1961			1,238,500
1962			9,737,294
1963	December 16, 1993	90,000,000*	103,258,378
1964	March 6, 1964	220,000,000	65,339,520
1965			61,546,755
1966			60,959,182
1969	September 22, 1969	600,000,000	182,878,280
1970			274,317,420
1971	August 20, 1971	1,000,000,000	411,476,131
1973		4,000,000,000****	2,623,160,332
1974			1,543,035,476
1978			540,062,420
1981	August 4, 1981	5,000,000,000	1,485,171,655
1983			742,006,977
1985			815,707,473
1986			3,923,841,215
1987	August 14, 1987	9,000,000,000	3,867,787,326
1989	July 11, 1989	20,000,000,000	5,028,123,524
1990	June 27, 1990	(38,000,000,000)**	(20,549,744,536)
1991			375,852,233
1992			162,869,258
1993			179,156,183
1995			403,849
1997			985,928,483
1999	May 23, 1997	3,000,000,000	–
2007			10,781,250
2008			912,279,662
2009	May 22, 2009	3,000,000,000	1,019,753,789
2010			21,525,999
2011			7,619,783
2012			3,276,075
2013			3,969,250
2014			3,403,000
2022			842,000,000
		8,000,000,000	5,782,399,068

**This is the result of the change of par value from ₱0.10 to ₱0.05.*
***This is the result of the change in par value from ₱0.05 to ₱1.00.*
****Information on issue/offer price on public offering not available or information not applicable since the shares were not issued in relation to a public offering.*
*****Information on date of approval not available.*

As at December 31, 2022 and 2021, the Parent Company's total stockholders is 43,901 and 43,945, respectively.

In November 2021, the Board of Directors approved the Stock Rights Offering (SRO) wherein eligible shareholders of record, as of the date to be set in accordance with existing law and regulations (the "Record Date") will have the opportunity to participate and to subscribe to common shares that will be issued in connection with the proposed SRO, subject to the approval by the SEC, and compliance with the listing requirements of the PSE. The SRO of the Parent Company covers up to 842 million of its common shares, with expected proceeds to be at ₱3.15 billion.

Together with debt being arranged by a leading local financial institution and internally generated cash of the Parent Company and its subsidiaries, the SRO proceeds will be utilized for the development of the Silangan Project.

Retained Earnings

Retained earnings consist of the following:

	2022	2021
Retained earnings:		
Unappropriated	**₱10,205,625**	₱8,658,894
Cumulative actuarial gains	**1,041**	68,652
Total unappropriated	**10,204,584**	8,727,546
Appropriated	**10,500,000**	10,500,000
Ending balance	**₱20,704,584**	₱19,227,546

On February 29, 2016, the Parent Company declared its shares of stock in PXP as property dividends to its shareholders on March 15, 2016 record date at a ratio of 17 shares for every 100 shares held. The dividend declaration was approved by the Philippine Securities and Exchange Commission (SEC) on June 22, 2016. As a result, the Parent Company ceases to have control over PXP on July 15, 2016.

On February 28, 2017, the Parent Company's BOD approved further appropriation of ₱500,000 of the unappropriated retained earnings for purposes of mine and development and construction of the Silangan Project thereby increasing total appropriation to ₱10,500,000.

On February 27, 2018, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.04 per share as regular dividends to all stockholders at record date of March 13, 2018.

On July 25, 2018, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.035 per share as regular dividends to all stockholders at record date of August 8, 2018.

On February 27, 2020, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.01 per share as regular dividends to all stockholders at record date of March 13, 2020.

On February 24, 2021, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.059 per share as regular dividends to all stockholders at record date of March 12, 2021.

The Parent Company's retained earnings available for dividend distribution amounted to ₱10,989,263 and ₱9,278,760 as at December 31, 2022 and 2021, respectively.

On March 4, 2022, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.05 per share as regular dividends to all stockholders at record date of March 21, 2022.

As at December 31, 2022 and 2021, dividends payable amounted to ₱343,346 and ₱452,413, respectively.

26. Share-based Payments

2011 Parent Company Stock Option Plan (SOP)

On April 27, 2011, the BOD approved the 2011 SOP of the Company, which was concurrently approved by the shareholders on June 29, 2011. Among the salient terms and features of the stock option plan are as follows:

i) Option grant date is the date on which option is awarded under the Parent Company 2011 SOP, provided such award is subsequently accepted by eligible participant;
ii) The vesting percentage and vesting schedule of the options granted under the 2011 Parent Company SOP shall be determined by the Compensation Committee of the Board;
iii) The 246,334,118 shares representing 5% of the Parent Company's outstanding capital stock shall be initially reserve for exercise of options to be granted.
iv) The exercise price for the options granted under the 2011 Parent Company SOP shall be determined by the Compensation Committee of the Board but shall not be lower than the highest of: (i) the closing price of the shares on PSE on the Option Grant Date, (ii) the average closing price of the shares on the PSE for the 5 business days on which dealings in the shares are made immediately preceding the Option Grant Date; and (iii) the par value of shares; and
v) Any amendments to the 2011 Parent Company SOP shall be deemed adopted and made effective upon approval by shareholders owning at least two-thirds of the outstanding capital stock of the Parent Company and, to the extent legally necessary, by the SEC.

On March 5, 2013, the Parent Company received the SEC resolution approving the 2011 SOP. The Parent Company granted 46,660,000 options under the 2011 SOP.

The Parent Company uses the Customized Binomial Lattice Model to compute for the fair value of the options together with the following assumptions:

Spot price per share	₱17.50
Exercise price per share	₱24.05
Time to maturity	7 years
Risk-free rate	3.3435%
Volatility*	49.8731%
Dividend yield	1.0031%

**Volatility is calculated using historical stock prices and their corresponding logarithmic returns.*

The following table shows the movements in 2020 of the 2011 SOP of the Parent Company:

	Number of Options	Weighted Average Exercise Price
	2020	2020
January 1	16,460,000	₱22.34
Forfeited	16,460,000	22.34
December 31	–	₱–

All SOPs are forfeited as at December 31, 2022. The number of unexercised vested stock options totaled to nil in 2022 and 2021. The stock options outstanding are anti-dilutive. The effect of the conversion options of the convertible bonds is anti-dilutive as at December 31, 2022 and 2021.

The total share-based compensation expense for the 2011 SOP amounted to nil in 2022 and 2021. The corresponding share-based option reserve included under Additional Paid-in Capital as at December 31, 2022 and 2021 amounted to ₱353,170.

27. Farm-in Agreement with Manila Mining Corporation (MMC)

On May 11, 2011, the Parent Company entered into a farm-in agreement with MMC to acquire up to 60% of the outstanding capital stock of Kalayaan Copper Gold Resources, Inc. (Kalayaan), a wholly owned subsidiary of MMC. The Parent Company purchased from MMC 125,000 shares of Kalayaan representing 5% of the outstanding capital stock for US$25,000 or ₱1,071,521. Further, the Parent Company will subscribe to additional 3,437,500 shares of Kalayaan, representing 55% of outstanding capital stock, subject to the condition that the Parent Company will fulfill the subscription services within the earlier of three (3) years following the execution of the agreement or expiry of the term of the exploration permit.

Upon acquisition of 5% stake over Kalayaan, MMC, under the Operating Agreement, grants the Parent Company exclusive, irrevocable and unconditional rights:

a. To conduct exploration and pre-development;
b. To perform all activities necessary to complete a final feasibility study for the project; and,
c. To possess and/or exercise all of Kalayaan's surface rights, to exercise, utilize and enjoy all the rights, benefits, privileges, and perform all the obligations of Kalayaan under and in relation to the exploration permit and the mineral rights, provided that Kalayaan shall remain liable for all accrued obligations under the exploration permit as at the date of the agreement.

The transaction was recorded by allocating the US$25,000 to Investment in financial assets measured at FVOCI pertaining to the 5% interest in Kalayaan and to the exploration rights acquired. The acquisition cost is then allocated by valuing the investment in FVOCI at ₱100 and the deferred exploration cost at ₱1,071,421.

On April 19, 2017, MMC and Kalayaan agreed to extend the term of the Earn-In Period for another two (2) years and on January 24, 2019, for another two (2) years. New earn-in period will now be ten (10) years following the execution of the Farm-In Agreement and will expire on May 10, 2021.

On December 17, 2020, the new earn-in period has been extended further for 2 years. New Earn-In period will now be 12 years following the execution of the Farm-In Agreement and will expire on May 10, 2023.

28. Sales Agreement

In 2021, 60% of the total annual production of copper concentrates are sold to Pan Pacific, which is covered by a Sales Agreement (signed on March 11, 2004). The remaining 40% of copper concentrates are sold to IXM (signed on August 16, 2007).

In 2022, 70% of the total annual production of copper concentrates are sold to IXM. The remaining 30% of copper concentrates are either negotiated to other buyers or bided out.

29. Other Matters

a. The Parent Company is currently involved in certain legal, contractual and regulatory matters that require the recognition of provisions for related probable claims against the Parent Company. Management and the Parent Company's legal counsel reassess their estimates on an annual basis to consider new relevant information. The disclosure of additional details beyond the present disclosures may seriously prejudice the Parent Company's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided. Provision recognized in the profit or loss amounted ₱103,000 and ₱325,000 in 2022 and 2021, respectively.

b. On January 17, 2023, the Parent Company signed a term sheet with Macawiwili Gold Mining and Development Co., Inc. ("MGMDCI"), a 90-year old company engaged in mineral exploration and production in Itogon, Benguet. With over 800 hectares of contract area under its Mineral Production Sharing Agreement, MGMDCI has been exploring various mineral deposits, including gold and copper, for several decades. The Term Sheet outlines the parties' intentions to explore commercial, financial, and technical avenues in preparation for possible shares acquisition by Parent Company in MGMDCI.

c. DENR Issues on Mining Operations
On February 17, 2017, SMMCI and PGPI received show cause letters (Letters) from the Department of Environment and Natural Resources (DENR) directing SMMCI and PGPI, respectively, to explain why the following MPSAs should not be cancelled for being located within watershed areas:

MPSA No.	Location	Company
MPSA No. 149-99-XIII	Mainit and Placer, Surigao del Norte	SMMCI
MPSA No. 148-99-XIII	Surigao City, Sison and Placer	LMC/PGPI
MPSA No. 344-2010-XIII	Lianga and Barobo, Surigao del Sur	PGPI
MPSA No. 063-97-IX	Sibutad, Dapitan City and Rizal, Zamboanga del Norte	PGPI
MPSA No. 096-97-VI	Hinobaan, Negros Occidental	PGPI

On February 24, 2017, SMMCI and PGPI responded to the Letters stating that there is no legal nor factual basis for the cancellation of the MPSAs since the contract areas covered by the MPSAs are not located within proclaimed watershed forest reserves where mining is prohibited, and that in any case, DENR has not observed due process. SMMCI and PGPI reserve all rights to take appropriate legal action and exhaust all remedies to protect their rightful claims under contract and the law.

30. Note to Parent Company's Statements of Cash Flows

Non-cash Investing Activities
In 2022 and 2021, the Parent Company made capital expenditure for machinery and equipment to be used for exploration activities that is not specifically designated for a single project. Total depreciation for the said machinery and equipment amounting to nil and ₱1,191 was capitalized to "Deferred exploration costs and other noncurrent assets" in 2022 and 2021, respectively.

Cash and non-cash changes from liabilities Activities

The following table summarizes the changes in liabilities arising from financing activities in 2022 and 2021:

	January 1, 2022	Dividend Declaration	Availment (Write-off)	Payments	Effect of changes in foreign currency exchange rates	December 31, 2022
Current Liabilities:						
Bank loans	₱1,172,977	₱–	₱–	₱–	₱109,388	₱1,282,365
Dividend	452,413	247,000	–	(356,067)	–	343,346
	₱1,625,390	₱247,000	₱–	(₱356,067)	₱109,388	₱1,625,711

	January 1, 2021	Dividend Declaration	Availment (Write-off)	Payments	Effect of changes in foreign currency exchange rates	December 31, 2021
Current Liabilities:						
Bank loans	₱1,488,713	₱–	₱–	(₱387,180)	₱71,444	₱1,172,977
Dividend	553,610	291,483	–	(392,680)	–	452,413
	₱2,042,323	₱291,483	₱–	(₱779,860)	₱71,444	₱1,625,390

31. Events After the Reporting Period

On February 23, 2023, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.02 per share as regular dividends to all stockholders at record date of March 13, 2023.

32. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the year ended December 31, 2022.

a. Net Sales/ Receipts and Output VAT declared in the Parent Company's VAT returns for 2022

The Parent Company is a VAT-registered company with VAT output tax declaration of ₱7,739 for the year based on gross sales/ receipts of ₱64,492.

The Parent Company has export sales amounting to ₱9,876,830 which was treated as zero-rated sales pursuant to the provisions of Section 4.106-5 of Revenue Regulation (RR) No. 16-2005.

Section 4.106-5 of RR No. 16-2005, as amended, states that a zero-rated sale of goods or properties (by a VAT-registered person) is a taxable transaction for VAT purposes, but shall not result in any output tax. However, the input tax on purchases of goods, properties or services, related to such zero-rated sale, shall be available as tax credit or refund in accordance with the said regulations.

The same Section provides that export sales by VAT-registered persons shall be subject to zero percent (0%) rate. "Export Sales" shall include the sale and actual shipment of goods from the Philippines to a foreign country, irrespective of any shipping arrangement that may be agreed upon which may influence or determine the transfer of ownership of the goods so exported, paid for in acceptable foreign currency or its equivalent in goods or services, and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP).

b. Input VAT for 2022

The amount of input taxes claimed are broken down as follows:

Balance at January 1	₱160,231
Current year's domestic purchases/payments or importations	475,615
VAT refund/TCC claimed	(158,097)
Amortization of prior year deferred purchases	15,934
Deferred purchases of services	662
Claims against Output VAT	(7,739)
Net adjustments	7,043
Balance at December 31	₱493,649

c. Information on the Parent Company's importations for 2022

The landed cost of the Parent Company's importations amounted to ₱679,070 for the year, with paid/ accrued amount of ₱7,088 as customs duties and wharfage fees.

d. Excise Taxes

The amount of excise taxes are as follows:

	Excise Taxes Paid/ Accrued	
Product Category	Locally Produced	Imported
Minerals	₱363,479	₱–

e. Documentary Stamp Tax

Documentary stamp tax paid for year 2022 amounted to ₱24,069.

f. Other Taxes and Licenses

Taxes and licenses presented as part of cost of sales and operating expenses for year 2022 include the following:

Included in Cost of Sales:	
(i) Local	
Real property taxes	₱12,488
License and permit fees	22,316
Total included in cost of sales	34,804
Included in Operating Expenses:	
(i) Local	
Real property taxes	₱1,056
License and permit fees	349
Others	317
	1,722
(ii) National	
Tax on fringe benefits	1,490
BIR annual registration	1
	1,491
Total included in operating expenses	₱3,213

g. Withholding Taxes

The amount of withholding taxes paid/accrued for the year amounted to:

	Total
Withholding taxes on compensation and benefits	₱115,836
Final withholding taxes	71,232
Expanded withholding taxes	64,576
	₱251,644

h. Tax Assessments and Cases

The Parent Company has not received Final Assessment Notice (FAN)/ Formal Letter of Demand from the Bureau of Internal Revenue (BIR) for the open years.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philex Mining Corporation
2nd floor LaunchPad,
Reliance Street corner Sheridan Street
Mandaluyong City, Metro Manila

We have examined the parent company financial statements of Philex Mining Corporation as at and for the year ended December 31, 2022, on which we have rendered the attached report dated February 23, 2023.

In compliance with Securities Regulation Code Rule 68, we are stating that the said Parent Company has a total number of thirty-six thousand three hundred eleven (36,311) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

AZ Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-129-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9566023, January 3, 2023, Makati City

February 23, 2023

COVER SHEET

1	0	0	4	4						

SEC Registration Number

PHILEX MINING CORPORATION

(Company's Full Name)

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

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

ROMEO B. BACHOCO
(Contact Person)

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

1	2		3	1

Month *Day*
(Calendar Year)

17-Q
(Form Type)

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

For the quarterly period ended March 31, 2023

Commission identification number 10044

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

Exact name of issuer as specified in its charter

PHILEX MINING CORPORATION

Province, country or other jurisdiction of incorporation or organization

Manila, Philippines

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

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

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

Issuer's telephone number, including area code

(632) 8631-1381 to 88

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

N/A

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

Number of Shares of Stock Outstanding – 5,782,399,068 (As of March 31, 2023)

Amount of Debt Outstanding – Php7,556,259,000 (As of March 31, 2023)

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

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

Indicate by check mark whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Consolidated Financial Statements for the period ended March 31, 2023 are hereto attached.

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

Status of Operations

Padcal Operation

Extension of Mine Life
In June 2021, the 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.

In December 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.

Covid-19

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.

In October 2022, President Ferdinand Marcos Jr. issued Executive Order No. 07 allowing the voluntary wearing of face masks, either indoors or outdoors. This is a welcome development in the business front which is seen as an initial step to returning to “business as usual” situation.

Regulatory

On April 14, 2021, then-President Rodrigo Roa Duterte issued Executive Order No. 130, lifting the moratorium on mineral agreements contained in Section 4 of Executive Order No. 79 issued by the late President Benigno Aquino III in 2012. EO No. 130 instructed the DENR to prescribe the terms and conditions of the new mineral agreements that would “maximize government revenues and share in the production” and to possibly declare mineral reservations to collect appropriate royalties pursuant to Chapter II, Section 5 of the Mining Act. EO No. 130 also mandated the DENR and the Department of Finance (“DOF”) to undertake appropriate measures to rationalize existing revenue sharing schemes and mechanics.

On December 23, 2021, then-Secretary of Environment and Natural Resources Roy Cimatu issued Department Administrative Order No. 2021-40, lifting the ban on the open-pit method of mining for copper, gold, silver, and complex ores in the country. The ban was previously issued in 2017 by the late Environment Secretary Gina Lopez.

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.

These twin issuances gave a signal for the revitalization of mining in the country. True to form, the succeeding administration of President Ferdinand “Bongbong” Marcos Jr. has identified mining as a key driver for economic growth and recovery.

Silangan Project

The Company and SMMCI finalized and completed the definitive feasibility study (DFS) for an underground sub-level cave mining method for the Silangan Project. The DFS was approved at the Company's Board meeting on July 31, 2019 covered the Phase 1 of the Silangan Project. Phase 1 refers to the Boyongan deposit containing 81 million tonnes (Mt) of ore reserves with high-quality copper and gold grades from a total mineral resources of 571 Mt. Phase 2 of the Silangan Project refers to the Bayugo-Silangan and Bayugo-Kalayaan ore deposits which will be developed once Phase 1 is operational.

The Phase 1 of the Silangan Project ("Silangan Project") is ready for implementation with all the needed government permits, studies and programs for its development. The Boyongan ore body is under the Mineral Production Sharing Agreement (MPSA) No. 149-99-XIII which is set to expire on December 29, 2024. The Company secured the approval from Mine and Geosciences Bureau (MGB) and DENR in December 10,2020 for the early renewal and extension of MPSA No. 149-99-XIII up to December 29, 2049. This gave the Company the right to mine the ore body consistent with its mine life as contained in the DFS for Phase 1.

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

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 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 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 SRO 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., (SMMCI) through Silangan Mindanao Exploration Co. Inc. (SMECI), as partial funds to finance the initial capital cost of the project. Based on the In-Phase Mine Plan, the commercial operations of the Project is targeted 1Q2025.

The Front End Engineering and Design ("FEED") works for the mine, process plant and tailings storage facility were completed by 3Q2022. Excavation and earthmoving works started in 2022, and by April 30,2023, the stabilization of the "benches" or slope was completed. On the other hand, the construction of the portal canopy was completed in March 31 2023. With the completion of the boxcut and portal canopy, the development of the decline to the orebody will commence in May 2023. Advanced mine dewatering continued this year from 5 existing dewatering wells. Meanwhile, the drilling of 10 additional dewatering wells, 1 geotech hole to derisk spiral decline location and additional 14 hydro monitoring holes drilling are in motion. The pumps are currently being purchased so that pumping could also be undertaken.

The Company, through BDO Capital, is currently completing 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 up to US$170 million of syndicated loan from local financial institutions.

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 Date	Realized Gain (Loss) *(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 in1Q2022. 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 Php.1.226 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.

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

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

<u>Safety Performance</u>

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.

	1Q2023	**1Q2022**
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 is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked, although the Company could be contingently liable for lawsuits and claims arising from the ordinary course of business, which contingencies are not presently determinable.

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

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

PART II - OTHER INFORMATION

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

SIGNATURES

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

PHILEX MINING CORPORATION
(Issuer)

EULALIO B. AUSTIN, JR.
President and CEO

ROMEO B. BACHOCO
Chief Finance Officer

PARALUMAN M. NAVARRO
Assistant Vice President
Corporate Finance

Date: May 8 ,2023

PHILEX MINING CORPORATION
AND SUBSIDIARIES

UNAUDITED
CONSOLIDATED
FINANCIAL STATEMENTS
March 31, 2023

Pasig City, Philippines

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, except Par Value per Share)

		March 31 2023 (Unaudited)		December 31 2022 (Audited)
Current Assets				
Cash and cash equivalents	P	4,047,137	P	3,925,296
Accounts receivable - net		660,072		580,621
Inventories - net		1,023,168		1,151,089
Derivative assets		13,142		-
Other current assets - net		931,561		765,754
Total Current Assets		6,675,081		6,422,760
Noncurrent Assets				
Deferred exploration costs		29,704,768		29,491,920
Investment in associates - net		3,600,304		3,605,677
Property, plant and equipment - net		2,742,310		2,729,865
Pension asset - net		342,950		340,725
Financial assets measured at fair value through other comprehenesive income (FVOCI)		145,207		145,207
Other non current assets		527,971		522,595
Total Noncurrent Assets		37,063,511		36,835,989
TOTAL ASSETS	**P**	**43,738,592**	**P**	**43,258,749**

LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	P	1,576,440	P	1,616,895
Accounts payable and accrued liabilities		2,774,985		2,670,983
Subscription payable		2,767		2,767
Income tax payable		246,101		124,351
Dividends payable		341,581		343,346
Total Current Liabilities		4,941,874		4,758,342
Noncurrent Liabilities				
Bonds payable		5,979,819		5,907,961
Deferred tax liabilities - net		1,692,887		1,720,847
Provision for losses and mine rehabilitation costs		2,342		2,342
Total Noncurrent Liabilities		**7,675,048**		**7,631,150**
Total Liabilities		**12,616,922**		**12,389,492**
Equity Attributable to Equity Holders of the Parent Company				
Capital Stock - P1 par value		5,782,399		5,782,399
Additional paid-in capital		2,885,163		2,885,163
Retained Earnings				
Unappropriated		8,763,771		8,493,736
Appropriated		10,500,000		10,500,000
Net unrealized gain (loss) on financial assets measured at FVOCI and derivative		37,248		54,870
Equity conversion option		857,863		857,863
Equity reserves		367,655		367,655
Net revaluation surplus		1,849,971		1,849,971
Effect of transactions with non-controlling interests		77,892		77,892
		31,121,962		30,869,549
Non-controlling Interests		(292)		(292)
Total Equity		**31,121,671**		**30,869,257**
TOTAL LIABILITIES & EQUITY	**P**	**43,738,592**	**P**	**43,258,749**

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Amounts in Thousands, except Earnings Per Share)

		Three Months ended March 31		
		2023		**2022**
REVENUES (Note 5)	**P**	**2,105,356**	**P**	**2,528,194**
COSTS AND EXPENSES				
Production costs		1,260,757		1,094,562
Depletion, depreciation and amortization		167,081		331,425
Excise taxes and royalties		145,168		163,397
General and administrative expenses		63,338		66,004
		1,636,345		**1,655,388**
INCOME FROM OPERATIONS		**469,011**		**872,806**
OTHER (CHARGES) INCOME				
Foreign exchange gains - net		26,234		18,950
Interest income		5,134		667
Share in net losses of associates		(5,372)		(5,428)
Others - net		(16,022)		(20,140)
		9,974		**(5,951)**
INCOME BEFORE INCOME TAX		**478,985**		**866,856**
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current		121,750		224,870
Deferred		(32,338)		(48,402)
		89,412		176,468
NET INCOME	**P**	**389,573**	**P**	**690,388**
Net Income Attributable to:				
Equity holders of the Parent Company		389,573		690,388
Non-controlling interests		-		-
	P	**389,573**	**P**	**690,388**
BASIC/DILUTED EARNINGS PER SHARE	**P**	**0.067**	**P**	**0.140**

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

	Three Months ended March 31	
	2023	**2022**
NET INCOME	P 389,573	P 690,388
OTHER COMPREHENSIVE INCOME (LOSS)		
Items to be reclassified to profit or loss in subsequent periods:		
Unrealized loss on fair value of hedging instruments	(17,622)	(95,157)
Items not to be reclassified to profit or loss in subsequent periods:		
Remeasurement of pension obligation (net of tax) and others	(3,888)	(66,936)
	(21,510)	(162,093)
TOTAL COMPREHENSIVE INCOME	**P 368,062**	**P 528,295**
Total Comprehensive Income Attributable to:		
Equity holders of the Parent Company	368,062	528,295
Non-controlling interests	-	-
	P 368,062	**P 528,295**

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

	Three Months ended March 31	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 478,985	P 866,856
Adjustments for:		
Depletion, depreciation and amortization	169,347	334,958
Unrealized foreign exchange losses (gains) and others - net	(40,455)	21,489
Share in net losses of associates	5,372	5,428
Interest income	(5,134)	(667)
Operating income before working capital changes	608,116	1,228,063
Decrease (increase) in:		
Accounts receivable	(79,451)	(29,164)
Inventories	127,921	48,181
Other current assets	(174,711)	(8,705)
Other noncurrent assets	(5,077)	(2,499)
Increase (Decrease) in:		
Accounts payable and accrued liaiblity	107,836	(71,059)
Non current liabilities	(29,241)	(60,506)
Cash generated from operations	555,393	1,104,312
Interest paid	31,368	-
Net cash flows generated from operating activities	**586,760**	**1,104,312**
CASHFLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(181,793)	(340,290)
Increase in deferred exploration costs and other noncurrent assets	(153,367)	(72,897)
Net cash flows used in investing activities	**(335,159)**	**(413,187)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Capitalized interest expenses	(14,157)	(8,227)
Dividends	(115,603)	-
Net cash flows used in financing activities	(129,760)	(8,227)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
NET DECREASE IN CASH AND CASH EQUIVALENTS	121,841	682,898
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	3,925,296	2,890,763
CASH AND CASH EQUIVALENTS AT END THE PERIOD	**P 4,047,137**	**P 3,573,661**

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

	Attributable to Equity Holders of the Parent Company											
			Retained Earnings									
	Capital Stock	Additional Paid-in Capital	Unappropriated	Appropriated	Unrealized Gain (Loss) on finandial assets measured at FVOCI and Derivative	Equity Conversion Option	Equity Reserves	Net revaluation Surplus	Effect of transaction with Non-controlling Interest	Sub-total	Non-controlling Interest	Total
BALANCES AT DECEMBER 31, 2022	5,782,399	2,885,163	8,493,736	10,500,000	54,870	857,863	367,655	1,849,971	77,892	30,869,549	(292)	30,869,257
Net income			389,573							389,573		389,573
Other comprehensive income (loss):												
Items to be reclassified to profit and loss in subsequent periods:												
Net Unrealized Gain on finandial assets measured at FVOCI and Derivative					(17,622)					(17,622)		(17,622)
Items not to be reclassified to profit and loss in subsequent periods:												
Remeasurement of pension obligation (net of tax) and others			(3,888)							(3,888)		(3,888)
Income tax effect on revaluation surplus	-	-	-		-	-	-	(0)	-	(0)	-	(0)
Total comprehensive income	-	-	385,685	-	(17,622)	-	-	(0)	-	368,062	-	368,062
	-			-	-	-	-	-	-	-	-	-
Declaration of dividends			(115,648)							(115,648)		(115,648)
BALANCES AT MARCH 31, 2023 (Unaudited)	**5,782,399**	**2,885,163**	**8,763,773**	**10,500,000**	**37,248**	**857,863**	**367,655**	**1,849,971**	**77,892**	**31,121,963**	**(292)**	**31,121,671**
BALANCES AT DECEMBER 31, 2021	4,940,399	1,143,981	6,943,648	10,500,000	17,319	1,225,518	-	1,849,971	77,892	26,698,728	(289)	26,698,440
Net income			690,388							690,388		690,388
Other comprehensive income (loss):												
Items to be reclassified to profit and loss in subsequent periods:												
Net Unrealized Gain on finandial assets measured at FVOCI and Derivative					(95,157)					(95,157)		(95,157)
Items not to be reclassified to profit and loss in subsequent periods:												
Remeasurement of pension obligation (net of tax)			(66,936)							(66,936)		(66,936)
Total comprehensive income	-	-	623,452	-	(95,157)	-	-	-	-	528,295	-	528,295
Declaration of dividends			(247,000)							(247,000)		(247,000)
BALANCES AT MARCH 31, 2022 (Unaudited)	**4,940,399**	**1,143,981**	**7,320,100**	**10,500,000**	**(77,838)**	**1,225,518**	**-**	**1,849,971**	**77,892**	**26,980,023**	**(289)**	**26,979,734**

PHILEX MINING CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS - UNAUDITED

		Three Months Ended March 31	
		2023	2022
Current Ratio	Current Assets over Current Liabilities	1.35	0.46
Debt-to-equity Ratio	Total Liabilities over Total Equity	0.41	0.58
Asset-to-equity Ratio	Total Assets over Equity	1.41	1.58
Net Income Ratio	Net Income over Net Revenue	0.19	0.27

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF ACCOUNTS RECEIVABLE

As of March 31, 2023

(In Thousands)

Accounts Receivable- Trade	P	524,457
Others		135,615
	P	**660,072**

AGING OF ACCOUNTS RECEIVABLE - TRADE

As of March 31, 2023

	0-30 days		**31-60 days**		**Total**	
IXM S.A.	P	86,334	P	163,516	P	249,850
Trafigura Pte Ltd				274,607		274,607
	P	**86,334**	**P**	**438,123**	**P**	**524,457**

PHILEX MINING CORPORATION AND SUBSIDIARIES

SCHEDULE OF LOANS AND BONDS PAYABLE

As of March 31, 2023

(In thousands)

Bonds Payable	P	5,979,819
Loans Payable:		
Banco de Oro	P	217,440
Philippine National Bank		326,160
Bank of the Philippine Islands		326,160
Security Bank		706,680
Total	**P**	**7,556,259**

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

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements as at and for the year ended December 31, 2022, except for the adoption of new standards that is effective January 1, 2023.

Unless otherwise indicated, adoption of these new standards did not have any material impact on the consolidated financial statements of the Group.

Effective beginning on or after January 1, 2023
- Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies
- Amendments to PAS 8, Definition of Accounting Estimates
- Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from Single Transaction

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, Classification of Liabilities as Current or Non-current
- Amendments to PFRS 16, Lease Liability in a Sale and Leaseback

Effective beginning on or after January 1, 2025

- PFRS 17, Insurance Contracts

Deferred effectivity

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

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

2. Significant Judgments and Estimates and Assumptions

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

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

Judgments

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

Determination of the Functional Currency

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

Recognition of Deferred Tax Assets

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

Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Measurement of Mine Products Revenue
Mine products revenue is provisionally priced until or unless these are settled at pre-agreed future or past dates referred to as "quotational period," the prevailing average prices at which time become the basis of the final price. Revenue on mine products is initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing costs. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotational period.

Valuation of Financial Instruments
The Group carries certain financial assets and financial liabilities (i.e., quoted and unquoted shares) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (e.g., quoted equity prices), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities is recognized in the consolidated statements of income and in the consolidated statements of comprehensive income.

Valuation of Financial Assets measured at FVOCI
Fair value measurement requires the use of accounting estimates and judgment. At initial recognition, the fair value of quoted financial assets measured at FVOCI is based on its quoted price in an active market, while the fair value of unquoted financial assets measured at FVOCI is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology

Measurement of NRV of Mine Products Inventory
The NRV of mine products inventory is the estimated sales value less costs to sell, which can be derived from such inventory based on its weight and assay for metal content, and the LME and LBMA for prices, which also represents an active market for the product. Changes in weight and assay for metal content as well as the applicable prices as the mine products inventory are eventually shipped and sold are accounted for and accordingly adjusted in revenue.

Write-down of Carrying Values of Materials and Supplies Inventories
The Group carries material and supplies inventories at NRV when such value is lower than cost due to damage, physical deterioration, obsolescence or other causes. When it is evident that the NRV is lower than its cost based on physical appearance and condition of inventories, an allowance for inventory obsolescence is provided.

Impairment of Mine and Mining Properties
The Group assesses, at each reporting date, whether there is an indication that mine and mining properties may be impaired. If any indication exists, or when annual impairment testing for mine and mining properties is required, the Group estimates the mine and mining and properties' recoverable amount. An asset's recoverable amount is the higher of asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Assessments require the use of estimates and assumptions such as future cash flows, discount rates, estimated ore reserves, forecasted metal prices, and production quantities. In assessing value in use, the estimated future

cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Estimation of Ore Reserves
Ore reserves were determined using various factors such as market price of metals and production costs among others. These are economically mineable reserves based on the current market condition and concentration of mineral resource. Reserves are key inputs to depletion, amortization and decommissioning provisions. On June 25, 2021, the Padcal Mine life has been extended for another two (2) years, extending its life until December 31, 2024. Further, on December 7, 2022, the life of Padcal Mine has been extended for another three (3) years up to December 31, 2027.The extension of the mine life is due to additional reserves from mineral resources delineated below the current mining level.

Impairment of Deferred Exploration Costs
The Group reviews the carrying values of its deferred exploration costs whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves and future plans of the prospective mine project.
An impairment loss is recognized when the carrying values of these assets are not recoverable and their historical cost exceeds their fair value.

Convertible Bonds
The Group's convertible bonds, treated as a compound financial instrument, are separated into liability and equity components based on the terms of the contract. On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

Provisions for losses
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle the said obligations. An estimate of the provision is based on known information at each end of the reporting period, net of any estimated amount that may be

reimbursed to the Group. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information.

Estimation of net retirement benefits liability (plan assets) and costs
The Group's net retirement benefits costs are actuarially computed using certain assumptions with respect to future annual salary increases and discount rates per annum, among others.

3. Financial Risk Management Objectives and Policies and Hedging Activities

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

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

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

Credit and concentration risks

Credit risk is the risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. To avoid such losses, the Group's primary credit risk management strategy is to trade only with recognized, creditworthy third parties.

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

The table below summarizes the Group's exposure to credit risk for the components of the unaudited consolidated balance sheet as of March 31, 2023:

Cash and cash equivalents	
Cash with banks	₱ 1,316,091
Short-term deposits	2,729,067
Accounts receivable:	
Trade	524,457
Others	133,511
Financial assets measured at FVOCI	
Quoted equity investments	92,172
Unquoted equity investments	53,035
Derivative assets	13,143
	₱ 4,861,477

The table below summarizes the Group's exposure to credit risk for the components of the consolidated statements of financial position as of March 31, 2023.

	Neither Past Due nor Impaired		Past Due and Individually Impaired	Total
	High-Grade	Standard		
Cash and cash equivalents:				
Cash with banks	₱ 1,316,091	-	-	₱ 1,316,091
Short-term deposits	2,729,067	-	-	2,729,067
Accounts receivable:				
Trade	524,457	-	-	524,457
Others	133,511	-	-	133,511
Financial assets measured at FVOCI				
Quoted equity investments	92,172			92,172
Unquoted equity investments	53,035			53,035
Derivative assets	13,143			13,143
Total	₱ 4,861,477	-	-	₱ 4,861,477

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

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

Liquidity risk

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

The table below summarizes the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as of March 31, 2023:

	On Demand	Within 1 Year	More than 1 Year	Total
Other financial liabilities:				
Loans payable - current				
Principal		₱ 1,576,440		₱ 1,576,440
Interest		1,757		1,757
Loans payable- noncurrent				
Principal		5,040,000		5,040,000
Interest		378,000		378,000
Accounts payable and accrued liabilities		2,498,537		2,498,537
Dividends payable	341,581			341,581
Total undiscounted financial liabilities	**₱ 341,581**	**₱ 9,494,734**	**-**	**₱ 9,836,315**

	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	₱ 4,047,137			₱ 4,047,137
Accounts receivable:				
Trade		524,457		524,457
Others		133,511		133,511
Advances to related parties				-
Financial assets measured at FVOCI				
Quoted equity investments	92,172			92,172
Unquoted equity investments	53,035			53,035
Total undiscounted financial assets	**₱ 4,192,344**	**₱ 657,968**	**-**	**₱ 4,850,312**

Market risks

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

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

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

US$ Appreciate (Depreciate)	Effect on Consolidated Income before Income Tax
6%	(₱11,122)
(6%)	11, 122

Equity Price Risk
Equity price risk is the risk where the fair values of investments in quoted equity securities could increase or decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Management monitors the movement of the share prices

pertaining to the Group's investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as financial assets measured at FVOCI.

The effect on equity, as a result of a possible change in the fair value of the Group's quoted equity instruments held as financial assets measured at FVOCI as at March 31, 2023 that could be brought by changes in equity indices with all other variables held constant is as follows:

Currency	Change in Quoted Prices of Investments Carried at Fair Value	Effect on Equity
Peso	Increase by 1%	₱27.47
	Decrease by 1%	(27.47)

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

The table below shows the effect on income before income tax should the change in the prices of copper and gold occur based on the inventory of the Parent Company as of March 31, 2023:

Change in Metal Prices		**Effect on Income before Income Tax**
Gold:		
Increase by 15%	15%	₱149,667
Decrease by 15%		(149,667)
Copper:		
Increase by 28%	28%	₱368,875
Decrease by 28%		(368,875)

4. Segment Information

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

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

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

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

The Group's Core EBITDA for the three months ended March 31, 2023 and 2022 amounted to ₱634,964 and ₱1,182,195, respectively

The following table shows the Group's reconciliation of core net income to the consolidated net income for the three months ended March 31, 2023 and 2022.

	YTD March 31	
	2023	2022
Core Net Income	₱387,897	₱676,174
Non-Recurring gains (losses) :		
Foreign exchange gains (losses)	26,234	18,950
Provision for losses	(18,000)	-
Net tax effect on foreign exchange losses	(6,559)	(4,737)
Net income attributable fo parent company	389,573	690,387
Net income attributable to non-controlling interests	-	-
Net income	₱389,573	₱690,387

Core net income per share is computed as follows:

	2023	2022
Core net income	₱389,573	₱690,387
Divided by weighted average number of common shares outstanding	5,782,399,068	4,940,399,068
Core net income per share	₱0.067	₱0.137

5. Revenues

Adoption of PFRS 15 using modified retrospective approach as of March 31, 2023 and March 31, 2022:

	2023		
	Revenue from contracts with customers	Provisional pricing adjustments	Total Revenue
Gold	₱ 954,878	(54,260)	₱ 900,618
Copper	1,096,980	92,145	1,189,125
Silver	16,014	(402)	15,613
Total			**₱ 2,105,356**

	2022		
	Revenue from contracts with customers	Provisional pricing adjustments	Total Revenue
Gold	₱ 1,085,920	33,122	₱ 1,119,042
Copper	1,392,775	(3,489)	1,389,286
Silver	21,589	(1,723)	19,865
Total			**₱ 2,528,194**

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

6. Basic/Diluted Earnings Per Share

Basic and diluted earnings per share as of March 31, 2023 and 2022 are computed as follows:

	2023	2022
Net income attributable to equity holders of the Parent Company	₱389,573	₱690,387
Divided by weighted average number of common shares outstanding during year	5,782,399,068	4,940,399,068
Basic earnings per share	₱0.067	₱0.140

In November 2021, the Board of Directors of the Parent Company approved the Stock Rights Offering (SRO) wherein eligible shareholders of record, as of the date to be set in accordance with existing law and regulations (the "Record Date") will have the opportunity to participate and to subscribe to common shares that will be issued in connection with the proposed SRO, subject to the approval by the SEC, and compliance with the listing requirements of the PSE.

On August 3, 2022, a total of 842,000,000 shares was listed at ₱3.15 per share. The total proceeds from the SRO amounted to ₱2,652,300. Together with long-term debt being arranged by a leading local financial institution and internally generated cash of the Group, the SRO proceeds will be utilized for the development of the Silangan Project.

7. Events After End of Reporting Period

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