

COVER SHEET

10044

S.E.C. Registration Number

PHILEX MINING CORPORATION

(Company's Full Name)

2ND FLOOR LAUNCHPAD RELIANCE
COR. SHERIDAN STS.,
MANDALUYONG CITY, METRO MANILA

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

Atty. Barbara Anne C. Migallos
Atty. Daneia Isabelle F. Palad

Contact Person

899-2123/8969357 to 59

Telephone Number of the Contact Person

1231

Month Day
Fiscal Year

SEC 20-IS
Definitive Information Statement
(Annual Stockholders' Meeting)

FORM TYPE

Any day
in June

Month Day
Annual Meeting

N/A

Secondary license Type, If Applicable

MSRD

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

PHILEX MINING CORPORATION
Notice of the 2023 Annual General Meeting of Stockholders

TO OUR STOCKHOLDERS:

Please be informed that the Annual General Meeting of the Stockholders of **PHILEX MINING CORPORATION** (the “Company”) will be held on **Thursday, 22 June 2023** at 2:30 p.m. and will be presided at **TV5, LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila**. The meeting will be conducted virtually, and attendance at the meeting will be via remote communication only.

The order of business at the Meeting will be as follows:

1. Call to Order
2. Proof of Required Notice of the Meeting
3. Certification of Quorum
4. Reading and Approval of the Minutes of the 30 June 2022 Stockholders’ Meeting and Action Thereon
5. Presentation of Annual Report and Audited Financial Statements for the Year Ended 31 December 2022 and Action Thereon
6. Ratification and Approval of the Acts of the Board of Directors and Executive Officers During the Corporate Year 2022-2023
7. Appointment of Independent Auditors for Financial Year 2023
8. Amendment of the Corporation’s Articles of Incorporation
9. Approval of the Corporate Guaranty
10. Appointment of Election Inspectors to serve until the close of the next annual meeting
11. Election of Directors, including the election of the Independent Directors and extension of their term
12. Other Matters
13. Adjournment

A brief statement of the rationale and explanation for each Agenda item that requires shareholders’ approval is provided in Annex “A” below.

For purposes of the Meeting, only stockholders of record as of the close of business on 11 April 2023 are entitled to notice of, and to vote at, the Meeting.

The **Information Statement** for the Meeting is posted on the Company’s website. To access the Information Statement, with the attached Management Report, Audited Financial Statements for the period ended 31 December 2022, 2023 First Quarter Report, and Proxy Form, please go to <http://www.philexmining.com.ph/>

Attendance via remote communication. Shareholders may only participate via remote communication. Shareholders who will attend the meeting must send an email to philexsec@philexmining.com.ph (the “**Dedicated Email Address**”). Certificated shareholders must send their Stockholder ID number, with a scanned copy of a valid government identification card (ID) attached. Indirect or uncertificated shareholders (shareholders who hold their shares through a PCD Nominee Account must submit through e-mail a certification from their broker attesting that the stockholder is the beneficial owner of shares of stock of the Company (the number of shares must be indicated and a valid current ID. Deadline for registration is on 13 June 2023 at 12:00 noon. Once the Company successfully verifies the stockholders’ status, the

Company will reply to each stockholder with (1) a link to which the Meeting may be accessed; and (2) the Security Code to be used for online voting.

Proxies. A proxy form that is compliant with the Securities and Exchange Commission is attached to the Information Statement. Stockholders who cannot attend the meeting can still be represented and vote at the Meeting by submitting a proxy by email to **philexsec@philexmining.com.ph**, or by sending a physical copy to the Office of the Corporate Secretary at the Company's principal office at 2/F LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila. The deadline for submission of proxies is 13 June 2023.

Proxy validation will be on 14 June 2023 at 10:30 a.m. at the Company's office indicated above.

On-line voting. Secured on-line voting or electronic voting will be available for stockholders. Stockholders who have pre-registered attendance via remote communication may vote online by logging on to <http://www.philexmining.com.ph/investor-relations/vote-online> to cast their votes. On-line voting instructions are attached to this Notice as Annex "B". Online voting will close at 12:00 noon on 16 June 2023.

Open Forum. There will be an Open Forum during the Meeting. Stockholders who will attend via remote communication should send their questions via email to **philexsec@philexmining.com.ph** on or before 12:00 noon of 16 June 2023.

The Minutes of the Annual General Stockholders' Meeting of the Company held on 30 June 2022 are available on the Company's website (www.philexmining.com.ph) and is available for examination during office hours at the office of the Corporate Secretary.



BARBARA ANNE C. MIGALLOS
Corporate Secretary

The Rationale and Explanation for each Agenda item requiring shareholders' approval is attached to this Notice as Annex "A".

On-Line Voting Instructions are attached to this Notice as Annex "B".

The Information Statement with Management Report, the 2022 Audited Financial Statements, and the Proxy Form are posted on the Company's website.
(www.philexmining.com.ph)

ANNEX “A”

EXPLANATION AND RATIONALE

For each item on the Agenda of the 2023 Annual General Stockholders Meeting of
Philex Mining Corporation requiring the vote of stockholders

AGENDA

1. Call to Order

The Chairman will formally open the 2023 Annual General Stockholders' Meeting. The Directors and Officers of the Company will be introduced.

2. Proof of Required Notice of the Meeting

The Corporate Secretary will certify that copies of this Notice and the Information Statement with its accompanying documents have been duly provided in accordance with SEC Rules, within the required periods, to stockholders of record as of 11 April 2023.

3. Certification of Quorum

The Corporate Secretary will attest whether a quorum is present for the meeting.

4. Reading and Approval of the Minutes of the 30 June 2022 Stockholders' Meeting and Action Thereon

Stockholders may examine the Minutes of the 30 June 2022 Annual General Stockholders' Meeting in accordance with Section 73 of the Revised Corporation Code. The Minutes are available on the Company's website (www.philexmining.com.ph).

5. Presentation of Annual Report and Audited Financial Statements for the Year Ended 31 December 2022 and Action Thereon

The annual report and the financial statements of the Company, audited by the Company's external auditors, Sycip Gorres Velayo & Company, will be presented. The report will include the Audited Financial Statements, a copy of which accompanies this Notice and the Definitive Information Statement. Copies of the Information Statement and the Audited Financial Statements for 2022 will be made available on the Company's website.

OPEN FORUM. After the report, inquiries submitted by stakeholders on or before 12:00 noon of 16 June 2023 via email, as stated in the Notice, will be answered by the appropriate officer. Due to time considerations, questions not addressed at the meeting will; be responded to via email.

Resolution to be adopted: Stockholders will vote for the adoption of a resolution approving the annual report and audited financial statements for the year ended 31 December 2022.

6. Ratification and Approval of the Acts of the Board of Directors and Executive Officers during the Corporate Year 2022-2023

The actions taken by the Board and the officers that are to be ratified and approved by stockholders are summarized in the Information Statement and referred to in the Management Report.

Resolution to be adopted: Stockholders will vote for the adoption of a resolution ratifying and approving the acts of the Board of Directors and Officers.

7. Appointment of Independent Auditors for Financial Year 2023

The Audit Committee has endorsed the appointment of Sycip Gorres Velayo & Company as the Company's independent external auditors for the year 2023.

Resolution to be adopted: Stockholders will vote for the adoption of a resolution for the appointment of Sycip Gorres Velayo & Company as independent external auditors of the Company for 2023.

8. Appointment of Elections Inspectors to serve until the close of the next annual meeting

An independent party will be appointed by the shareholders to serve as election inspector responsible for counting and/or validating the votes cast for all shareholders' meetings held in the ensuing year until the next annual meeting. In previous years, representatives of the independent external auditor were appointed.

Resolution to be adopted: Stockholders will vote on a resolution for the appointment of Mr. Alexis C. Zaragoza III of Sycip Gorres Velayo & Company as an election inspector to serve as such for the ensuing year and until the close of the next annual stockholders' meeting.

9. Approval of the Amendment of the Articles of Incorporation

At its earlier meeting, the Board of Directors approved and resolved to add to the Company's secondary purposes, and make the corresponding amendment to the articles of incorporation.

Resolution to be adopted: Stockholders will vote for the adoption of a resolution for the amendment of the Company's articles of incorporation.

10. Approval of the Corporate Guaranty

At an earlier meeting, the Board of Directors approved the Company's Guaranty of an Omnibus Loan and Security Agreement (OLSA) undertaken by its wholly-owned subsidiary Silangan Mindanao Mining Co., Inc.

Resolution to be adopted: Stockholders will vote for the adoption of a resolution approving the Company's guaranty of the OLSA undertaken by its wholly-owned subsidiary Silangan Mindanao Mining Co., Inc.

11. Election of Directors

The Final List of Candidates for election as Directors, as prepared by the Nominations Committee in accordance with the Company's By-laws, the Revised Manual on Corporate Governance, the Securities Regulation Code and its Implementing Rules and Regulations, and SEC guidelines for the election of independent directors, will be presented to the stockholders, and the elections will be held.

12. Other Matters

Matters that are relevant to and appropriate for the Annual General Stockholders' Meeting may be taken up. No Resolution, other than the resolutions explained in the Notice and Information Statement, will be submitted for voting by stockholders.

13. Adjournment

ONLINE VOTING INSTRUCTIONS
For the 2023 Annual Stockholders’ Meeting of
PHILEX MINING CORPORATION

Secured electronic voting or online voting in absentia for the 2023 Annual Stockholders’ Meeting of **PHILEX MINING CORPORATION** (the “Company”) is available to certified shareholders of record as of 11 April 2023. Instructions for online voting for certified shareholders are as follows:

1. Log on to <http://www.philexmining.com.ph/investor-relations/vote-online>.
2. Key in your STOCKHOLDER NUMBER on the box labeled “STOCKHOLDER NUMBER”.

Your STOCKHOLDER NUMBER serves as your account number with the Company, and can be found in previous letters and communications of the Company, including letters for dividends. If you cannot locate your STOCKHOLDER NUMBER, you may inquire with **Ms. Alma A. Escalante** of the Company’s Investor Relations Division at **(632) 631-1381 to 88, local 890** or via email at aaescalante@philexmining.com.ph, or **Mr. Richard D. Regala** of Stock Transfer Services, Inc., the Company’s stock transfer agent at **(632) 403-24510** or **(632) 403-2412**, or via email at rdregala@stocktransfer.com.ph.

3. Key in your STOCKHOLDER NUMBER on the box labeled SECURITY CODE. The SECURITY CODE will be provided by the Company after the stockholder successfully registers with the Company.
4. Upon entering a valid STOCKHOLDER NUMBER and the correct SECURITY CODE, stockholder details (i.e. name, address, contact numbers, email address) will appear at the top of the page. Stockholders are requested to fill in the information for contact details (MOBILE NUMBER, LANDLINE, and EMAIL ADDRESS) to update their record with the Company.

The online ballot showing “Items Requiring Shareholder Approval” will appear afterward.

5. For each item requiring shareholders’ approval, click the appropriate box or boxes to indicate your vote. For all items, except the election of directors, click only one box opposite “YES”, “NO”, or “ABSTAIN” to indicate your vote.
6. For the election of directors, stockholders may vote up to nine (9) regular directors, and two (2) independent directors. Click the boxes opposite the names of the chosen nominees to indicate your vote. Cumulative voting is allowed; please refer to Item 4 of the Information Statement for an explanation of cumulative voting.

To submit the online ballot, click the “SUBMIT” button on the lower right hand portion of the page. Once submitted, shareholders may still change their vote by clicking

BACK to return to the previous page. As soon as the votes are finalized and the SUBMIT button is clicked, a confirmation message "Thank you for Voting" will appear.

7. Online ballots will be accepted until **12:00 p.m. on 16 June 2023**.
8. Results of the voting by shareholders will be announced for each item on the Agenda requiring the vote of shareholders, and shall be duly disclosed and shall be made available on the Company's website on the business day following the meeting.

For any questions or concerns, kindly contact the office of the Corporate Secretary via email at philexsec@philexmining.com.ph.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter: **PHILEX MINING CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
4. SEC Identification Number: **10044**
5. BIR Tax Identification Code: **000-283-731-000**
6. Address of principal office: **2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila**
7. Registrant's telephone number, including area code: **(632) 631-1381 to 88**
8. Date, time and place of the meeting of security holders:

Date	:	22 June 2023
Time	:	2:30 p.m.
Venue	:	The meeting will be presided at TV5, LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **on or before 31 May 2023 (at least 21 days prior to the Meeting)**
10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor:	Philex Mining Corporation
Address and Telephone Number:	2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila 1600 (632) 631-1381 to 88
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Number of Shares of Common Stock Issued	5,782,399,068 common shares
Amount of Debt Outstanding	Php 7,556,259,000 (as of 31 March 2023)
12. Are any or all of registrant's securities listed on a stock exchange?

<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
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If so, disclose name of Exchange: **Philippine Stock Exchange, Inc.**

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT**A. GENERAL INFORMATION****Item 1. Date, Time and Place of Meeting of Security Holders**

The Annual Meeting of Stockholders of **PHILEX MINING CORPORATION** (the “**Company**” or “**PMC**”), a corporation organized and existing under the laws of the Philippines with principal office address at 2/F, LaunchPad Reliance corner Sheridan Streets, Mandaluyong City will be held on **22 June 2023 (Thursday) at 2:30 p.m. and only by remote communication**. The Annual Stockholders’ Meeting will be presided at TV5, LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila (the “**Stockholders’ Meeting**” or the “**Meeting**”).

The Agenda of the Meeting, as indicated in the accompanying Notice of Annual Meeting of Stockholders, are as follows:

1. Call to Order
2. Proof of Required Notice of the Meeting
3. Certification of Quorum
4. Reading and Approval of the Minutes of the 30 June 2022 Stockholders’ Meeting and Action Thereon
5. Presentation of Annual Report and Audited Financial Statements for the Year Ended 31 December 2022 and Action Thereon
6. Ratification and Approval of the Acts of the Board of Directors and Executive Officers During the Corporate Year 2022-2023
7. Appointment of Independent Auditors for Financial Year 2023
8. Amendment of the Corporation’s Articles of Incorporation
9. Approval of the Corporate Guaranty
10. Appointment of Election Inspectors to serve until the close of the next annual meeting
11. Election of Directors, including the election of the Independent Directors and extension of their term
12. Other Matters
13. Adjournment

Shareholders may only participate via remote communication. Shareholders who will attend the meeting must send an email to **philexsec@philexmining.com.ph** (the “**Dedicated Email Address**”). Certificated shareholders must send their Stockholder ID number, with a scanned copy of a valid government identification card (ID) attached. Indirect or uncertificated shareholders (shareholders who hold their shares through a PCD Nominee account) must submit through e-mail a certification from their broker attesting that the stockholder is the beneficial owner of shares of stock of the Company (the number of shares must be indicated) and a valid current ID. Deadline for registration is on 13 June 2023, at 12NN. Once the Company successfully verifies the stockholder’s status, the Company will reply to each stockholder with (1) a link through which the Meeting may be accessed; and (2) the SECURITY CODE to be used for online voting.

Shareholders may vote online through a secure electronic voting facility. Stockholders who have pre-registered attendance via remote communication may log on to <http://www.philexmining.com.ph/investor-relations/vote-online> to cast their votes. Please see

Item 19 of this Information Statement for the detailed on-line voting instructions. The same are also attached to the Notice. **On-line voting will close at 12:00 noon on 16 June 2023.**

Stockholders who cannot attend the meeting can still be represented and vote at the Meeting by submitting a proxy by email to the Dedicated Email Address or by sending a physical copy to the Office of the Corporate Secretary at the Company's principal office at 2/F LaunchPad, Reliance corner Sheridan Streets, Mandaluyong City, Metro Manila. The deadline for submission of proxies is **13 June 2023**.

Proxies will be tabulated by the stock transfer agent, Stock Transfer Services, Inc. ("STSI") (34th Floor, Rufino Plaza, Ayala Avenue, Makati City), and such tabulation will be subject to review by the Company's external auditors, Sycip Gorres Velayo & Company, as necessary. Proxies will be voted as indicated by the shareholder in the proxy and applicable rules. The Special Committee of Inspectors constituted by the Company's Board of Directors, composed of the Corporate Secretary, the Compliance Officer, and a representative of the stock transfer agent, shall validate the proxies on **16 June 2023 at 12:00 noon**.

There will be an Open Forum during the Meeting. Questions relating to the Meeting materials may be sent to the Dedicated Email Address on or before 12:00 noon of 16 June 2023. Due to time considerations, questions that will not be addressed at the Meeting will be responded to via email.

The Management Report, the Annual Report under Securities Exchange Commission ("SEC") Form 17-A with the Audited Financial Statements for the year ended 31 December 2022, and 2023 First Quarter Report SEC Form 17-Q are attached to this Information Statement as Annexes "B", "C" and "D", respectively and may be accessed through the Company's website through <http://www.philexmining.com.ph/>. Upon written request of a shareholder the Company shall furnish such shareholder with a copy of the said Annual Report on SEC Forms 17-A and 17-Q, as filed with the SEC free of charge.

Voting procedures are contained in Item 19 of this Information Statement and will be stated at the start of the Meeting. Cumulative voting is allowed; please refer to Item 4 and Item 19 for an explanation of cumulative voting.

Further information and explanation regarding specific agenda items, where appropriate, are contained in various sections of this Information Statement. This Information Statement constitutes notice of the resolutions to be adopted at the Meeting.

This Information Statement and Proxy Form shall be sent to security holders not later than 1 June 2023, after the approval of the Definitive Information Statement by the SEC.

Item 2. Dissenters' Right of Appraisal

There are no corporate matters or action to be taken during the Meeting that will entitle a stockholder to a Right of Appraisal as provided in Title X of the Revised Corporation Code of the Philippines (Batas Pambansa [National Law] No. 68).

For the information of stockholders, any stockholder of the Company shall have a right to dissent and demand payment of the fair value of his shares in the following instances, as provided in Section 80 of the Revised Corporation Code of the Philippines:

1. In case of an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding

- shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;
 3. In case of merger or consolidation; and
 4. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.
 5. Section 11 of the Revised Corporation Code automatically grants perpetual existence to Corporation existing at the time of its effectivity unless stockholders representing a majority of its outstanding capital stock elect to retain the specific corporate term under its Articles of Incorporation. However, any change in the corporate term under Section 11 is without prejudice to the appraisal right of dissenting stockholders.

The Revised Corporation Code of the Philippines (at Section 81) provides that the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares: provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made; provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

No incumbent director has informed the Company in writing of an intention to oppose any action to be taken at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of 30 April 2023, there are 5,782,399,068 outstanding common shares of the Company. The Company does not have any class of shares other than common shares. The holders of the 5,782,399,068 outstanding common shares are entitled to vote such shares.

Out of the 5,782,399,068 common shares, 2,091,493,743 common shares or 36.17% are held by foreign shareholders.

All stockholders of record as of **11 April 2023** are entitled to notice and to vote at the Annual Stockholders' Meeting.

A stockholder entitled to vote at the meeting shall have the right to vote online via <http://www.philexmining.com.ph/investor-relations/vote-online>, or by proxy.

The Company has only one class of common shares, each entitled to one vote. Cumulative voting, which enhances the ability of minority shareholders in voting for the election of directors, is allowed. On this basis, each registered stockholder as of 11 April 2023 may vote the number of shares registered in his name for each of the eleven (11) directors to be elected, or he may multiply the number of shares registered in his name by eleven (11), the number of the Company's directors as provided in the Articles of Incorporation, and cast the total of such votes for one (1) director. A stockholder may also distribute his votes among some or all of the eleven (11) directors to be elected.

Security Ownership of Certain Record and Beneficial Owners

The following stockholders own more than five percent (5%) of the Company's stock as of 30 April 2023:

Title of Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	%
Common	Asia Link B.V. Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands	Asia Link B.V. (See Note 1)	Non-Filipino	1,023,275,990	17.70
Common	Social Security System c/o Loans and Investment Office, 7/F SSS Building, Diliman, Quezon City	Social Security System (See Note 2)	Filipino	1,376,053,232	19.74
Common	PCD Nominee Corp.	(See Note 3)	Filipino/Non-Filipino	1,478,485,961	25.57

	37/F Tower 1, The Enterprise Center, 6766 Ayala Avenue, Makati City				
Common	Two Rivers Pacific Holdings Corp. 10/F Net One Center, 26 th Street corner 3 rd Avenue, Bonifacio Global City, Taguig	Two Rivers Pacific Holdings Corp.	Filipino	864,799,776	14.96
Common	First Pacific Mining Limited	First Pacific Mining Limited (see Note 1)	Filipino	312,908,501	5.41

¹ Asia Link B.V. and First Pacific Mining Limited are wholly-owned subsidiaries of First Pacific Company Limited ("First Pacific").

² Mr. Rolando L. Macasaet, Ms. Anita Bumpus Quitain and Ms. Bai Norhata D. M. Alonto currently represent the Social Security System ("SSS") in the Company's Board of Directors.

³ PCD Nominee Corporation ("PCD Nominee"), the nominee of the Philippine Depository & Trust Corp., is the registered owner of the shares in the books of the Company's transfer agent. PCD Nominee is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transaction in the Philippines. The beneficial owners of such shares are PCD Nominee's participants who hold the shares on their own behalf or in behalf of their clients.

To the best knowledge of the Company, there are no participants under the PCD account who own more than 5% of the Company's voting securities as of 31 March 2023.

Proxies of the foregoing record owners for the Annual Stockholders' Meeting have not yet been received by the Company. The deadline set by the Board of Directors for submission of proxies is on 13 June 2023.

Security Ownership of Management

The beneficial ownership of the Company's directors and executive officers as of 30 April 2023 is as follows:

Title of Class	Beneficial Owner	Citizenship	Nature of Ownership	Number of Shares	%
Directors					
Common	Manuel V. Pangilinan	Filipino	Direct	4,655,000	0.08
Common	Eulalio B. Austin Jr.	Filipino	Direct	1,360,937	0.02
			Indirect	1,184,329	0.02

Common	Barbara Anne C. Migallos	Filipino	Indirect	241,622	-
Common	Michael G. Regino*	Filipino	Direct	1	-
Common	Bai Norhata M. Alonto	Filipino	Direct	1	-
Common	Anita B. Quitain	Filipino	Direct	1	-
Common	Marilyn A. Victorio-Aquino	Filipino	Direct	100	-
			Direct	500,000	0.01
Common	Oscar J. Hilado	Filipino	Direct	173	-
Common	Joseph Ng	British	Direct	1	-
Common	Ping Cheun Chan (Richard Chan)	Chinese	Direct	1	-
Common	Wilfredo A. Paras	Filipino	Direct	1	-
Officers					
Common	Romeo B. Bachoco	Filipino	Indirect	600,000	0.01
Common	Victor A. Francisco	Filipino	Direct	50,000	-
Common	Winston S. Cruz	Filipino	-	-	-
Directors and Key Officers as a Group				8,702,014	0.15

Security Ownership of Foreigners or Non-Filipinos

The chart below shows the ownership of foreigners or non-Filipinos as of 31 March 2023:

Total Outstanding Shares	Shares Allowed to Foreigners	% Allowed to Foreigners	Shares Owned by Foreigners	% Owned by Foreigners
5,782,399,068	2,312,959,627	40%	2,091,493,743	36.17%

Voting Trust Holders/Changes in Control

There are no voting trust holders of 5% or more of the Company's stock. There are no arrangements that may result in a change of control of the Company.

Item 5. Directors and Executive Officers

DIRECTORS

The following are the present directors of the Company whose terms of office are for one year or until their successors are elected and qualified:

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

Age: 76

Date of First Appointment: November 28, 2008

Academic Background:

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

Business and Professional Background/ Experience:

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

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

Directorship in Other Listed Companies in the Philippines:

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

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

Age: 61

Date of First Appointment: June 29, 2011

Academic Background:

Mr. Austin graduated from Saint Louis University-Baguió City, with a Bachelor of Science degree in Mining Engineering and placed eight at the 1982 Professional Board Examination for mining engineers. He took his Management Development Program at the Asian Institute of Management in 2005 and his Advance Management Program at Harvard Business School in 2013.

Business and Professional Background/ Experience:

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

He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from

2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998. Mr. Austin concurrently serves as Director of PXP Energy Corporation and Silangan Mindanao Mining Co., Inc.

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

Directorship in Other Listed Companies in the Philippines:

- a. PXP Energy Corporation - Non-Executive Director

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

Age: 60

Date of First Appointment: January, 30 2019

Academic Background:

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

Business and Professional Background/ Experience:

Mr. Ng. joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. He was appointed as First Pacific's Chief Financial Officer in August 2022 and has been an Associate Director in April 2019. Previously, he was Executive Vice President of Group Finance and served in several senior positions within First Pacific Group, including as the Group Treasurer, the Head of Finance of its regional telecom division and as a director of a number of First Pacific Group's telecom joint ventures in India, Indonesia and China. Mr. Ng is also a Commissioner of PT Indofood Sukses Makmur Tbk, a Nonexecutive Director of PXP Energy Corporation, and a Director of PacificLight Power Pte. Ltd., which are First Pacific Group subsidiary and associates.

Directorship in Other Listed Companies in the Philippines:

- a. PXP Energy Corporation - Non-Executive Director

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

Age: 53

Date of First Appointment: January 30, 2019

Academic Background:

Mr. Chan received a BBA (Hons) degree from Hong Kong Baptist University and an MBA from the Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a CFA Charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants and the

Association of Chartered Certified Accountants. He has experience in auditing, accounting, finance and management spanning a diverse range of business activities. Mr. Chan was re-elected on June 30, 2022.

Business and Professional Background/ Experience:

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

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

Age: 67

Date of First Appointment: December 7, 2009

Academic Background:

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

Business and Professional Background/ Experience:

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

Directorship in Other Listed Companies in the Philippines:

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

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

Age: 85

Date of First Appointment: December 7, 2009

Academic Background:

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

Business and Professional Background/ Experience:

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

Southwestern University, Phinma Hospitality, Inc., United Pulp and Paper Company, Inc., Digital Telecommunications Philippines, Inc., Seven Seas Resorts and Leisure, Inc., Beacon Property Ventures, Inc., Cebu Light Industrial Park, Inc., Pueblo de Oro Development Corporation, Manila Cordage Company, and Metro Pacific Investments Corporation.

Directorship in Other Listed Companies in the Philippines:

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

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

Age: 76

Date of First Appointment: June 29, 2011

Academic Background:

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

Business and Professional Background/ Experience:

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

Directorship in Other Listed Companies in the Philippines

RLC REIT INC. – Independent Director

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

Age: 68

Date of First Election: June 26, 2013

Academic Background:

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

Business and Professional Background/ Experience

Ms. Migallos was elected to the Board of Directors of the Company and PGPI on June 26, 2013, and was most recently re-elected on June 30, 2022. She has been the Company's Corporate Secretary since 1998. She is also the Corporate Secretary and former Director of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos is also Director of Mabuhay Vinyl Corporation since 2000, Philippine Resins Industries since 2001, Corporate

Secretary of Eastern Telecommunications Philippines, Inc. since 2005, Nickel Asia Corporation since 2010, and Alliance Select Foods International, Inc. since 2015. She is a professional lecturer in Corporations Law, Securities Regulation and Commercial 1 and 2 at the De La Salle University College of Law, and heads its Mercantile Law Department. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006.

Directorship in Other Listed Companies in the Philippines

- a. Mabuhay Vinyl Corporation - Non-Executive Director

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

Age: 62

Date of First Election: February 23, 2022

Academic Background:

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

Business and Professional Background/ Experience:

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

Directorship in Other Listed Companies in the Philippines:

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

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

Age: 76

Date of First Appointment: February 28, 2017

Academic Background:

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

Business and Professional Background/ Experience:

Ms. Quitain was first elected to the Company's Board of Directors on February 28, 2017, and most recently re-elected on June 30, 2022. She is Commissioner of the Social Security Commission since her appointment in 06 October 2016. She is also Director of First Philippine Holdings, Inc. since March 2018. She was an employee of the Social Security System (SSS) for 31 years assigned to the Main Office of Region 09 in Davao City, where one of her major achievements was taking charge of the operations of the then newly-opened SSS Representative Office in Digos City, Davao del Sur as Office-in-Charge. She stayed there for five (5) years where she conducted seminars and coverage drives, especially in rural areas, aside from discharging management and leadership functions in the Representative Office.

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

Directorship in Other Listed Companies in the Philippines:

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

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

Age: 72

Date of First Appointment: February 24, 2021

Academic Background:

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

Business and Professional Background/ Experience:

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

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

Ms Alonto was Executive Assistant V / Chief of Staff to the Chairman of the Mindanao Development Authority from October 2017 - May 2019. She was the Focal Person for foreign-assisted development programs for the Bangsamoro under the Office of the Chairman,

Mindanao Development Authority. Ms. Alonto was a Member of the Board of Directors of the ARMM Social Fund Board from 2003-2004, and the Bataan Shipyard and Engineering Corporation from 2003-2004. She was Commissioner of the Presidential Commission for Urban Poor from 2001-2002, Presidential Assistant for Muslim Mindanao from 1999-2001. Ms. Alonto also held various positions in the College Instructor, College of Arts and Sciences, Mindanao State University.

Ms. Alonto resigned as Director of the Company effective 4 May 2023.

Directorship in Other Listed Companies in the Philippines:

- a. IONICS, Inc.

Directorships in Other Publicly-Listed Companies

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

Process and Criteria for Selection of Nominees for Directors

The Board of Directors set **26 April 2023** as the deadline for the submission of nominations to the Board of Directors. The deadline was duly announced and first disclosed on 23 February 2023.

The Nominations Committee composed of Manuel V. Pangilinan (Chairman), Marilyn A. Victorio-Aquino, Wilfredo A. Paras (Independent Director) and Bai Norhata D. M. Alonto screened the nominees for election to the Board of Directors in accordance with the Company's Revised Manual on Corporate Governance. The Committee assessed the candidates' background, educational qualifications, work experience, expertise and stature as would enable them to effectively participate in the deliberations of the Board.

In the case of the independent directors, the Committee reviewed their business relationships and activities to ensure that they have all the qualifications and none of the disqualifications for independent directors as set forth in the Company's Revised Manual of Corporate Governance, the Securities Regulation Code (SRC), the 2015 SRC Implementing Rules and Regulations, and SEC Memorandum Circular No. 19, series of 2016 or the "Code of Corporate Governance for Publicly-Listed Companies."

Nominees for Election at Annual Stockholders' Meeting on

The Nominations Committee screened the nominees to determine whether they have all of the qualifications and none of the disqualifications for election to the Company's Board of Directors, and prepared the Final List of Candidates for election to the Board of Directors at the Annual Stockholders' meeting.

The Final List of Candidates is as follows:

Nominees for Regular Director:

1. Manuel V. Pangilinan
2. Eulalio B. Austin, Jr.
3. Joseph H. P. Ng
4. Richard P. C. Chan
5. Marilyn A. Victorio-Aquino
6. Barbara Anne C. Migallos
7. Rolando L. Macasaet
8. Anita Bumpus Quitain
9. Santiago Dionisio R. Agdeppa

Nominees for Independent Director

1. Oscar J. Hilado (Independent Director)
2. Wilfredo A. Paras (Independent Director)

Their experience and background of are summarized in pages 8-15 of this Information Statement. The Company will comply with the guidelines on the nomination and election of independent directors prescribed in Rule 38 of the SRC Rules, and the Code of Corporate Governance for Publicly Listed Companies. The said nominees are all incumbent directors of the Company, except for Mr. Santiago Dionisio R. Agdeppa, whose profile can be found below:

SANTIAGO DIONISIO R. AGDEPPA, *Non-Executive Director*

Mr. Agdeppa is a Certified Public Accountant (CPA) – Lawyer. He is also a Career Service Executive Eligible.

After passing the CPA Board Examination, he worked briefly from 1984 to 1985 as an accounting staff in the private sector.

From 1985 to 1990, he worked in the Commission on Audit with last position held as State Auditor II. He transferred to the SSS Legal Department in 1990. In 2005, he became the Assistant Vice President of Cluster Legal Support (renamed as Operations Legal Department). He was also the Officer-in-Charge of the NCR Central Cluster Legal Unit from 2005-2010 and Legal Adviser and Legal Counsel, SSS Provident Fund. He was promoted as Senior Vice President in November 2014.

He was a non-voting member of the SSC Board Audit Committee (from 2010 to 2014) and was a member of various SSS Management Committees. He attended official seminars such as the Training Program on Pension Schemes, Management Course, Data Security, Compliance and Ethics, and various seminars on legal education as well as training courses by the Institute of Corporate Directors.

Mr. Agdeppa finished his Bachelor of Laws at San Beda College in 1989; BSC Accounting from San Sebastian College in 1983, and completed his Master in Business Management at Pamantasan ng Lungsod ng Maynila in 1997 and Middle Management Course at Ateneo Graduate School of Business in 2014.

SEC Memorandum Circular No. 4, Series of 2017 prescribes a cumulative term limit of nine (9) years for independent directors of publicly-listed companies, reckoned from the year 2012. The same circular provides, however, that where a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

At the 27 April 2023 meeting of the Board of Directors of the Company, the Board resolved to retain and extend the terms of its Independent Directors, Messrs. Oscar J. Hilado and Wilfredo A. Paras, for another year. The extension of their term shall be by virtue of their re-election to the Board of Directors.

The experience, expertise, and extensive knowledge of Messrs. Hilado and Paras on matters that are critical to business of the Company cannot be easily replaced given Padcal's remaining life of mine, the Company's on-going efforts to operationalize the Silangan Gold and Copper project in Surigao, and several other mining prospects underway.

Mr. Oscar J. Hilado was nominated by Mr. Pangilinan. Mr. Wilfredo A. Paras was nominated by Ms. Migallos. Both nominees have accepted their nominations in writing. There are no relationships between the foregoing nominees for independent director and the persons who nominated them.

No director has resigned or declined to stand for re-election to the Board of Directors due to disagreement on any matter.

Executive Officers

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

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

Mr. Austin concurrently serves as Director of PXP Energy Corporation and Silangan Mindanao Mining Co., Inc. Outside of Philex Mining, he is a member of the Chamber of Mines of the Philippines' Board of Trustees. Mr. Austin also sits as a member of the Executive Committee of the Board of Trustees and serves as the Chairman of the Membership Committee as well as the Towards Sustainable Mining Initiative Committee. He is a Competent Person (CP) for Copper and Gold Deposit by the Philippine Society of Mining Engineers under the PMRC guidelines. He was awarded 2021 Outstanding Professional of the Year in the Field of Mining

Engineering by the Professional Regulation Commission of the Philippines. Also in 2016, he was awarded Most Outstanding Engineer in Mine Management by the Philippine Society of Mining Engineers (PSEM), aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last December 14, 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

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

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

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

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

RICARDO S. DOLIPAS, II – 50, Mr. Dolipas was appointed as Vice President – Operations effective 1 January 2023. Mr. Dolipas holds a degree in Bachelor of Science in Mining

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

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

The Company is not aware of any adverse events or legal proceedings during the past five (5) years that are material to the evaluation of the ability or integrity of its directors or executive officers. Note 32 of the Notes to the Consolidated Financial Statements of the Exhibits in Part V, Item 14 is also hereto incorporated by reference.

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

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

Significant Employees

No single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance.

Family Relationships

There are no family relationships up to the fourth civil degree either of consanguinity or affinity among any of the directors, executive officers and persons nominated or chosen to become directors or executive officers.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as a director, executive officers or control persons of the Company have been involved in any legal proceeding, including without limitation being the subject of any:

- a. bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- b. conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- c. order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities commodities or banking activities; and
- d. order or judgment of a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization finding him/her to have violated a securities or commodities law or regulation,

for the past five (5) years up to the latest date, that is material to the evaluation of ability or integrity to hold the relevant positions in the Company. Note 31 of the Notes to the Company's Consolidated Financial Statements as of 31 December 2020, attached hereto, is incorporated by reference.

Certain Relationships and Related Transactions

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

a) Advances from PMC to SMMCI and SMECI

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

b) Investment in SMECI and SMMCI

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

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

c) Advances from PMC to PXP Energy

PMC made cash advances to PXP Energy Corporation (PXP Energy) for its additional working capital requirements, and for the acquisition of equity in FEP, PERC and Pitkin. These advances were covered by a pledge agreement between PMC and PXP Energy wherein certain shares of stocks owned by PXP Energy were pledged to secure the advances. On October 26, 2018, PMC and PXP Energy signed a subscription agreement wherein PMC will subscribe to 260 million common shares of PXP Energy for a total consideration of Php3.081 billion. PXP Energy's proceeds from the subscription agreement will be utilized by PXP Energy for the repayment of its advances from PMC. On August 5, 2019, a deed of assignment was entered into by Brixton Energy and Mining Corporation (BEMC, a subsidiary of PXP Energy) transferring Brixton receivables from PMC to PXP Energy amounting to Php738 million. As of December 31, 2019, PXP Energy paid Php2.897 billion to PMC to settle all PXP Energy

advances, including the Brixton receivables which reduced the advances to nil from Php1.387 billion as at end 2018 and Php2.169 billion as of December 31, 2017.

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

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

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

In December 2014, SMECI and PMC, as the co-issuer, issued 8-year convertible bonds with a face value of Php7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at Php18,000 per share one year after the issue date. The carrying value of loans payable amounted to Php5.908 billion, Php8.652 billion, Php8.182 billion and Php7.743 billion as of December 31, 2022, 2021, 2020 and 2019, respectively.

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

Note 12, 15 and 26 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on Related Party Transactions, is incorporated hereto by reference.

Directors Disclosures on Self-Dealing and Related Party Transactions

No transaction, without proper disclosure, was undertaken by the Corporation in which any director, executive officer, or any nominee for election as director was involved or had a direct or indirect material interest.

Directors, officers and employees of the Corporation are required to promptly disclose any business or family-related transactions with the Corporation to ensure that potential conflicts of interest are surfaced and brought to the attention of the management.

Appraisals and Performance Report for the Board

The Board has established committees to assist in exercising its authority in monitoring the performance of the Corporation in accordance with its Revised Corporate Governance Manual, Code of Business Conduct and related SEC Circulars. The Corporate Governance Committee of the Corporation oversees the performance evaluation of the Board and its committees and management. More detailed discussion on appraisals and performance report for the Board, as well as corporate governance compliance of the Company, are found in the Management Report, page 34.

Item 6. Compensation of Directors and Executive Officers

There are no arrangements for additional compensation of directors other than that provided in the Company's By-Laws which provides compensation to the directors, at the Board's discretion to determine and apportion as it may deem proper, an amount up to 1.5% percent of the Company's net income before tax of the preceding year. Payments made in 2022, 2021 and 2019 amounted to Php22.1 million, Php9.8 million and Php1.3 million, respectively. No payment made in 2020 as the Company reported a net loss in 2019 which was the basis for the directors' compensation for 2020

Effective March 2015, the Directors' per diem increased to Php40,000 per Board meeting attended and Php30,000 per Board committee participation, and are deductible from the annual directors' compensation provided under Section 7 of the Company's By-laws. Previously, the rate per attendance for both Board and Board committee meeting was at Php8,000. In the event that financial results warrant the payment of the annual directors' compensation under the Company's by-laws, such directors' compensation shall be inclusive of the annual total per diem paid to directors. The total amount of per diem paid in 2022, 2021, 2020 and 2019 were Php6.0 million, Php5.9 million, Php5.5 million and Php7.0 million, accordingly.

There is no executive officer with contracts or with compensatory plan or arrangement having terms or compensation significantly dissimilar to the regular compensation package, or separation benefits under the Company's group retirement plan, for the managerial employees of the Company.

On 23 June 2006, the Company's stockholders approved the stock option plan of the Company which was thereafter duly approved by the Securities and Exchange Commission on 8 March 2007. This Plan and all outstanding option shares granted under this plan expired in 2016.

On 29 June 2011, the Company's stockholders approved a new stock option plan covering up to 246,334,118 shares equivalent to 5% of the Company's outstanding shares of 4,926,682,368 as of 29 June 2011. This plan was approved by the SEC on 22 February 2013, which approval was received by the Company on 5 March 2013. Note 29 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on the Company's Stock Option Plan is hereby incorporated for reference.

The following table shows the compensation of the directors and officers for the past three years and estimated to be paid in the ensuing year. Starting 2008, stock option exercises of the Company's non-management directors, consisting of the difference between the market and exercise prices at the time of option exercise, are considered as director's fee for purposes of the table.

SUMMARY COMPENSATION TABLE

(in Php million)

a) Aggregate Compensation of All Directors

	Year	Director's Fee	Bonus	Others
	2023 Estimate	Php24.828	-	

All Directors as a Group (including the Director's Fees of the CEO)	2022	Php28.115	-
	2021	Php15.673	-
	2020	Php5.530	-
	2019	Php8.291	-

b) Chief Executive Officer and Four Most Highly Compensated Executive Officers
(excluding Director's Fee of the CEO)

Name and Principal Position	Year	Salary	Bonus	Others
Eulalio B. Austin, Jr. Romeo B. Bachoco Victor A. Francisco Winston S. Cruz Ricardo S. Dolipas II	2023 Estimate	Php57.408	Php4.784	
Eulalio B. Austin, Jr. Romeo B. Bachoco Victor A. Francisco Winston S. Cruz	2022	Php48.978	Php23.219	
Eulalio B. Austin, Jr. Romeo B. Bachoco Victor A. Francisco Vic Morris A. Yodong Jonas Emanuel S. Santos	2021	Php50.879	Php16.251	
Eulalio B. Austin, Jr. Romeo B. Bachoco Michael T. Toledo Victor A. Francisco Vic Morris A. Yodong Jonas Emanuel S. Santos <i>*All executive officers, comprising of 6, were included to avoid indirectly disclosing the salary of one officer if excluded</i>	2020 2019	Php62.836 Php56.444	Php30.817 Php9.134	

c) Aggregate Compensation of All Executive Officers

	Year	Salary	Bonus	Others
All Executive Officers as a Group	2023 Estimate	Php57.408	Php4.784	
	2022	Php48.978	Php23.219	
	2021	Php50.879	Php16.251	

	2020	Php62.838	Php30.817
	2019	Php56.444	Php9.134

d) Aggregate Compensation of all Directors and Executive Officers

	Year	Director's Fees and Salary	Bonus	Others
All Directors and Executive Officers	2023 Estimate	Php82.236	Php4.784	
	2023	Php77.093	Php23.219	
	2021	Php66.552	Php16.251	
	2020	Php68.366	Php30.817	
	2019	Php64.735	Php9.134	

Individual Director Remuneration

In 2022, a total of Php28.115 million was paid to all executive and non-executive directors, details of which are as follows:

Name	Position	Amount (Php Millions)
Manuel V. Pangilinan	Chairman	2.329
Eulalio B. Austin, Jr.*	President & CEO	2.509
Marilyn A. Victorio-Aquino	Non-Executive Director	2.609
Pin Cheung Chan	Non-Executive Director	2.479
Oscar J. Hilado	Independent Director	2.719
Barbara Anne C. Migallos	Executive Director	2.449
Joseph Ng	Non-Executive Director	2.749
Wilfredo A. Paras	Independent Director	2.689
Bai Norhata M. Alonto	Non-Executive Director	2.114
Michael G. Regino	Non-Executive Director	2.539
Anita B. Quitain	Non-Executive Director	2.599
Total*		28.115

**The amount paid to Mr. Eulalio B. Austin, Jr. is included in his compensation as President and Chief Executive Officer.*

Item 7. Independent Public Auditor

The appointment of the Company's independent public auditor or independent external auditor for 2023 will be submitted to the shareholders for approval at the annual stockholders' meeting.

The Audit Committee has recommended, and the Board of Directors has approved, the reappointment of the auditing firm of SyCip Gorres Velayo & Co (SGV). SGV has been the Company's independent auditor since 1981.

Mr. Alexis C. Zaragoza III will be the certifying partner for SGV for 2023, and will be primarily responsible for the audit of the Company's financial accounts. Mr. Zaragoza was the certifying partner from 2017, replacing Mr. Jose Pepito E. Zabat III who completed his fifth year as SGV certifying partner in 2016. The certifying partner of the Company's independent external auditor is rotated at least once every seven (7) years, with a two (2) year cooling off period as applicable, in accordance with SRC Rule 68, Part 3(b)(iv)(ix).

The Company's Audited Financial Statements for 2022 as certified by Mr. Zaragoza is attached to this Information Statement. The Company has been advised that the SGV auditors assigned to render audit-related services have no shareholdings in the Company, or a right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, consistent with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

Representatives of SGV will be present at the scheduled stockholders meeting. They will have the opportunity to make a statement should they desire to do so and will be available to respond to appropriate questions.

External Audit Fees and Services

Audit and Audit-Related Fees

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

Tax Fees

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

All Other Fees

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

The Independent Auditor was also engaged by Silangan Mindanao Mining Company Inc. (SMMCI), a subsidiary of PMC, to re-confirm or re-evaluate in 2020 the previously issued opinion on the outstanding value-added tax receivable of SMMCI based on the existing registration of the SMMCI with the Board of Investments. The engagement fee amounted to Php400 thousand. Other than such engagement, the Company has not engaged to do other engagements in 2021 and in the three prior years.

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

Audit Committee's Approval of Policies and Procedures

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

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

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

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

Item 8. Compensation Plans

No action is to be taken by the shareholders at the Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action is to be taken at the Meeting with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company.

Item 10. Modification or Exchange of Securities

No action is to be taken at the Meeting with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information related to Items 9 and/or 10

As stated above, no action is to be taken at the Meeting with respect to the matters under Items 9 (Authorization or Issuance of Securities Other than for Exchange) and 10 (Modification or Exchange of Securities).

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken at the Meeting with respect to any transaction involving the following:

- a) the merger or consolidation of the Company into or with any other person or of any other person into or with the Company;
- b) the acquisition by the Company or any of its security holders of securities of another person;

- c) the acquisition by the Company of any other going business or of the assets thereof;
- d) the sale or other transfer of all or any substantial part of the assets of the Company; or
- e) the liquidation or dissolution of the registrant.

Item 13. Acquisition or Disposition of Property

No action is to be taken at the Meeting with respect to the acquisition or disposition of any property.

Item 14. Restatement of Accounts

No action is to be taken at the Meeting with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

Action is to be taken on the reading and approval of the following:

1. Minutes of the Previous Stockholders' Meeting

The Minutes of the Annual Stockholders' Meeting held on 15 July 2020 are attached to this Information Statement as Annex "A", posted on the Company's website (www.philexmining.com.ph) and also available for inspection by stockholders at the principal offices of the Company. Copies thereof will also be made available upon request at the venue of the next annual stockholders' meeting.

Matters taken up during the 2021 Stockholders' Meeting were the: (i) Reading and Approval of the Minutes of the 2020 Stockholders' Meeting and Action Thereon; (ii) Presentation of Annual Report and Audited Financial Statements for the Year Ended 31 December 2020 and Action Thereon; (iii) Ratification and approval of the acts of the Board of Directors and Executive Officers during the corporate year 2020 – 2021; (iv) Appointment of Independent Auditors; (v) Appointment of election inspectors to serve until the close of the next annual meeting; and (vi) Election of Directors, including Independent Directors.

The Minutes of the Annual Stockholders' Meeting held on 25 June 2021 attached herewith clearly describes the (1) voting and voting tabulation procedure; (2) opportunity given to stockholders to ask questions, with a record of the questions asked and answers given; (3) matters discussed and resolutions reached; and (4) attendance.

A record of the voting results for each agenda item is attached as Annex "A-1"

The resolution to be adopted will be for the approval of the Minutes of the 2021 Annual Stockholders' Meeting held on 25 June 2021.

2. Management Reports

The Company's Annual Report and Audited Financial Statements will be submitted for approval by the stockholders. Copies of the Management Report, the Company's SEC Form 17-A with Audited Financial Statements, and Quarterly Report SEC Form 17-Q are attached to this Information Statement as Annex "B", Annex "C", and Annex "D", respectively. Said documents are also available on the Company's website (www.philexmining.com.ph). Shareholders, upon written request, will be provided with a copy of the said Annual Report and/or Quarterly Report as filed with the SEC, free of charge. The contact details for obtaining copies of the said Reports are on page 31 of this Information Statement.

The resolution to be adopted will be the approval of the Annual Report and the Audited Financial Statements of the Company for the year ended 31 December 2021.

Item 16. Matters not required to be submitted

There are no matters or actions to be taken up in the meeting that will not require the vote of the stockholders.

Item 17. Amendment of Charter

The Company will seek stockholders' approval of the amendment of the Second Article of the Articles of Incorporation of the Company to include under the Corporation's Secondary Purposes the power to guarantee debts, obligations, or loans of a subsidiary or affiliate corporation, and mortgage, pledge, or encumber the properties and assets of the Corporation to secure the obligations of a subsidiary or affiliate.

The proposed amendments of the Articles of Incorporation shall read as follows (amended portions underlined):

"AND IN FURTHERANCE OF THE FOREGOING CORPORATE PURPOSES:

- a) To purchase, hold, convey, sell, lease, mortgage, encumber, administer, and otherwise deal with lands, buildings, tenements, improvements, and other kinds of real estate in the Philippines or elsewhere;
- b) To borrow or raise money in such manner as the company shall think fit by the issuance of bonds, promissory notes, and other evidences of indebtedness and to secure the repayment thereof by mortgage, pledge, deed of trust, and charge or lien upon the whole or any part of the properties of the corporation;
- c) To draw, make, issue, accept, indorse and discount drafts, bills of exchange, promissory notes, and other evidences of indebtedness insofar as the exigencies of the business for which the corporation is organized shall require;
- d) To invest in and deal with the money and properties of the corporation in such manner as may from time to time be considered wise or expedient for the advancement of its

interests, and to sell, dispose of or transfer the business, goodwill, properties and undertakings of the corporation or any part thereof for such consideration and under such terms as it shall feel fit to accept; and

e) To guarantee debts, obligations, or loans of a subsidiary or affiliate corporation, and mortgage, pledge, or encumber the properties and assets of the corporation to secure the obligations of a subsidiary or affiliate.”

The proposed amendment to the Company’s Articles of Incorporation will enable the Company to support its subsidiaries and affiliates in the pursuit of their business activities, aligned with corporate interest.

Item 18. Other Proposed Action

Action is to be taken on the following:

1. Approval of the Corporate Guaranty;
2. Ratification and approval of the acts of the Board of Directors and executive officers for the corporate year 2022 to 2023; and
3. Appointment of independent election inspectors for the ensuing year.

1. Approval for the Company to Act as Corporate Guarantor under the Omnibus Loan and Security Agreement (OLSA) (the “Guaranty”) undertaken by Silangan Mindanao Mining Co., Inc. as Borrower, and Silangan Mindanao Exploration Co., Inc. as Share Collateral Security Grantor.

In the third quarter of 2022, Philex completed a Stock Rights Offering (SRO) as part of the funding plan for the financing of the Company’s Silangan Project which will be operated by SMMCI, the Company’s wholly-owned subsidiary. In addition to the funds raised from the SRO, SMMCI negotiated an Omnibus Loan and Security Agreement (OLSA) with Mandated Lead Arranger BDO Capital & Investment Corporation and SMMCI as the Borrower. The Company has agreed to act as Guarantor, and SMECI as Share Collateral Security Grantor, under the OLSA. The guaranty of the obligation of SMMCI is necessary and incidental to the Company’s primary purpose of mining.

Among the representations and warranties of the Company as Guarantor is that the execution, delivery, and performance by the Guarantor of the Guaranty, and the consummation of the transactions contemplated under the OLSA, shall have been duly authorized by Board and stockholder action. Hence, the Company will seek stockholders’ approval of the Guaranty.

2. Ratification of the acts of the Board of Directors and Executive Officers

All acts, contracts, proceedings, elections and appointments made or taken by the Board of Directors and/or the officers of the Company during the corporate year 2022-2023 will be submitted for ratification and approval of shareholders. These include actions taken by the Board of Directors at the following meetings:

<i>Date</i>	<i>Type of Meeting</i>
4 March 2022	Special Meeting of the Board of Directors
29 March 2022	Special Meeting of the Board of Directors
28 April 2022	Regular Meeting of the Board of Directors

30 June 2022	Regular Board Meeting
30 June 2022	Annual Stockholder's Meeting
30 June 2022	Organizational Meeting of the Board of Directors
28 July 2022	Regular Meeting of the Board of Directors
30 September 2022	Special Meeting of the Board of Directors
27 October 2022	Regular Meeting of the Board of Directors
21 November 2022	Regular Meeting of the Board of Directors
24 November 2022	Special Meeting of the Board of Directors
7 December 2022	Special Meeting of the Board of Directors
21 December 2022	Special Meeting of the Board of Directors
7 February 2023	Special Meeting of the Board of Directors
27 April 2023	Regular Meeting of the Board of Directors

Attendance at the above meetings is attached as Annex "E"

A summary of significant actions of the Board, as set forth in the Minutes of meetings, is provided below.

Meeting Date	Significant Actions
4 March 2022	<ul style="list-style-type: none"> Approval of the 2022 full-year financial results and the audited financial statements for the year ended 31 December 2021. Declaration of 4 centavo cash dividend per common share, or a total aggregate amount of P247 million Extension of Padcal mine life by another two (2) years, until December 2024.
29 March 2022	<ul style="list-style-type: none"> Board discussion on the Company's stock rights offering
28 April 2022	<ul style="list-style-type: none"> Approval of the first quarter 2022 financial results
23 May 2022	<ul style="list-style-type: none"> Appointment Atty. Winston Cruz as Vice President – Legal
30 June 2022	<ul style="list-style-type: none"> Updates on the stock rights offering of the Company, and the Silangan project
30 June 2022	<ul style="list-style-type: none"> Appointment of officers for the corporate year 2022-2023 Appointment of Board Committee memberships
28 July 2022	<ul style="list-style-type: none"> Presentation and approval of the second quarter 2022 financial results and interim financial statements.
30 September 2022	<ul style="list-style-type: none"> Approval of the advance order of critical equipment and materials and supplies
27 October 2022	<ul style="list-style-type: none"> Presentation and approval of the third quarter 2022 financial results and interim financial statements.
21 November 2022	<ul style="list-style-type: none"> Approval of the power supply agreement entered into by the Company and Aboitiz Power
24 November 2022	<ul style="list-style-type: none"> Approval of the budget for 2023, and life of mine projection

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|------------------|--|
| 7 December 2022 | <ul style="list-style-type: none"> ▪ Approval of the extension of Padcal's life of mine to 2027 ▪ Renewal of the Company's Padcal property insurance |
| 21 December 2023 | <ul style="list-style-type: none"> ▪ Appointment of Engr. Ricardo S. Dolipas II as Vice President for Operations |
| 7 February 2023 | <ul style="list-style-type: none"> ▪ Approval of subsidence earth work contract and TSF 3 Earthwork Contract ▪ Approval of the award of the CHC Maintenance Contract and the FBC Maintenance Contract to Princeace Corporation. |
| 23 February 2023 | <ul style="list-style-type: none"> ▪ Election of Comm. Rolando L. Macasaet as director of the Board. ▪ Approval of the 2022 full-year financial results and audited financial statements. ▪ Declaration of 2 centavo cash dividend per common share, or a total aggregate amount of P116 million. |
| 27 April 2023 | <ul style="list-style-type: none"> ▪ Presentation and approval of the first quarter 2023 financial results and interim financial statements. ▪ Approval of the amendment of the Articles of Incorporation of the Company to expand its secondary purpose. |

3. Appointment of an Independent Election Inspector

On the appointment of independent election inspectors, an independent party will be appointed by the shareholders to serve as election inspector responsible for counting and/or validating the votes cast for all shareholders' meetings held in the ensuing year until the next annual meeting. In 2022 and in previous years, representatives of the independent external auditor were appointed. This practice will be followed this year.

The resolution to be adopted will be the appointment of an election inspector to serve until the close of the next annual meeting.

Item 19. Voting Procedures

Stockholders as of 11 April 2023 may vote at the Annual Stockholders' Meeting on 22 June 2023. Stockholders have the right to vote in person or by proxy.

All matters requiring approval of stockholders as set forth in the Agenda and this Information Statement will require only the affirmative vote of the stockholders owning at least a majority of the outstanding voting capital stock.

In the election of directors, cumulative voting may be adopted. On this basis, each stockholder as of 11 April 2023 may vote the number of shares registered in his name for each of the eleven (11) directors to be elected, or he may multiply the number of shares registered in his

name by eleven (11) and cast the total of such votes for one (1) director, or he may distribute his votes among some or all of the eleven (11) directors to be elected. The eleven (11) nominees with the greatest number of votes will be elected directors.

Stockholders have the right to vote online, or by proxy.

1. Proxy - Stockholders who cannot attend by remote communication may accomplish the enclosed proxy form. The proxy form contains each item on the Agenda that requires stockholders to vote "YES", "NO", or "ABSTAIN". In the case of election of directors, the names of each of the nominees are listed in the proxy form with space for the stockholder to indicate his or her vote for or against each of the nominees. Stockholders are given until 22 June 2022 to submit a scanned copy of the proxy via email to **philexsec@philexmining.com.ph**, or physical copies to the Office of the Corporate Secretary at the Company's office address. Proxies will be validated by the Special Committee of Inspectors on 27 June 2022 at 10:30 a.m. at the Company's principal office.

2. To register:

a. A stockholder must first register via e-mail. Certificated shareholders must indicate in the email their **Stockholder ID number**, and **attach a scanned copy of a valid government identification card (ID) and send to philexsec@philexmining.com.ph**. Indirect or Uncertificated shareholders (shareholders who hold their shares through a PCD Nominee account) must submit through e-mail **a certification from their broker attesting that the stockholder is the beneficial owner of shares of stock of the Company (the number of shares must be indicated) and a valid current ID**. Deadline for registration is on 13 June 2023, at 12 NN. Clarificatory questions regarding attendance via remote communication may be sent via email to **philexsec@philexmining.com.ph**.

b. Once the Company successfully verifies the stockholder's status, **the Company will reply to each stockholder with (1) a link through which the Meeting may be accessed; and (2) the SECURITY CODE to be used for online voting**

3. To vote online, stockholder may log on to <http://www.philexmining.com.ph/investor-relations/vote-online>

a. A stockholder must key in his/her STOCKHOLDER NUMBER on the box labeled "STOCKHOLDER NUMBER".

The STOCKHOLDER NUMBER serves as the account number with the Company, and can be found in previous letters and communications of the Company, including letters for dividends. If the STOCKHOLDER NUMBER cannot be located, please contact **Ms. Alma A. Escalante** of the Company's Investor Relations Division at **(632) 631-1381 to 88, local 8907** or via email at **aaescalante@philexmining.com.ph**, or **Mr. Richard D. Regala** of Stock Transfer Services, Inc., the Company's stock transfer agent at **(632) 403-2410** or **(632) 403-2412**, or via email at **rdregala@stocktransfer.com.ph**.

b. Key in the SECURITY CODE provided by the Company after registration.

- c. Upon entering a valid STOCKHOLDER NUMBER and the correct SECURITY CODE, stockholder details (i.e. name, address, contact numbers, email address) will appear at the top of the page. Stockholders are requested to fill in the information for contact details (MOBILE NUMBER, LANDLINE, and EMAIL ADDRESS) to update their record with the Company. The online ballot showing "Items Requiring Shareholder Approval" will appear afterwards.
- d. For each item requiring shareholders' approval, click the appropriate box or boxes to indicate your vote. For all items except the election of directors, click only one box opposite "YES", "NO" or "ABSTAIN" to indicate your vote.
- e. For the election of directors, stockholders may vote up to nine (9) regular directors, and two (2) independent directors. Click the boxes opposite the names of the chosen nominees to indicate your vote. Cumulative voting is allowed; please refer to Item 4 of the Information Statement for an explanation of cumulative voting.
- f. To submit the online ballot, click the "SUBMIT" button on the lower right hand portion of the page. Once submitted, shareholders may still change their vote by clicking BACK to return to the previous page. As soon as the votes are finalized and the SUBMIT button is clicked, a confirmation message "Thank you for Voting" will appear.
- g. Online ballots will be accepted until **12:00 p.m. on 16 June 2023**.
- h. Results of the voting by shareholders will be announced for each item on the Agenda requiring the vote of shareholders, and shall be duly disclosed and shall be made available on the Company's website on the business day following the meeting.

For any questions or concerns, kindly contact the office of the Corporate Secretary via email at **philexsec@philexmining.com.ph**.

Proxies and online votes shall be tabulated by the Company with the Corporate Secretary and stock transfer agent, Stock Transfer Services, Inc., under the guidance and supervision of the Company's external auditors, when necessary. Results of the voting by shareholders will be announced for each item on the Agenda requiring the vote of shareholders. The tabulation and results of the voting shall be duly disclosed and shall be made available on the Company's website on the business day following the meeting.

The voting procedure will be announced at the start of the meeting.

PART II.

(PLEASE SEE SEPARATE PROXY FORM)

PROXY

The undersigned stockholder of PHILEX MINING CORPORATION (the “Company”) hereby appoints _____ or in his absence, the Chairman of the meeting, as his/her/its attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual General Stockholders Meeting of the Company to be held on **22 June 2023 at 2:30PM** and at any of the adjournments thereof for the purpose of acting on the following matters:

1.

Approval of minutes of annual stockholders meeting held on 30 June 2022

☐ Yes ☐ No ☐ Abstain
2.

Approval of annual reports and Audited Financial Statements for the year ending 2022

☐ Yes ☐ No ☐ Abstain
3.

Ratification and approval of the acts of the Board of Directors and executive officers for CY 2022-2023

☐ Yes ☐ No ☐ Abstain
4.

Appointment of Sycip, Gorres, Velayo & Co. as independent auditors

☐ Yes ☐ No ☐ Abstain
5.

Approval of the amendment of the Company’s Articles of Incorporation

☐ Yes ☐ No ☐ Abstain
6.

Approval of Corporate Guaranty

☐ Yes ☐ No ☐ Abstain
7.

Appointment of Election Inspectors to serve until the close of the next annual meeting

☐ Yes ☐ No ☐ Abstain
8.

Election of Directors, including independent directors and extension of their terms

☐ Vote for all nominees listed below

Regular Directors:
Mr. Manuel V. Pangilinan
Engr. Eulalio B. Austin, Jr.
Mr. Joseph H.P. Ng
Mr. Richard P.C. Chan
Atty. Marilyn A. Victorio-Aquino
Comm. Rolando L. Macasaet
Comm. Anita Bumpus Quitain
Atty. Santiago Dionisio R. Agdeppa
Atty. Barbara Anne C. Migallos

Independent Directors:
Mr. Oscar J. Hilado (independent)
Mr. Wilfredo A. Paras (independent)

☐ Withhold authority for all nominees listed above

☐ Withhold authority to vote for the nominees listed below:

9.

Adoption of a resolution for the amendment of the Company’s articles of incorporation

☐ Yes ☐ No ☐ Abstain
10.

At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.

Date

Printed Name of Stockholder

Signature of Stockholder/
Authorized Signatory

Proxy solicitation is made by or on behalf of the Company. This proxy should be received by the Corporate Secretary on or before **22 June 2023**, the deadline for submission of proxies. Proxies will be validated by the Special Committee of Inspectors.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.

A proxy submitted by a corporation should be accompanied by a Corporate Secretary’s Certificate quoting the board resolution designating a corporate officer to execute the proxy. Proxies executed by brokers must be accompanied by a certification under oath stating that the broker has obtained the written consent of the account holder.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person. This proxy shall be valid for five (5) years from the date hereof unless otherwise indicated in the box herein provided.

This solicitation is primarily by mail; however, incidental personal solicitation may also be made by the officers, directors, and regular employees of the Company whose number is not expected to exceed fifteen and who receive no additional compensation therefor. The Company bears the cost, estimated not to exceed P3 Million, of preparing and mailing this proxy form and other materials furnished to stockholders in connection with this proxy solicitation and the expenses of brokers who mail such materials to their customers.

No director or executive officer, nominee for election as director, or associate of such director, executive officer of nominee of the Company, at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 30 May 2023.

By: 
BARBARA ANNE C. MIGALLOS
Corporate Secretary

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A FOR THE PERIOD ENDING 31 DECEMBER 2022 AND/OR FIRST QUARTER 2023 REPORT SEC FORM 17-Q, AS FILED WITH THE SEC, FREE OF CHARGE. KINDLY ADDRESS WRITTEN REQUESTS TO:

ATTY. BARBARA ANNE C. MIGALLOS
Corporate Secretary

PHILEX MINING CORPORATION
2nd Floor Launchpad, Reliance Street corner Sheridan Street,
Mandaluyong City, Metro Manila

PHILEX MINING CORPORATION
Board Meeting Attendance for 2022

[illegible]

**MINUTES OF THE
2022 ANNUAL GENERAL STOCKHOLDERS' MEETING
OF PHILEX MINING CORPORATION**

Held via remote communication and
Presided from the TV5 Media Center
Reliance St., Mandaluyong City
On Thursday, 30 June 2022 at 2:30 p.m.

Shareholders present:

Registered online or represented by proxy: Shareholders holding **67.61%** of the Company's outstanding capital stock.

Directors Present in Person at the Media Center:

Eulalio B. Austin, Jr., Director, President, and Chief Executive Officer
Barbara Anne C. Migallos, Director and Corporate Secretary

Directors Present via Remote Communication

Manuel V. Pangilinan, Chairman
Oscar J. Hilado, Independent Director
Wilfredo A. Paras, Independent Director
Marilyn A. Victorio-Aquino, Director
Anita B. Quitain, Director
Michael G. Regino, Director
Bai Norhata D.M. Alonto, Director
Joseph H.P. Ng, Director
Richard P.C. Chan, Director

Other Officers Present at the Media Center:

Romeo B. Bachoco, Chief Finance Officer and Treasurer

Others Present via Remote Communication:

Sycip Gorres Velayo & Company, External Auditors of the Company
Other Corporate Officers and Executives

I. CALL TO ORDER

The President and Chief Executive Officer, Engr. Eulalio B. Austin, Jr., acted as the Chairman of the meeting. He then called the meeting to order and presided over the same. Engr. Austin informed the stockholders that the Chairman of the Board, Mr. Manuel V. Pangilinan, will not personally attend the meeting but he will attend via remote communication. Atty. Barbara Anne C. Migallos, the Corporate Secretary, recorded the minutes of the meeting.

The Chairman then introduced Atty. Migallos, who was personally present with him at the TV5 Media Center. Thereafter, he introduced the Directors present via remote communication: Mr. Manuel V. Pangilinan, Chairman, Mr. Oscar J. Hilado, Independent Director and Chairman of the Audit Committee; Mr. Wilfredo A. Paras, Independent Director and Chairman of the Related Party Transactions and Compensation Committees, Atty. Marilyn A. Victorio-Aquino; SSS Comm. Anita B. Quitain; SSS Comm. and President Michael G. Regino; SSS Comm. Bai Norhata M. Alonto; Mr. Joseph H. P. Ng; and Mr. Richard P. C. Chan.

The Chairman also introduced Mr. Romeo B. Bachoco, the Company's Chief Finance Officer and Treasurer, who was also present at the TV5 Media Center.

The Chairman acknowledged the presence, via remote communication, of the Company's Corporate Officers and Executives, and the Company's independent auditors SyCip Gorres Velayo & Company.

II. PROOF OF NOTICE OF MEETING

The Corporate Secretary certified that the Notice with the Agenda of the meeting, duly approved by the Securities and Exchange Commission (SEC), was published in accordance with the pertinent SEC rules. The Notice with the Agenda was posted on the website of the Company, and it was also published in the Philippine Star and Business World, and online on One News Online and B-World Online, all for two (2) consecutive days, on 8 and 9 June 2022. The same was also disclosed to the SEC and the Philippine Stock Exchange.

III. CERTIFICATION OF QUORUM

The Chairman then asked the Corporate Secretary if there was a quorum for the transaction of business.

The Corporate Secretary certified that there were present, in person or represented by proxy, shareholders holding 67.61% of the outstanding capital stock of the Company. Accordingly, there was a quorum to transact business for the meeting.

Voting Procedure and General Protocol

At the request of the Chairman, the Corporate Secretary explained the voting procedures and general protocol for the meeting, as follows:

1. To approve an agenda item, the YES vote of at least a majority of those present is required. Only the items on the Agenda and in the Definitive Information Statement will be voted upon.
2. In the election of directors, cumulative voting may be adopted. Cumulative voting is explained in the Definitive Information Statement.

3. The eleven (11) nominees with the highest number of votes will be elected directors.
4. Proxy forms were made available as part of the Definitive Information Statement and on the Company website. The proxy form contains each item on the Agenda that requires stockholders' vote. There are spaces in the proxy for YES, NO, or ABSTAIN for each item. The deadline for submission of proxies was 22 June 2022.
5. Certificated stockholders could cast their votes on or before 12:00 p.m. on 24 June 2022 through a secure online voting facility which can be accessed by logging on to the online voting platform of the Company. Online voting instructions were provided in the Definitive Information Statement.
6. Uncertificated stockholders could cast their votes through an online ballot provided to stockholders who registered attendance. The deadline for submission of ballots was on or before 12:00 noon on 24 June 2022 to the same dedicated email address.
7. In summary, for this meeting, the voting options for stockholders who registered their attendance are:
 - a. Submit a proxy on or before 22 June 2022.
 - b. Cast their votes online on or before 12:00 noon on 24 June 2022, for certificated shareholders
 - c. Submit an accomplished ballot on or before 12:00 noon on 24 June 2022, for uncertificated shareholders
8. For the election of directors, the names of each of the nominees are stated on the proxy, the ballot, and the voting platform. A stockholder may vote for all of the nominees OR withhold a vote for all or certain nominees. Votes are cast and counted in accordance with the stockholders' instructions, as reflected in the proxies.
9. The Company's stock transfer agent, Stock Transfer Services, Inc., is responsible for the tabulation of the votes, subject to review by the independent election inspector elected by the stockholders at the 2021 Annual General Stockholders' Meeting. The independent election inspector is Mr. Alexis C. Zaragoza III, a partner of the SGV, the Company's independent external auditor.
10. The results of the voting on each item will be announced when the particular item is taken up by the body and will be posted on the Company's website.

11. Stockholders were requested to submit their questions on or before 12 noon on 27 June 2022, through the dedicated email address provided to stockholders. Management will endeavor to answer all the questions. If due to time constraints, we are not able to answer all the questions, responses to the remaining questions will be sent via email.

IV. READING AND APPROVAL OF THE MINUTES OF THE 25 JUNE 2021 STOCKHOLDERS' MEETING AND ACTION THEREON

With legal notices sent and a quorum present, the Chairman proceeded to the reading and approval of the Minutes of the Annual General Stockholders' Meeting held on 25 June 2021 (the "2021 AGM"). The Minutes of the 2021 AGM was posted on the Company's website five (5) business days after that meeting.

The Corporate Secretary stated the resolution for approval:

***"RESOLVED**, that the reading of the Minutes of the Annual Meeting of Stockholders held on 25 June 2021 be as it is hereby dispensed with, and that said Minutes are hereby approved."*

At the Chairman's request, the Corporate Secretary informed the body that shareholders representing a total of 3,340,259,054 shares constituting 67.61% of the Company's total outstanding capital stock, voted in favor of the proposed resolution. There were nil AGAINST votes and nil ABSTAIN votes.

The Chairman declared the motion carried. The Minutes of the Annual Stockholders Meeting held on 25 June 2021 were approved.

V. PRESENTATION OF THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND ACTION THEREON

The next item on the Agenda was the presentation of the Annual Report and the Audited Financial Statements of the Company for the year ended 31 December 2021. The Annual Report contains the Company's Audited Financial Statements and Notes thereto for the year ended 31 December 2021 which were examined by the Company's independent auditors, SGV. Shareholders were previously provided copies of the Annual Report and the Audited Financial Statements, together with the Notice and Agenda for the meeting.

Engr. Austin, as President and CEO, presented the highlights of the Annual Report. He began by greeting his fellow shareholders, members of the Board, officers and employees of the Company and its subsidiaries, and distinguished guests a good afternoon and welcomed them to the 2022 Annual General Stockholders' Meeting.

It was mentioned that after two years into the pandemic, virtual meetings and conferences have become the norm. Despite the relaxation of community quarantine guidelines and the new alert level system, the Company has decided to hold the annual stockholders' meeting virtually as a necessary precaution.

He then looked back at the year 2021 as it proved to be another challenging year because of the sub-variants of the coronavirus and the initially low vaccination rates in the Philippines. However, by March 2021, massive vaccination programs started and, based on the latest statistics, around 70 million Filipinos are fully vaccinated or 63.9% of the population.

Similarly, at Philex Mining, the employees are almost 100% fully vaccinated because of the continuous vaccine roll-out both from the local government units and the MVP Group. The Company aims to convince all of its employee to get fully vaccinated, including booster shots, by the end of 2022.

Philex Mining was allowed to continue its operations in 2021 despite the lockdowns because it is an export-oriented business that is exempted from the quarantine guidelines. The resiliency of the Company has limited the impact of the coronavirus to its operations to the barest minimum. Policies such as stricter border controls, a massive vaccination program, and other work-related measures were adopted by the Company to ensure its continuous operations.

In 2021, the business direction for Philex Mining was "Pushing Boundaries, Expediting Options and Continuous Upgrade of our Corporate Image. Pursuant thereto, the Company pushed the boundaries at Padcal to possibly extend its mine-life beyond 2022 through relentless operational and cost improvements that will optimize the remaining mineral resources of the Sto. Tomas II Ore Body. The search of financial investors for the Silangan Project has also started. It was noted that if the initial \$758 million capital investment will be a show-stopper, then a lower capital investment scenario shall be adopted to expedite the development of the Silangan Project. The Company's corporate social responsibility (CSR) programs and external relations initiatives were also geared towards Right and Principled Mining and the continuous upgrading of its corporate image.

2021 has been another tremendous year of growth and achievement for Philex Mining. He attributes this to the Company's operational resilience, clear vision, and strategic direction. It was able to overcome the lingering uncertainty caused by the the pandemic and the recurring challenges from operating a mine that is over 64 years old, particularly the unpredictable breakdown of its ageing equipment.

There is also a newfound optimism because of the much-anticipated launch of the Silangan Project, which has the potential to become a world-class asset that will unlock more promising opportunities for the Company to discover new mine assets and that will ensure its brighter future. In 2021, the Philippine government also decided to lift the nine-year moratorium on new mining agreements and the four-year ban on open-pit mining.

This favorable backdrop, as well as the relatively stable world metal prices, caused Philex Mining to surpass its 2020 production. In 2021, despite the continuing COVID-19 pandemic, the Company milled 7,945,879 tonnes, which is slightly higher than the 7,837,536 tonnes milled in 2020.

The favorable and sustained higher level of gold and copper prices and the continuous improvement in operation performance resulted to core net income of P2.533 billion or 118% higher than the P1.162 billion core net income in 2020, excluding extraordinary and non-recurring transactions. This, coupled with frugal management of operating costs, resulted to a 25% increase in revenues. For the second year in a row in the midst of a pandemic, Philex Mining saw a substantially higher core net income.

In 2021, the Company's gross revenues amounted to P10.488 billion, which is 24% higher than the revenues in 2020 (P8.450 billion) and in 2019 (P7.399 billion). Similarly, the Company's earnings before interest, taxes, depreciation, and amortization (EBITDA) also increased by 60% from P2.703 billion to P4.317 billion. The healthy cash generation was attributed to favorable metal prices. This has provided the Company sufficient funds to finance additional capital expenditures for the continued operation of the Padcal Mine.

The Company's 2021 reported income amounted to P2.431 billion, which is higher compared to the P1.228 billion reported income in 2020 and the loss of P648 million in 2019. After experiencing the production challenges in the Padcal Mine in 2019, the Company undertook measures to boost its production in order to take advantage of favorable metal prices, thereby raising its profitability in 2021.

The higher production rates resulted in a full-year operating cost and expenses of P6.598 billion, which is higher than P6.298 billion that was incurred in 2020 but lower compared to the P6.917 billion incurred in 2019. Continuous improvements in the operational efficiency and prudent cost management have cushioned the effect of the higher operating cost and expenses brought about by the increase of materials and supplies cost due to the Covid-19 pandemic.

The total production cost (mine site cost and expenses excluding smelting charges, excise tax and royalties) per tonne of ore milled is P718 (with total production cost of Php5.706 billion), or 3% higher than the P698 total production cost in 2020 (with total production cost of Php5.468 billion). This is due to the higher labor cost brought about by the recent Collective Bargaining Agreement (CBA) with R&F Labor Union and power cost related to the increased tonnage.

In 2020, Philex Mining started its debt reduction program. However, at the onset of the COVID-19 pandemic, the Company re-availed a short-term loan of \$2 million as contingency fund should there be any disruption in its business operations. The Company has been repaying the loan since 2020 and has reduced its outstanding debt from \$31 million in 2020 to \$23 million as of the end of 2021.

Due to the good performance of the Company in 2021, it declared cash dividends with an aggregate total of P247 million. For 1Q 2022, Philex Mining also realized a core net income of P676 million, which is higher to the P540 million core net income of 1Q 2021. The higher operating revenues is caused by the sustained favorable gold and copper realized prices, stable production, and managed operating costs and expenses.

The production level for the 1Q 2022 was within plan. Coupled with higher realized prices for gold and copper, resulted to gross revenues amounting to P2.72 billion, which is higher than the P2.53 billion gross revenues for the same period in 2021 (7.5%).

Considering the estimated remaining mineral reserves of the Padcal Mine, the Company has trained its sights on operational efficiency and the optimization of the Sto. Tomas II Ore Body. It was also disclosed that after completion of the confirmatory drilling and related technical studies on the mining methodology and Tailings Storage Facility (TSF) No.3, additional mineral reserves in the Padcal Mine were successfully identified. The high metal prices and existing available infrastructures made these marginal grades profitable. As of the end of 2021, this has resulted to an estimated additional mineral reserve of 16.2 million tonnes on top of the previously declared 17.4 million tonnes in 2020, or a total of 33.6 million tonnes. This has allowed the Company to extend the mine-life of Padcal for two years or until 31 December 2024.

While the people at Padcal are relentless on the pursuit of prolonging its mine-life, the Company has also been seeing brighter opportunities with the much-awaited launch of the Silangan Project in 2022. In July 2021, the Board of Directors of Philex Mining and, its subsidiary, Silangan Mindanao Mining Company Incorporated (SMMCI) approved the in-phase plan execution strategy of the Silangan Project. This involves the development of Silangan in different stages where it will start at low tonnage production and will gradually ramp-up to its full capacity. Once in production, internally generated cash as well as loans will finance the gradual ramp-up.

The In-Phase Feasibility Study for the Silangan Project was already completed and the Company is now in the process of raising funds for its initial capital expenditure. The mineral reserve estimate for the Boyongan deposit was also updated in accordance with the 2012 Philippine Mineral Reporting Code. Based on the aforementioned study, the life of mine for the Boyongan deposit under Phase 1 is 28 years and the estimated total mineral reserves of 81 million metric tonnes. It will take two and half (2.5) years to develop the starter mine and the estimated initial capital needed is \$224 million. Silangan's capital expenditure requirement will be funded through infusion of cash generated from our Padcal Mine, Stock Rights Offer (SRO), and syndicated loans.

Due to the favorable government policies toward the mining industry, the Company is confident that investor interest in the Silangan Project will improve, even while the Company is still working with its financial advisor to seek potential investors. The global uncertainties caused by the continuing threat of the COVID-19 and its emerging variants as well as the Russia-Ukraine Conflict do not affect the Company's optimism for 2022

because of the reasons stated above. Engr. Austin assured that the Company will not lower its guards and will cautiously move forward.

Environmental, Social, and Governance (ESG) practices shall remain as the Company's core in investment decision-making, and it shall continue to raise the bar for right and principled mining. In fact, the Company continues to provide assistance to the members of the host communities in Padcal and Silangan through its Social Development and Management Program (SMDP). In 2021, Philex Mining spent P102.5 million for its SMDP.

For 2022, the Company predicts that green metals, like copper, will have an incredibly important role to play in a digital world that is powered by renewables and green hydrogen. Therefore, it has set a strategic ambition for the Silangan mine accordingly. Philex Mining has also been on the look-out for possible mergers and acquisitions related to other green metals, such as nickel, but this has not gained much traction.

Engr. Austin thanked the employees, shareholders, partners, host communities, management team, and the Board of Directors for their continued commitment and support. He then ended his report by referring to a quote from *The Economist*, which said "If 2021 was the year the world turned the tide against the pandemic, 2022 will be dominated by the need to adjust to new realities, both in areas reshaped by the crisis and as deeper trends reassert themselves."

OPEN FORUM

The Chairman requested the Corporate Secretary to inform the stockholders of the questions received, which will be answered at the meeting.

The Corporate Secretary said that the first question received was from Ms. Mercedes P. Nicolas, a stockholder. Ms. Nicolas asked whether the mine life of Padcal will be extended, considering the sustained higher prices of gold and copper.

In response to Ms. Nicolas' question, Mr. Bachoco said that Philex Mining is a socially responsible company which always prioritizes the welfare of its employees. Accordingly, various studies to extend the life of Padcal, either by maximizing existing mineral resources or by exploring the vicinity of Padcal for additional resources, are on-going. The favorable metal prices will be of great help in the mine life extension and the Company will immediately make the necessary disclosures once it has completed the studies which are expected to be completed by the end of 2022.

The second question was from Ms. Zenaida Rodriguez, who noted that the recent lifting of the ban on Open Pit Mining by President Duterte is a signal of the government's positive support of the mining industry. She then asked about the role of the mining industry in the economic recovery of the country, considering that the Philippines has so much untapped mineral resources. Mr. Bachoco responded that the lift on the ban of open-pit mining is a welcomed gesture in the mining industry. This is a sign of the

government's confidence in the role of the mining industry in the economic recovery of the country, particularly in increasing its dollar reserves being an export industry. He adds that the Philippines is among the mineral rich countries in the region and the Company has to take advantage of this opportunity considering the stable metal prices and the global direction to move into green energy in which copper and nickel.

The third question was from Ms. Marylou Tuazon who noted that the Silangan Mine will be using the underground sub-level mining method. She proceeded to ask that considering the government's decision to lift the ban on open pit mining, will Silangan revert to the open pit mining method. Mr. Bachoco answered this lift on the ban of open-pit mining is a manifestation of the support of the government in the mining industry and this could trigger the interest of both foreign and local investors. For Silangan, however, the Company has already concluded that its potentials can be optimized by using underground sub-level cave mining. Thus, reverting to open-pit mining is no longer an option for the project.

The Corporate Secretary said that there were several inquiries received from Mr. Jerry Chua. However, in the interest of time, only questions related to the Silangan Project will be addressed, while the rest will be responded to via email. Mr. Chua's questions are as follows: 1) The effect of the delay of the SRO to the operations of the Silangan Mine; and 2) Whether the Silangan Mine will be developed and operated by Philex Mining on its own or will it look for a partner or investor. Mr. Bachoco responded to the first question, saying that the SRO is still ongoing and that shareholders of record as of 29 June 2022, are proportionately entitled to purchase the offered shares at P3.15/share. The SRO is expected to be completed by 3 August 2022. Consequently, the targeted start of the Silangan Mine operations will proceed as planned in 1Q 2025. As to the second question of Mr. Chua, Mr. Bachoco explained that the in-phase execution strategy of the Silangan Project considers the cash infusion from Philex Mining through the SRO, internally generated funds, and funds generated from the debt syndication. The initial capital expenditures requirement for the launch of Silangan's Phase 1 is around \$224M, which will be funded by the proceeds of the SRO, loan syndication, and the fresh capital infusion from Philex Mining of around \$60-\$70M. The Company intends to initiate the Silangan Project on its own, but it shall eventually look for strategic partners who are willing to invest. Any additional capital from investors would be used either accelerate Silangan's production capacity, reduce the debt syndication, or reduce the Philex Mining cash infusion.

The Corporate Secretary informed the body that the foregoing are the only questions to be answered during the meeting. Other questions will be answered promptly through email.

At the request of the Chairman, the Corporate Secretary presented the resolution for approval by the stockholders:

***“RESOLVED**, that the Annual Report, together with the Audited Financial Statements and the notes thereto of the Corporation for the year ended 31 December 2021, be as they are hereby approved.”*

The Corporate Secretary stated that based on the tabulation of votes, stockholders owning 3,339,123,454 shares constituting 67.59% of the Company's total outstanding capital stock, voted in favor of the proposed resolution. There was nil AGAINST votes and 1,137,600 shares constituting 0.02% abstained.

The Chairman declared the motion carried. The Annual Report and the Audited Financial Statements and notes thereto for the year ended 31st December 2021 are approved, ratified, and confirmed.

VI. RATIFICATION AND APPROVAL OF THE ACTS OF THE BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The next item on the agenda was the ratification and approval of the acts of the Board of Directors and Officers of the Company during the past year.

At the Chairman's request, the Corporate Secretary presented the resolution for approval by the stockholders:

***“RESOLVED**, that all acts, contracts, proceedings, elections, and appointments made or taken by the Board of Directors, and/or executive officers and management of the Corporation during the past year and up to today's meeting, as set forth in the Minutes of the Meetings of the Board of Directors and the Committees, and/or all acts and proceedings performed or taken pursuant thereto, be as they are hereby, approved, ratified and confirmed.”*

The Corporate Secretary stated that based on the tabulation of votes, stockholders owning 3,339,123,454 shares constituting 67.59% of the Company's total outstanding capital stock, voted in favor of the proposed resolution. There was nil AGAINST votes and 1,137,600 shares constituting 0.02% abstained.

The Chairman declared the motion carried. All acts made or taken by the Board of Directors and/or the officers of the Corporation during the past year are approved and ratified

VII. APPOINTMENT OF INDEPENDENT EXTERNAL AUDITORS

The Chairman then proceeded to the appointment of independent external auditors of the Company for the year 2022. The Chairman said that the Audit Committee and the Board recommended the appointment of Sycip Gorres Velayo & Company as the independent auditors of the Company for the year 2022.

At the Chairman's request, the Corporate Secretary presented the resolution for approval by the stockholders:

"RESOLVED, that accounting firm of Sycip, Gorres Velayo & Company, as recommended by the Audit Committee and the Board of Directors, be appointed as the external auditor of the Corporation for the year 2022 and until its successor is duly appointed."

The Corporate Secretary said that based on the tabulation of votes, stockholders owning a total of 3,340,149,754 shares constituting 67.61% of the Company's outstanding capital stock, voted in favor of the appointment of SGV & Co. as the independent external auditors of the Company for 2022. There were 109,300 shares constituting 0.00% who voted against the appointment and nil ABSTAIN votes.

The Chairman declared the motion carried. SyCip Gorres Velayo & Company were appointed as the independent auditors of the Company for 2022.

VIII. APPOINTMENT OF ELECTION INSPECTOR

The next item on the Agenda was the appointment of the Company's Election Inspector. The Chairman said that every year the stockholders appoint an Election Inspector who will serve as such for the ensuing year and until the close of the next annual stockholders' meeting. A representative of the Company's independent auditors is usually appointed.

At the Chairman's request, the Corporate Secretary presented the resolution for approval by the stockholders:

"RESOLVED, that an election inspector be appointed to serve as such for the ensuing year and until the close of the next annual stockholders' meeting and that Mr. Alexis C. Zaragoza III of Sycip Gorres Velayo & Company, be appointed as the election inspector of the Company."

The Corporate Secretary stated that stockholders holding 3,340,259,054 shares constituting 67.61% of the outstanding capital stock of the Company, voted in favor of the appointment of an election inspector to serve as such for the ensuing year and until the close of the next annual stockholders' meeting. There was nil AGAINST votes and nil ABSTAIN votes.

The Chairman declared Mr. Zaragoza of SGV & Co. as the appointed the election inspector of the Company and shall serve as such for the ensuing year and until the close of the next annual stockholders' meeting.

IX. ELECTION OF DIRECTORS, INCLUDING INDEPENDENT DIRECTORS

The Chairman then proceeded to the election of directors for the ensuing year. The Chairman said that there are eleven (11) seats to be filled, and two (2) of the directors must be independent directors. The Chairman likewise explained that this year, the election of independent directors will entail the extension of their term by an additional one (1) year. The Chairman requested the Corporate Secretary to further explain and afterwards, read the names of the nominees.

The Corporate Secretary said that there were eleven (11) nominees for the eleven (11) seats on the Board of Directors. Two (2) of the nominees are nominees for an independent director.

The Corporate Secretary said the respective terms of the Company's Independent Directors have exceeded the prescribed cumulative term limit of nine (9) years reckoned from 2012 under SEC Memorandum Circular No. 4 series of 2017. The same Circular provides, however, that where a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justifications and seek shareholders' approval during the annual shareholders' meeting.

The Corporate Secretary informed the shareholders that at the 29 April 2021 meeting of the Board of Directors of the Company, the Board resolved to retain and extend the terms of its Independent Directors, Mr. Oscar J. Hilado and Mr. Wilfredo A. Paras. At the 25 June 2021 AGM, the shareholders approved, ratified and confirmed the extension of the term of the Independent Directors and voted for their election.

This year, Independent Directors Oscar J. Hilado and Wilfredo A. Paras are in the Final List of Candidates, consistent with the aforementioned resolution of the Board. The Company believes that continuity is essential in these uncertain times and given that Messrs. Hilado and Paras are experienced and knowledgeable on matters that are crucial to the business of the Company, their invaluable contributions as Independent Directors cannot be easily replaced.

The Nominations Committee screened the nominees and prepared a Final List of Candidates, which was incorporated in the Information Statement distributed to the shareholders, together with the Notice and Agenda, before the meeting. The following are the nominees:

1. Manuel V. Pangilinan
2. Eulalio B. Austin, Jr.
3. Marilyn A. Victorio-Aquino
4. Oscar J. Hilado (Independent Director)
5. Wilfredo A. Paras (Independent Director)
6. Anita B. Quitain
7. Michael G. Regino
8. Bai Norhata D.M. Alonto

9. Barbara Anne C. Migallos
10. Joseph H.P. Ng
11. Richard P.C. Chan

The Chairman requested the Corporate Secretary to advise the body of the votes cast in favor of the nominees for election to the Company's Board of Directors. The Corporate Secretary reported that each of the eleven (11) nominees for the eleven (11) seats on the Board had received sufficient votes to elect them as Director of the Company. Consistent with corporate governance best practices, the tabulation of the votes was shown:

Name	Votes For	%	Votes Against	%	Abstain	%
1. MANUEL V. PANGILINAN	3,322,963,529	67.26%	74,910	0.00%	17,222,615	0.35%
2. EULALIO B. AUSTIN, JR.	3,301,741,122	66.83%	38,507,067	0.78%	12,865	0.00%
3. JOSEPH H.P. NG	3,284,910,172	66.49%	38,576,367	0.78%	16,774,515	0.34%
4. RICHARD P.C. CHAN	3,323,480,929	67.27%	5,610	0.00%	16,774,515	0.34%
5. MARILYN A. VICTORIO-AQUINO	3,284,462,072	66.48%	38,576,367	0.78%	17,222,615	0.35%
6. BARBARA ANNE C. MIGALLOS	3,284,979,472	66.49%	38,507,067	0.78%	16,774,515	0.34%
7. MICHAEL G. REGINO	3,323,480,929	67.27%	5,610	0.00%	16,774,515	0.34%
8. BAI NORHATA M. ALONTO	3,323,032,829	67.26%	5,610	0.00%	17,222,615	0.35%
9. ANITA BUMPUS QUITAIN	3,323,411,629	67.27%	74,910	0.00%	16,774,515	0.34%
10. OSCAR J. HILADO – Independent Director (extended term)	3,301,671,822	66.83%	38,576,367	0.78%	12,865	0.00%
11. WILFREDO A. PARAS – Independent Director (extended term)	3,301,671,822	66.83%	38,576,367	0.78%	12,865	0.00%

Thereafter, the Chairman declared that the following had been elected as directors of the Company, to serve as such for the ensuing year and until their successors have been duly elected and qualified:

1. Manuel V. Pangilinan
2. Eulalio B. Austin, Jr.
3. Marilyn A. Victorio-Aquino
4. Oscar J. Hilado (Independent Director)
5. Wilfredo A. Paras (Independent Director)
6. Anita B. Quitain
7. Michael G. Regino
8. Bai Norhata D.M. Alonto
9. Barbara Anne C. Migallos
10. Joseph H.P. Ng
11. Richard P.C. Chan

X. OTHER MATTERS / ADJOURNMENT

The Chairman inquired whether there were other matters to be taken up at the meeting. There being none, the Chairman declared that the meeting be adjourned.

Prepared by:

BARBARE ANNE C. MIGALLOS
Corporate Secretary

Attest:

EULALIO B. AUSTIN, JR.
Chairman of the Meeting

Philex Mining Corporation
Minutes of Annual General Stockholders' Meeting
Held on 30 June 2022

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. June 30, 2022
Date of Report (Date of earliest event reported)
2. SEC Identification Number 10044 3. BIR Tax Identification No. 006-283-731-000
4. PHILEX MINING CORPORATION
Exact name of issuer as specified in its charter
5. Philippines
Province, country or other jurisdiction of
Incorporation
6. (SEC Use Only)
Industry Classification Code:
7. 2nd Floor LaunchPad, Reliance Street corner Sheridan Street,
Mandaluyong City, Metro Manila
Address of principal office
- 1550
Postal Code
8. (632) 8631-1381 to 88
Issuer's telephone number, including area code
9. N/A
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class:	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>Common Shares, P1 par value (as of March 31, 2022)</u>	<u>4,940,399,068</u>
<u>Debt Outstanding (as of March 31, 2022)</u>	<u>Php 10,258,375,000</u>

11. Indicate the item numbers reported herein:

Item 9. Other Events

Results of the Annual Stockholders' Meeting on June 30, 2022

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 hereunto duly authorized.

PHILEX MINING CORPORATION

Issuer

June 30, 2022

Date



ROMEO B. BACHOCO

Chief Finance Officer & Chief Compliance Officer



30 June 2022

PHILIPPINE STOCK EXCHANGE
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City,
Philippines 1634

Attention: **ALEXANDRA D. TOM WONG**
Officer-in-Charge, Disclosure Department

Re: 2022 Annual Stockholders Meeting of Philex Mining Corporation

Gentlemen:

Please be informed that at the 2022 Annual General Meeting of Stockholders of **PHILEX MINING CORPORATION** (the "**Company**") held at 2:30 p.m. today, 30 June 2022, presided at **TV 5 Media Center, Mandaluyong City, Metro Manila, 1650 Philippines** (the "**Meeting**"), all matters requiring the vote of stockholders, as set forth in the Agenda and the Information Statement, were duly approved by the vote of stockholders.

Stockholders of record as of 13 April 2022 were entitled to register, vote and attend the meeting via remote communication only. As of said date, the Company had 4,940,399,068 outstanding and issued common shares. At the Meeting, there were present, in person or represented by proxy, stockholders holding 3,340,259,054 common shares, representing 67.61% of the Company's total outstanding capital stock.

For the Meeting, stockholders were given the following voting options:

1. Proxy forms were made available as part of the Definitive Information Statement and in the Company website. The deadline for submission of proxies was on 22 June 2022;
2. Certificated shareholders could cast their votes on or before 12 noon of 24 June 2022 through a secure online voting facility which can be accessed by logging on to the online voting platform of the Company; and
3. Uncertificated shareholders could cast their votes on or before 12 noon of 24 June 2022 through an online ballot provided to stockholders who registered attendance.

Ballots were tabulated by Stock Transfer Services, Inc. ("**STSI**"), the Company's stock transfer agent, under the guidance and supervision of the independent election inspector appointed by shareholders at the 2021 Annual Stockholders Meeting.

The voting results, which were announced to the body after each item on the Agenda was taken up, are as follows:

Agenda Item	Votes in favor		Votes against		Abstain	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Item 1 – APPROVAL OF MINUTES OF PREVIOUS STOCKHOLDER'S MEETING	3,340,259,054	67.61%	0	0.00%	0	0.00%
Item 2 – APPROVAL OF ANNUAL REPORTS AND AUDITED FINANCIAL STATEMENTS FOR THE PREVIOUS YEARS	3,339,123,454	67.59%	0	0.00%	1,137,600	0.02%
Item 3 – RATIFICATION AND APPROVAL OF THE ACTS OF THE BOARD OF DIRECTORS AND EXECUTIVE OFFICERS	3,339,123,454	67.59%	0	0.00%	1,137,600	0.02%
Item 4 - APPOINTMENT OF SYCP, GORRES, VELAYO & CO., AS INDEPENDENT AUDITORS	3,340,149,754	67.61%	109,300	0.00%	0	0.00%
Item 5 – APPOINTMENT OF ELECTION INSPECTORS	3,340,259,054	67.61%	0	0.00%	0	0.00%
Item 6 – ELECTION OF DIRECTORS:						
1) MANUEL V. PANGILINAN	3,322,963,529	67.26%	74,910	0.00%	17,222,615	0.35%
2) EULALIO B. AUSTIN, JR.	3,301,741,122	66.83%	38,507,067	0.78%	12,865	0.00%
3) JOSEPH H. P. NG	3,284,910,172	66.49%	38,576,367	0.78%	16,774,515	0.34%
4) RICHARD P. C. CHAN	3,323,480,929	67.27%	5,610	0.00%	16,774,515	0.34%
5) MARILYN A. VICTORIO-AQUINO	3,284,462,072	66.48%	38,576,367	0.78%	17,222,615	0.35%
6) BARBARA ANNE C. MIGALLOS	3,284,979,472	66.49%	38,507,067	0.78%	16,774,515	0.34%
7) MICHAEL G. REGINO	3,323,480,929	67.27%	5,610	0.00%	16,774,515	0.34%

8) BAI NORHATA D. M. ALONTO	3,323,032,829	67.26%	5,610	0.00%	17,222,615	0.35%
9) ANITA BUMPUS QUITAIN	3,323,411,629	67.27%	74,910	0.00%	16,774,515	0.34%
10) OSCAR J. HILADO (INDEPENDENT)	3,301,671,822	66.83%	38,576,367	0.78%	12,865	0.00%
11) WILFREDO A. PARAS (INDEPENDENT)	3,301,671,822	66.83%	38,576,367	0.78%	12,865	0.00%

Very truly yours,


BARBARA ANNE C. MIGALLOS
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **WILFREDO A. PARAS**, Filipino, of legal age, with address at [REDACTED]
[REDACTED] Metro Manila, hereby declare under oath
that:

1. I am nominated for re-election as Independent Director of **PHILEX MINING CORPORATION** (the "**Company**"), a corporation duly organized and existing under Philippine law, with principal office at 2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, at the Company's 2023 Annual Stockholders' Meeting to be held on 22 June 2023. I have been Independent Director of the Company since 29 June 2011.

2. I am also currently affiliated with the following companies or organizations:

Company	Position	Period of Service
Institute of Corporate Directors	Teaching Fellow	2014 – Present
Dualtech Training Center Foundation, Inc.	Advisor	2022 – Present
RLCommercialREIT	Independent Director	May 2021 – Present

3. I possess all of the qualifications and none of the disqualifications to serve as Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code ("**SRC**"), the 2015 Implementing Rules and Regulations of the SRC (the "**SRC Rules**"), and other issuances of the Securities and Exchange Commission ("**SEC**").

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders under Rule 38.2.3 of the SRC Rules, or otherwise.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agency or instrumentality.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the SRC, SRC Rules, the Code of Corporate Governance for Publicly Listed Companies, and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 25 day of May 2023 at Makati City, Metro Manila.


WILFREDO A. PARAS
Affiant

SUBSCRIBED AND SWORN to before me this 25 day of May 2023, affiant exhibiting to me his Competent Evidence of Identity consisting of his Philippine [REDACTED] and expiring on 29 July 2031, bearing his photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc No. 6 :
Page No. 3 :
Book No. 11 :
Series of 2023.

PK-Mining VMP Independent Director Cert (2023) NSM revs. 03/06


BRYAN GEORGE M. MANZANO
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-293 (2022-2023)
COMMISSION EXPIRES ON DECEMBER 31, 2023
7th Floor, The PHINMA Plaza, 59 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 9566814; Makati City, 1/4/2023
IBP O.R. No. 260893; Zamboanga, 1/5/2023
TIN 607-109-916
Attorney's Roll No. 79205
Admitted to the Philippine Bar: 16 May 2022

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **OSCAR J. HILADO**, Filipino, of legal age, with business address at The [REDACTED] i City, Metro Manila, hereby declare under oath that:

1. I am nominated for re-election as Independent Director of **PHILEX MINING CORPORATION** (the "**Company**"), a corporation duly organized and existing under Philippine law, with principal office at 2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, at the Company's Annual Stockholders' Meeting to be held on 22 June 2023. I have been Independent Director of the Company since 7 December 2009.

2. I am also currently affiliated with the following companies or organizations:

Company	Position	Period of Service
Philippine Investment Management (PHINMA), Inc.	Chairman	August 3, 2005 – Present
Phinma Corporation	Chairman Emeritus	April 12, 2022 – Present
Phinma Property Holdings Corporation	Vice Chairman	April 30, 2021 – Present
Union Galvasteel Corporation	Vice Chairman	March 2017 – Present
A. Soriano Corporation	Independent Director	April 1998 – Present
Rockwell Land Corporation	Independent Director	May 27, 2015 – Present
Roxas Holdings, Inc.	Independent Director	March 2, 2016 – Present
Metro Pacific Investments Corporation	Director	May 28, 2021 - Present
Smart Communications, Inc.	Independent Director	May 6, 2013 – Present
Phinma Solar Energy Corporation	Director	July 3, 2017 – Present
Phil Cement Corp.	Director	March 2016 - Present
Phinma Education Holdings, Inc.	Director	August 2015 – Present
Pamantasan ng Araullo (Araullo University), Inc.	Director	April 2004 – Present
Cagayan de Oro College, Inc.	Director	June 2005 – Present
University of Iloilo, Inc.	Director	August 17, 2009 – Present
University of Pangasinan, Inc.	Director	August 17, 2009 – Present

Southwestern University, Inc.	Director	March 2016 – Present
St. Jude College, Inc.	Director	January 2018 – Present
The Republican College, Inc.	Director	March 16, 2020 – Present
Rizal College of Laguna, Inc.	Director	October 6, 2020 – Present
Union College of Laguna, Inc.	Director	October 2020 – Present
PHINMA Hospitality Inc.	Director	July 15, 2011 - Present
Digital Telecommunications, Phils., Inc. (DIGITEL)	Director	May 6, 2013 – Present
United Pulp and Paper Company, Inc.	Director	December 1969 – Present
Seven Seas Resorts and Leisure, Inc.	Director	1996 – Present
Beacon Property Ventures, Inc.	Director	December 1994 – Present
Cebu Light Industries Phils., Inc.	Director	February 1996 - Present
Pueblo de Oro Development Corporation	Director	February 1996 – Present
Manila Cordage Company	Director	1986 - Present

3. I possess all of the qualifications and none of the disqualifications to serve as Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code ("SRC"), the 2015 Implementing Rules and Regulations of the SRC (the "SRC Rules"), and other issuances of the Securities and Exchange Commission ("SEC").

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders under Rule 38.2.3 of the SRC Rules, or otherwise.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agency or instrumentality.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the SRC, SRC Rules, the Code of Corporate Governance for Publicly Listed Companies, and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 24 day of May 2023 at Makati City, Metro Manila.



OSCAR J. HILADO
Affiant

SUBSCRIBED AND SWORN to before me this 24 day of May 2023,
affiant exhibiting to me his Competent Evidence of Identity consisting of his

expiring on 15 July 2028 bearing his photograph and signature, in accordance
with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial
Practice.

Doc No. 1 :
Page No. 2 :
Book No. 11 :
Series of 2023.

PK (Strong Independent Director) Certification -- CJH (2023 ADM) 10/09


BRYAN GEORGE M. MANZANO
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-291 (2022-2023)
COMMISSION EXPIRES ON DECEMBER 31, 2023
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 9566814; Makati City, 1/4/2023
IBP O.R. No. 250853; Zamboanga, 1/5/2023
TIN 607-109-016
Attorney's Roll No. 79205
Admitted to the Philippine Bar: 15 May 2022

SECRETARY'S CERTIFICATE

I, **BARBARA ANNE C. MIGALLOS**, of legal age, Filipino and with office address at 7th Floor, The PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, Metro Manila, hereby depose and state that under oath that:

1. I am the incumbent Corporate Secretary of **PHILEX MINING CORPORATION** (the "**Corporation**"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines, and with principal office address at 2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila.

2. The following incumbent Directors of the Company are not connected with any government agency or instrumentality:

- 2.1. Manuel V. Pangilinan
- 2.2. Eulalio B. Austin, Jr.
- 2.3. Joseph H. P. Ng
- 2.4. Richard P. C. Chan
- 2.5. Marilyn A. Victorio-Aquino
- 2.6. Barbara Anne C. Migallos
- 2.7. Oscar J. Hilado
- 2.8. Wilfredo A. Paras

3. Mr. Rolando L. Macasaet, Ms. Anita Bumpus Quitain, and Ms. Bai Norhata D.M. Alonto, incumbent Directors, are the representatives of the Social Security System (the "**SSS**"), a stockholder of the Company. Attached is the Resolution of the SSS consenting to the nomination and election of Mr. Macasaet, Ms. Quitain and Ms. Alonto to the Board of Directors of the Company, as soon as it is available.

4. Following the resignation of Ms. Bai Norhata D. M. Alonto, SSS has nominated Atty. Santiago Dionisio R. Agdeppa as replacement. Attached is the letter of the SSS consenting to the nomination of Atty. Agdeppa.

IN WITNESS WHEREOF, I have hereunto set my hand this 30th day of May 2023 at Makati City, Metro Manila, Philippines.


BARBARA ANNE C. MIGALLOS
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 30th day of May 2023, affiant ex [REDACTED],
expiring on 10 May 2028 bearing her photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No. 29
Page No. 1
Book No. 1
Series of 2023

PK Mining 2023 AGM - Certification on Directors' withdrawal


BRYAN GEORGE M. MANZANO
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-291 (2022-2023)
COMMISSION EXPIRES ON DECEMBER 31, 2023
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 5566314; Makati City; 1/4/2023
IBP O.R. No. 260893; Zamboanga; 1/5/2023
TIN 607-109-916
Attorney's Roll No. 79205
Admitted to the Philippine Bar: 15 May 2022



Republic of the Philippines
SOCIAL SECURITY COMMISSION

12th Floor, SSS Makati Building
8782 Ayala Avenue Corner V. A. Rufino St., Makati City
Tel. Nos. 8813-4297, 8813-4313, 8813-4294
Fax Nos. 8813-4316, 8813-4298

**OFFICE OF THE COMMISSION SECRETARY AND
EXECUTIVE COMMISSION CLERK**

08 February 2023

PHILEX MINING CORPORATION

Migallos & Luna Law Offices
7th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

Attention: ATTY. BARBARA ANNE C. MIGALLOS

Corporate Secretary

Email address: bcm@migalloslunalaw.com
www.migalloslunalaw.com

Dear Atty. Migallos:

This is to respectfully inform your Office that the Social Security Commission has approved the nomination and designation as SSS' Nominee-Directors for the Philex Mining Corporation for 2023 per SSC Resolution No. 39 dated 18 January 2023 (copy attached) of the following officers:

1. Acting PCEO Rolando L. Macasaet
2. Commissioner Anita Bumpus Quitain
3. Commissioner Bai Norhata Macatbar Alonto

Thank you.

Very truly yours,

SANTIAGO D.R. AGDEPPA
Senior Vice President



Republic of the Philippines
SOCIAL SECURITY COMMISSION
12th Floor, SSS Makati Building
6762 Ayala Avenue Corner V.A. Rufino St., Makati City
Tel. Nos. 8813-4297; 8813-4898; 8813-4294 / Fax No. 8813-4316

Regular Meeting No. 2
18 January 2023

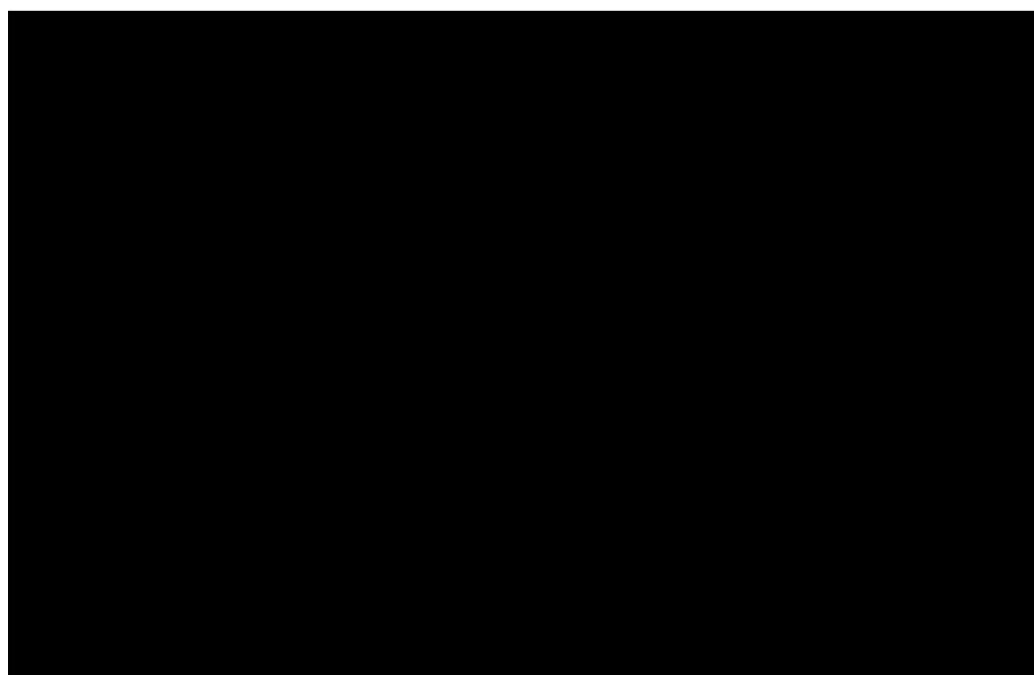
RESOLUTION NO. 39-s.2023

RESOLVED, That the Commission approve, as it hereby approves, the nomination and designation of the following Social Security Commission Members/Social Security System officials to the following SSS investee corporations for year 2023, as cleared by the Department of Finance Secretary and SSC Chairperson, viz:

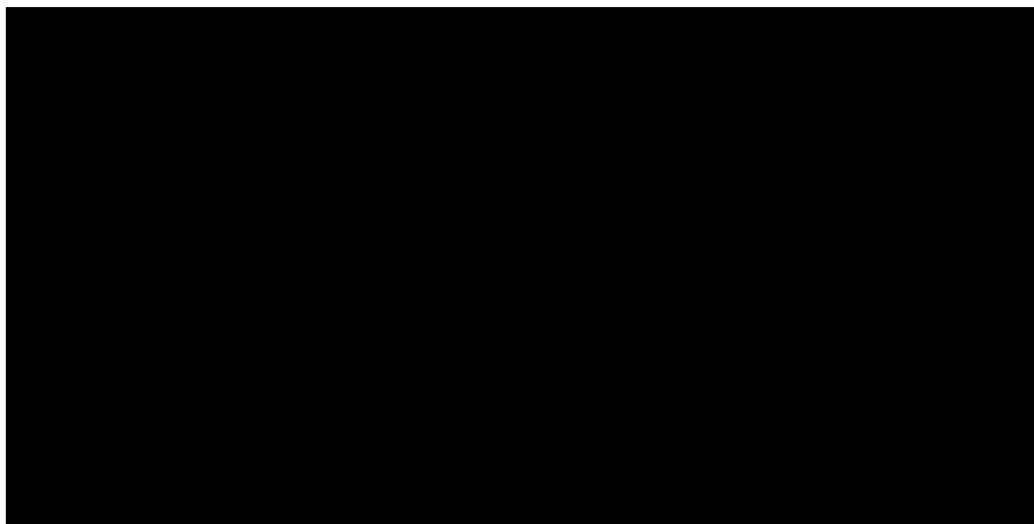


▪ *Philex Mining Corporation*

PCEO/Vice Chairperson Rolando L. Macasaet
Commissioner Anita Bumpus Quitain
Commissioner Bai Norhata Macatbar Alonto



SOCIAL SECURITY COMMISSION
Regular Meeting No. 42
SSC Resolution No. 39
18 January 2023



The above-enumerated officials are hereby authorized to assume board responsibilities in their designated Investee Corporation with full power to deliberate and vote in the Board, Committee and Stockholders' meetings on behalf of the Social Security System.

In addition, the Commission Secretary/Executive Clerk of Commission is hereby authorized to sign and submit the required papers/documentations to the Investee Corporations and government regulatory bodies pertaining the designations of the above officials as SSS Nominee-Directors.

CERTIFIED BY-


SANTIAGO D.R. AGDEPPA
Commission Secretary/
Executive Commission Clerk



Republic of the Philippines
SOCIAL SECURITY COMMISSION
12th Floor, SSS Makati Building
6782 Ayala Avenue Corner V. A. Rufino St., Makati City
Tel Nos. 8813-4297, 8813-4313, 8813-4294
Fax Nos. 8813-4318, 8813-4298

**OFFICE OF THE COMMISSION SECRETARY AND
EXECUTIVE COMMISSION CLERK**

26 May 2023

PHILEX MINING CORPORATION

Migallos & Luna Law Offices
7th Floor, PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City

Attention: ATTY. BARBARA ANNE C. MIGALLOS
Corporate Secretary
Email address: bcm@migalloslunalaw.com
www.migalloslunalaw.com

Dear Atty. Migallos:

This is to respectfully inform your Office that the Social Security Commission (SSC) has approved the amendment to the Guidelines for SSS Nominee-Directors in Investee Corporations (III. Nominating Authority) under SSC Resolution No. 206 dated 03 May 2023 (Annex "A"), viz:

"x x x. The SSC Commission Secretary shall be the transitory Nominee-Director in the Investee Corporation/s until the SSC Chairperson has formally nominated and appointed the new Nominee-Director and confirmed by the SSC.

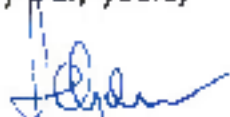
The SSC Commission Secretary as the transitory Nominee-Director is authorized to attend board meetings in the interim in the Investee Corporation. The SSC Commission Secretary is also authorized to submit the documentation as may be required under the appointment procedures of the Investee Corporation."

Finance Secretary and SSC Chairperson Benjamin E. Diokno has not yet nominated the replacement of former Commissioner Bai Norhata Macatbar Alonto in the Board of Philex Mining Corporation as of this time. Hence, the undersigned shall be the SSS Nominee-Director in this corporation in the meantime.

Attached are the Certification from the Human Resource Services Division/Human Resource Management Group that the undersigned is acting as and doing the functions of Commission Secretary, Compliance Officer and Executive Commission Clerk (Annex "B") and the Curriculum Vitae of the undersigned (Annex "C").

Thank you.

Very truly yours,


SANTIAGO D.R. AGDEPPA
Senior Vice President



Republic of the Philippines
SOCIAL SECURITY COMMISSION
12th Floor, SSS Makati Building
8762 Ayala Avenue Corner V.A. Rufino St., Makati City
Tel. Nos. 8813-4297; 8813-4998, 8813-4294 / Fax No. 8813-4315

Regular Meeting No. 46
03 May 2023

RESOLUTION NO. 206-s.2023

RESOLVED, That the Commission approve, as it hereby approves, the amendment to the Guidelines for SSS Nominee-Directors in Investee Corporations, viz:

From	To
III. Nominating Authority The SSC Chairman may, at any time, nominate and appoint another to replace the current Director in the Investee Corporation for the considerations previously enumerated, or when the position of the current Nominee-Director is to be vacated due to resignation or by other causes. Provided, a Nominee-Director who resigns from the SSC or whose appointment as an SSC member is not renewed by the President of the Republic of the Philippines, will remain as the SSS Nominee-Director in a transitory capacity in the Investee Corporation until a new Nominee-Director is appointed and confirmed by the SSC. The same rule applies to a Nominee-Director who is an SSS officer who resigned or retired from the service (as amended under SSC Resolution No. 612 dated 13 August 2015).	III. Nominating Authority The SSC Chairperson may, at any time, nominate and appoint another to replace the current Director in the Investee Corporation for the considerations previously enumerated, or when the position of the current Nominee-Director has been vacated due to resignation or by other causes. The Nominee-Director who resigns from the SSC or whose appointment as an SSC member is not renewed by the President of the Republic of the Philippines automatically ceases to be the SSS Nominee-Director in the Investee Corporation/s he/she is assigned. The SSC Commission Secretary shall be the transitory Nominee-Director in the Investee Corporation/s until the SSC Chairperson has formally nominated and appointed the new Nominee-Director and confirmed by the SSC. The SSC Commission Secretary as the transitory Nominee-Director is authorized to attend board meetings in the

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 03 May 2023

From	To
	interim in the Investee Corporation. The SSC Commission Secretary is also authorized to submit the documentation as may be required under the appointment procedures of the Investee Corporation.

Management, through the Investments Sector, shall process the needed qualifying share of stocks in these Investee Corporations and such other requirements to enable the Commission Secretary to assume as Nominee-Director in transitory capacity in these corporations.

The above is based on the Memorandum of the Commission Secretary, Executive Commission Clerk and Compliance Officer dated 27 April 2023.

CERTIFIED BY:


SANTIAGO D.R. AGDEPPA
 Commission Secretary/
 Executive Commission Clerk



Republic of the Philippines
SOCIAL SECURITY SYSTEM

East Avenue Dasmariñas, Quezon City
Trunkline Number: (632) 8709-7198
E-mail: member_relations@sss.gov.ph • Web site: <http://www.sss.gov.ph>

CERTIFICATION

This certifies that **ATTY. SANTIAGO DIONISIO RODRIGO AGDEPPA**, Senior Vice President, is a regular employee of the Social Security System since 02 August 1990 up to the present.

Further, this certifies that SVP Agdeppa is acting as and doing the functions of Commission Secretary, Compliance Officer and Executive Commission Clerk.

This certification is being issued upon the request of the above-named official for official and legal purposes.

25 May 2023.


MA. NYMPHA M. RAGEL
Vice President, HR Services Division and
Concurrent Acting Head, HRMG

IMPORTANT:

For verification please attach a copy of this certification and email your query to:

employee.servicecenter@sss.gov.ph

Reference No.
CE231120

ANNEX C

SANTIAGO DIONISIO R. AGDEPPA

SENIOR VICE PRESIDENT

Office of the Commission Secretary, Compliance Officer and Executive
Commission Clerk

Social Security System (SSS)

8813-4294



BRIEF DESCRIPTION OF FUNCTION

He assists the Social Security Commission (SSC) in the performance of its policy-making, quasi-judicial and administrative functions; prepares and keeps the Minutes of Meetings of SSC and its Committees, among other duties and responsibilities. As Senior Vice President in the Office of the Commission Secretary, Compliance Officer and Executive Clerk of the SSC, he supervises the Commission Secretariat Department, the Policy Research and Governance Department, and the Office of the Deputy Commission Clerk. He currently serves as Vice-Chairman of the Board of Directors of Philam Tower Condominium Corporation, which corporation is SSS Investee-Corporation. He previously served as Board Director of Capital Consortium Corporation and Philam Tower Management Corporation which are SSS Investee-Corporations.

MAJOR ACHIEVEMENTS

He was the Model Employee of the SSS Legal Department in 1995 and as Model Employee of the Legal and Collection Division in the same year. In 2000, he was given a Plaque of Appreciation for Excellent Job Done in SSS operations.

PROFESSIONAL WORK EXPERIENCE/HIGHLIGHTS

He is a Certified Public Accountant (CPA) - Lawyer. He is also a Career Service Executive Eligible.

After passing the CPA Board Examination, he worked briefly from 1984 to 1985 as an accounting staff in the private sector.

From 1985 to 1990, he worked in the Commission on Audit with last position held as State Auditor II. He transferred to the SSS Legal Department in 1990. In 2005, he became the Assistant Vice President of Cluster Legal Support (renamed as Operations Legal Department). He was also the Officer-in-Charge of the NCR Central Cluster Legal Unit from 2005-2010 and Legal Adviser and Legal Counsel, SSS Provident Fund (2003-2010). He was promoted as Senior Vice President in November 2014.

He was a non-voting member of the SSC Board Audit Committee (from 2010 to 2014) and was a member of various SSS Management Committees. He attended official seminars such as the Training Program on Pension Schemes (Italy), Management Course (U.S.), Data Security (U.S.), Compliance and Ethics (U.S.), and various seminars on legal education as well as training courses by the Institute of Corporate Directors.

EDUCATIONAL ATTAINMENT

He finished his Bachelor of Laws at San Beda College in 1989; BSC-Accounting from San Sebastian College in 1983; and completed his Master in Business Management at Pamantasan ng Lungsod ng Maynila in 1997 and Middle Management Course at Ateneo Graduate School of Business in 2014.

PHILEX MINING CORPORATION

MANAGEMENT REPORT

I. Consolidated Audited Financial Statements

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

II. Information on Independent Accountants and Other Related Matters

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

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

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

External Audit Fees and Services

Audit and Audit-Related Fees

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

Tax Fees

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

All Other Fees

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

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

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

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

Audit Committee's Approval of Policies and Procedures

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

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

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

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

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

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

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

Operations Overview

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

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

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

Review of Financial Results

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

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

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

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

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

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

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

As part of the risk management strategy, the Company regularly monitors the prices of gold and copper in the world market as a basis of assessing the need to enter into hedging contracts to mitigate the risk of the potential impact of fluctuations of the metal prices to the Company's revenues. Based on the Company's outlook of the movement of gold and copper prices, the Company entered into various collar hedging contracts in 2022 as follows:

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

2022 Copper Collar Hedge							
Deal Date	Quantity (Pounds)	Copper Prices (US\$ Per Pound)			Period Covered	Settlement Date	Realized Gain (Loss) (in Php Millions)
		Put	Call	Settlement			
10/04/21	992,081	3.90	4.51	4.43	Jan. 2022	02/02/22	-
10/04/21	992,081	3.90	4.51	4.51	Feb. 2022	03/03/22	-
10/04/21	992,081	3.90	4.51	4.64	Mar. 2022	04/02/22	(7)
11/24/21	992,081	3.75	4.95	4.62	Apr. 2022	05/09/22	-
11/24/21	992,081	3.75	4.95	4.25	May 2022	06/09/22	-
11/24/21	992,081	3.75	4.95	4.10	June 2022	07/08/22	-
11/24/21	992,081	3.75	4.95	3.42	July 2022	08/05/22	18
11/24/21	992,081	3.75	4.95	3.61	Aug. 2022	09/08/22	8
11/24/21	992,081	3.75	4.95	3.51	Sept. 2022	10/07/22	14
11/24/21	992,081	3.75	4.95	3.46	Oct. 2022	11/08/22	17
11/24/21	992,081	3.75	4.95	3.64	Nov. 2022	12/07/22	6
11/24/21	992,081	3.75	4.95	3.80	Dec. 2022	01/09/23	-
Total							56

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

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

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

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

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

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

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

2021 Gold Collar Hedge							
Deal Date	Quantity (Ounces)	Gold Prices (US\$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) (in Php Millions)
		Put	Call	Settlement			
01/04/21	1,900	1,830	2,050	1,868	Jan. 2021	02/02/21	-
01/04/21	1,900	1,830	2,050	1,811	Feb. 2021	03/02/21	2
01/04/21	1,900	1,830	2,050	1,720	Mar. 2021	04/06/21	10
03/10/21	1,900	1,680	1,733	1,760	Apr. 2021	05/05/21	(3)
03/10/21	1,900	1,680	1,733	1,850	May 2021	06/02/21	(11)
03/10/21	1,900	1,680	1,733	1,835	June 2021	07/02/21	(9)
03/10/21	1,900	1,680	1,733	1,806	July 2021	08/03/21	(7)
03/10/21	1,900	1,680	1,733	1,784	Aug. 2021	09/02/21	(5)
03/10/21	1,900	1,680	1,733	1,779	Sept. 2021	10/04/21	(4)
10/01/21	1,900	1,700	1,800	1,776	Oct. 2021	11/02/21	-
10/01/21	1,900	1,700	1,800	1,820	Nov. 2021	12/02/21	(2)
10/01/21	1,900	1,700	1,800	1,788	Dec. 2021	01/05/22	-
Total							(29)

2021 Copper Collar Hedge							
Deal Date	Quantity (Pounds)	Copper Prices (US\$ Per Pound)			Period Covered	Settlement Date	Realized Gain (Loss) (in Php Millions)
		Put	Call	Settlement			
01/04/21	740,752	3.25	3.95	3.62	Jan. 2021	02/02/21	-
01/04/21	740,752	3.25	3.95	3.84	Feb. 2021	03/02/21	-
01/04/21	740,752	3.25	3.95	4.08	Mar. 2021	04/06/21	(5)
03/10/21	992,081	3.80	4.27	4.23	Apr. 2021	05/05/21	-
03/10/21	992,081	3.80	4.27	4.62	May 2021	06/02/21	(17)
03/10/21	992,081	3.80	4.27	4.36	June 2021	07/02/21	(4)
03/10/21	992,081	3.80	4.27	4.28	July 2021	08/03/21	(0.5)
03/10/21	992,081	3.80	4.27	4.24	Aug. 2021	09/02/21	-
03/10/21	992,081	3.80	4.27	4.23	Sept. 2021	10/04/21	-
10/04/21	992,081	3.90	4.51	4.44	Oct. 2021	11/02/21	-
10/04/21	992,081	3.90	4.51	4.43	Nov. 2021	12/02/21	-
10/04/21	992,081	3.90	4.51	4.33	Dec. 2021	01/05/22	-
Total							(26)

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

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

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

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

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

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

2020 Gold Put Options						
Deal Date	Quantity (Ounces)	Gold Prices (US\$ Per Ounce)		Period Covered	Settlement Date	Realized Gain (in Php Millions)
		Put	Settlement			
01/13/20	1,500	1,450	1,561	Jan. 2020	02/04/20	-
01/13/20	1,500	1,450	1,598	Feb. 2020	03/03/20	-
01/13/20	1,500	1,450	1,593	Mar. 2020	04/02/20	-
01/13/20	1,500	1,450	1,681	Apr. 2020	05/04/20	-
01/13/20	1,500	1,450	1,716	May 2020	06/02/20	-
01/13/20	1,500	1,450	1,733	June 2020	07/02/20	-
Total						-

The Company paid US\$4.20 per ounce or a total of US\$37,800 as put option premium for the gold hedging contracts covering period beginning January 2020 through June 2020. The premium is amortized over the term of the contract. The Company did not exercise any of the gold put options contracts as settlement prices were favourably higher than the strike price of US\$1,450 per ounce.

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

2020 Gold Collar Hedge							
Deal Date	Quantity (Ounces)	Gold Prices (US\$ Per Ounce)			Period Covered	Settlement Date	Realized Loss (in Php Millions)
		Put	Call	Settlement			
05/15/20	1,900	1,650	1,855	1,842	July 2020	08/04/20	-
05/15/20	1,900	1,650	1,855	1,970	Aug. 2020	09/02/20	(11)
05/15/20	1,900	1,650	1,855	1,923	Sept. 2020	10/02/20	(6)
05/15/20	1,900	1,650	1,855	1,901	Oct. 2020	11/03/20	(4)
05/15/20	1,900	1,650	1,855	1,867	Nov. 2020	12/02/20	(1)

05/15/20	1,900	1,650	1,855	1,829	Dec. 2020	01/05/21	(0.04)
Total							(22)

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

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

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

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

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

Operating Costs and Expenses

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

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

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

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

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

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

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

Break-even Production and Operating Cost per Unit

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

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

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

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

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

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

Net Other Income (Charges)

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

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

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

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

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

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

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

Core Net Income, EBITDA and Consolidated Net Income

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

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

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

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

Reconciliation of Core Net Income to Consolidated Net Income

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

Other Comprehensive Income

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

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

FINANCIAL CONDITION REVIEW

Financial Condition Summary

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

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

Current Assets

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

Cash and Cash Equivalents

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

Accounts Receivable

The Company's Accounts Receivables are largely composed of Trade Receivables from sales of the Company's copper concentrates or gold bullion and Other Receivables that include advances to employees for conduct of transactions in the ordinary course of business. As of December 31, 2022, Accounts Receivables amounted to Php581 million, consisting of Trade Receivables of 443 million, Loans receivable of Php31 million and Other Receivables of Php107 million. The 2022 balance increased from Php467 million in 2021, consisting of Trade Receivables of Php384 million and Other Receivables of Php83 million, compared with Php370 million in 2020 (comprising of Trade Receivables of Php284 million and Other Receivables of Php86 million), and Php416 million in 2019 (comprising of Trade Receivables of Php338 million and Other Receivables of Php78 million).

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

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

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

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

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

Inventories

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

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

Other Current Assets

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

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

Non-Current Assets

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

Deferred Exploration Costs

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

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

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

Investment in Associates

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

Property, Plant and Equipment

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

and acquisition of mine equipment for the period. The DDA in 2022 already considered the impact of the Padcal Mine life extension declared in the second quarter of 2021. For 2021, the increase in PPE was mainly due to the reversal of 2019 impairment provision amounting to Php699 million on top of the Php103 million reversal in 2020. The 2019 impairment provision amounting to Php1.457 billion was on top of previous year's impairment. The annual impairments recorded in the financial statements are attributable to Padcal Mine and mining properties as it is nearing the end of mine life and the impact of financial assumptions particularly gold and copper prices and foreign exchange rates on financial projections. For 2020, the decrease in PPE was due to the higher amount of DDA of Php1.294 billion compared to Php1.048 billion spent for the additional capital expenditures for Padcal's Mine development activities and mine equipment acquisition for that year.

Pension Asset

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

Financial Assets Measured at FVOCI

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

Other Non-Current Assets

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

Total Assets

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

Current Liabilities

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

Loans and Bonds Payable

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

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

Debt reduction program was started at the early part of 2020 and continued to 2021. However, at the onset of COVID-19, Philex re-availed a short term loan amounting to US\$2 million as contingency fund should there be disruptions in the Company's business operations related to COVID19. Immediately thereafter, the Company resumed repaying its loan. For 2020, the total Parent Company debt repayment was US\$15 million, reducing loan balance from US\$46 million as at end-2019 to US\$31 million as of December 31, 2020. For 2021, the Company made additional loan repayment of US\$8 million that reduced the Company's loan from US\$31 million to US\$23 million. No loan repayment was made in 2022.

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

Accounts Payable and Accrued Liabilities

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

Subscription Payable

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

Income Tax Payable

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

Dividends Payable

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

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

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

Non-Current Liabilities

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

Bonds Payable

Bonds Payable decreased to Php5.908 billion as of December 31, 2022 from Php8.652 billion as of December 31, 2021 on account of the settlement of the amount due to a noteholder upon maturity on December 18, 2022. The convertible notes issued to the other noteholder was extended for another three years from original maturity date of December 18, 2022, with the sole option of the SMECI and Philex to extend the term further for another three at intervals of 1.5 years. The balances of Bonds Payable in 2020 and 2019 were Php8.182 billion and Php7.743 billion, respectively. The year-end balances included the changes in the amounts corresponding to the amortization of deferred transaction costs, accretion of interest from the discounting of the face value of the CN and accrual of the 3% redemption premium.

The bonds payable pertains to the 8-year convertible bonds issued by SMECI, with Philex as the co-issuer, on December 18, 2014, with a face value of Php7.2 Billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at Php18,000 per share 12 months after the issue date ("Standstill Period"). On the last day of Standstill Period, the Issuer shall have a one-time right to redeem the bonds from the holders in whole or in part. After the Standstill Period, the noteholders may exercise the conversion right, in whole but not in parts, at any time but no later than the maturity date. At redemption/maturity date, the bonds can be redeemed together with the principal or face value of the bonds at a premium, payable at a rate of 3% per annum compounded semi-annually based on the face value of the bonds and unpaid accrued interest (if there be any). The proceeds of the bonds were used to repay the SMECI's advances from Philex Mining and fund further exploration works of SMMCI. The original maturity date was December 18, 2022.

Deferred Income Tax Liabilities

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

Provision for Losses and Mine Rehabilitation Costs

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

Total Liabilities

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

Total Equity

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

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

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

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

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

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

Liquidity and Capital Resources

The Company's existing liquidity position and capital resources are primarily used for the funding of its existing operations and exploratory drilling works within and around the Sto Tomas ore body with the aim to further extend mine life of Padcal and for development works of the Silangan Project. Despite the risks inherent in the business associated with metal prices, foreign exchange rates, regulatory environment, and the changing economic and market conditions as well as the global impact of the COVID-19 pandemic, the Company's net cash generated in operating activities amounted to Php3.291 billion in 2022, compared to Php3.777 billion in 2021, Php2.375 billion in 2020 and Php1.232 billion in 2019.

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

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

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

Capital Expenditures and Deferred Exploration Costs

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

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

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

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

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

Top Five Key Financial and Non-Financial Performance Indicators

Safety Performance

Personnel health and safety is of paramount concern and regarded with utmost priority. In 2022, the Company reported for its Padcal Mine two LAT-F incident, one incident in 2021 same as 2020 and five incidents in 2019. Meanwhile, in terms of Lost Time Accident Non-Fatal events, there were ten in 2022, eight in 2021, six recorded in 2020 and five in 2019.

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

Earnings (Loss) Per Share

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

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

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

Tonnes Milled and Metals Produced

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

Break-even Production and Operating Cost Per Unit

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

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

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

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

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

Exploration Activities

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

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

Subsidiaries and Related Party Transactions

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

a) Advances from PMC to SMMCI and SMECI

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

b) Investment in SMECI and SMMCI

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

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

c) Advances from PMC to PXP Energy

PMC made cash advances to PXP Energy Corporation (PXP Energy) for its additional working capital requirements, and for the acquisition of equity in FEP, PERC and Pitkin. These advances were covered by a pledge agreement between PMC and PXP Energy wherein certain shares of stocks owned by PXP Energy were pledged to secure the advances. On October 26, 2018, PMC and PXP Energy signed a subscription agreement wherein PMC will subscribe to 260 million common shares of PXP Energy for a total consideration of Php3.081 billion. PXP Energy's proceeds from the subscription agreement will be utilized by PXP Energy for the repayment of its advances from PMC. On August 5, 2019, a deed of assignment was entered into by Brixton Energy and Mining Corporation (BEMC, a subsidiary of PXP Energy) transferring Brixton receivables from PMC to PXP Energy amounting to Php738 million. As of December 31, 2019, PXP Energy paid Php2.897 billion to PMC to settle all PXP Energy advances, including the Brixton receivables which reduced the advances to nil from Php1.387 billion as at end 2018 and Php2.169 billion as of December 31, 2017.

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

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

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

In December 2014, SMECI and PMC, as the co-issuer, issued 8-year convertible bonds with a face value of Php7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at Php18,000 per share one year after the issue date. The carrying value of loans payable amounted to

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

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

For the Period Ended March 31, 2023 and 2022

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

Operational Overview

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

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

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

Review of Financial Results

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

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

Copper

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

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

Gold

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

Silver

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

Hedging Strategy

As part of the risk management strategy, the Company regularly monitors the prices of gold and copper in the world market as a basis of assessing the need to enter into hedging contracts to mitigate the risk of the potential impact of fluctuations of the metal prices to the Company's revenues. Based on the Company's outlook of the movement of gold and copper prices, the Company entered into various collar hedging contracts in 2022 and 2023 as follows:

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

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

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

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

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

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

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

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

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

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

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

Operating Costs and Expenses

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

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

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

Total production costs (including depletion, depreciation and amortization) on a per unit basis increased by 7% to Php837 per tonne (based on total production costs of Php1.428 billion) for 1Q2023 from Php782 per tonne (based on total production costs of Php1.426 billion) in 1Q2022. Total Production Cost per Tonne increased due to higher production costs which reflected that the Company incurred higher costs to produce one tonne of ore.

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

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

Other Income (Charges)

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

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

Provision for (Benefit from) Income Tax

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

Core and Reported Net Income

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

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

Similarly, EBITDA was also lower by 46% at Php635 million than the Php1.182 billion for 1Q2022. The Company's core net income and EBITDA exclude non-recurring transactions to clearly reflect and provide results based on the normal operating parameters of the business.

FINANCIAL CONDITION REVIEW

Current Assets

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

Cash and Cash Equivalents

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

Accounts Receivable

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

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

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

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

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

Inventories

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

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

Other Current Assets

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

Non-Current Assets

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

Deferred Exploration Costs

Deferred Exploration Costs increased to Php29.705 billion as of March 31, 2023 from Php29.492 billion as of December 31, 2022, on account of the pre-development and initial development expenditures related to Silangan Project with cumulative amount of Php27.335 billion or 92% of total deferred exploration costs. Initial expenditures on early works program for the Silangan Project were also included in the deferred exploration costs of the Project.

Investment in Associates

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

Property, Plant and Equipment

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

Pension Asset

Pension Asset slightly increased to Php343 million as of March 31, 2023 from Php341 million as of December 31, 2022, which represents the excess of the fair value of plan assets against the present value of defined benefit obligations under the Company's retirement plan, net of SMMCI pension obligation.

Financial Assets Measured at FVOCI

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

Other Non-Current Assets

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

Total Assets

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

Current Liabilities

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

Loans Payable

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

Accounts Payable and Accrued Liabilities

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

Subscription Payable

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

Income Tax Payable

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

Dividends Payable

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

Non-Current Liabilities

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

Bonds Payable

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

The bonds payable pertains to the 8-year convertible bonds issued by SMECI, with Philex Mining as the co-issuer, on December 18, 2014, with a face value of Php7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at Php18,000 per share 12 months after the issue date ("Standstill Period"). On the last day of Standstill Period, the Issuer shall have a one-time right to redeem the bonds from the holders in whole or in part. After the Standstill Period, the noteholders may exercise the conversion right, in whole but not in parts, at any time but no later than the maturity date. At redemption/maturity date, the bonds can be redeemed together with the principal or face value of the bonds at a premium, payable at a rate of 3% per annum compounded semi-annually based on the face value of the bonds and unpaid accrued interest (if there be any). The proceeds of the bonds were used to repay the SMECI's advances from Philex Mining and fund the exploration works of SMMCI. The bonds original maturity date was December 18, 2022. Upon original maturity, the CN issued to SSS was settled at Php2.741 billion representing the face value and the corresponding premium.

Deferred Income Tax Liabilities

Deferred Income Tax Liabilities, mainly consisting of Php1.388 billion arising from the acquisition of Anglo's 50% stake in the Silangan companies and Php305 million mainly for accelerated deductions, decreased to Php1.693 billion as of March 31, 2023 from Php1.721 billion as of December 31, 2022 which considered the impact of the CREATE Law that reduced corporate income tax rate to 25% from 30% effective July 2020.

Provision for Losses and Mine Rehabilitation Costs

Provision for Losses and Mine Rehabilitation Costs was maintained at Php2 million as of March 31, 2023 from December 31, 2022. The amount of Php137 million that is required under the Company's MGB-approved Final Mine Rehabilitation and Development Program has been fully funded.

Total Liabilities

As of March 31, 2023, Total Liabilities amounted to Php12.617 billion, higher than the Php12.389 billion as of December 31, 2022, mainly due to higher current liabilities particularly income tax and accounts payable and accrued expenses.

Total Equity

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

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

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

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

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

Liquidity and Capital Resources

The Company's existing liquidity position and capital resources are primarily used for the funding of its existing operations and exploratory drilling works within and around the Sto. Tomas ore body with the aim to further extend the mine life of Padcal and for pre-development works of the Silangan Project. Despite the risks inherent in the business associated with metal prices, foreign exchange rates, regulatory environment, and the changing economic and market conditions as well as the global impact of the COVID-19 pandemic for the past three years, the Company's net cash generated in operating activities amounted to Php587 million for the three months ended March 31, 2023 (1Q2023), compared with Php1.104 billion in the three months of 2022 (1Q2022). This allowed the Company to have sufficient liquidity to meet working capital needs, finance any strategic supply chain activities in anticipation of global supply chain disruptions and any unscheduled operating disruptions.

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

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

<i>(in Php Millions)</i>	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

Safety Performance

Personnel health and safety is of paramount concern and regarded with utmost priority. In 1Q2023, the Company recorded one Lost Time Accident-Fatal ("LTA-F") compared with zero

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

Though it is a difficult task to maintain a “zero-harm” record due to the presence of uncertainties that could contribute to the level of risk in terms of health and safety, the Company is constantly reviewing safety policies and procedures. Various initiatives are being reassessed based on the present situation and implemented to minimize the occurrence of accidents and injuries in the workplace. Third-party experts are likewise engaged to assess existing safety performance and identify risk areas.

Earnings Per Share

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

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

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

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

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

Company Overview

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

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

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

Business

Mining

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

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

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

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

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

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

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

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

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

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

The approved DMPF for underground sub-level cave mining method includes the approved Three Year Development and/or Utilization Work Program (3YD/UWP), the Environmental Protection and Enhancement Program (EPEP), Final Mine Rehabilitation and Decommissioning Plan (FMRDP) and Social Development and Management Program (SDMP). A revised 3YD/UWP covering three years was submitted to the MGB Central Office in October 2021.

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

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

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

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

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

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

Oil and Gas

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

Corporate Objectives

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

Product, Distribution and Customers

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

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

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

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

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

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

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

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

The breakdown of gross revenues per metal are as follows:

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

V. Directors and Executive Officers of the Issuer

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

DIRECTORS

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

Age: 76

Date of First Appointment: November 28, 2008

Academic Background:

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

Business and Professional Background/ Experience:

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

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

Directorship in Other Listed Companies in the Philippines:

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

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

Age: 61

Date of First Appointment: June 29, 2011

Academic Background:

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

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

Business and Professional Background/ Experience:

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

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

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

Directorship in Other Listed Companies in the Philippines:

- a. PXP Energy Corporation - Non-Executive Director

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

Age: 60

Date of First Appointment: January, 30 2019

Academic Background:

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

Business and Professional Background/ Experience:

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

Directorship in Other Listed Companies in the Philippines:

- a. PXP Energy Corporation - Non-Executive Director

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

Age: 53

Date of First Appointment: January 30, 2019

Academic Background:

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

Business and Professional Background/ Experience:

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

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

Age: 67

Date of First Appointment: December 7, 2009

Academic Background:

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

Business and Professional Background/ Experience:

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

Directorship in Other Listed Companies in the Philippines:

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

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

Age: 85

Date of First Appointment: December 7, 2009

Academic Background:

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

Business and Professional Background/ Experience:

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

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

Directorship in Other Listed Companies in the Philippines:

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

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

Age: 76

Date of First Appointment: June 29, 2011

Academic Background:

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

Business and Professional Background/ Experience:

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

Directorship in Other Listed Companies in the Philippines

RLC REIT INC. – Independent Director

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

Age: 68

Date of First Election: June 26, 2013

Academic Background:

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

Business and Professional Background/ Experience

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

Directorship in Other Listed Companies in the Philippines

- a. Mabuhay Vinyl Corporation - Non-Executive Director

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

Age: 62

Date of First Election: February 23, 2023

Academic Background:

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

Business and Professional Background/ Experience:

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

Directorship in Other Listed Companies in the Philippines:

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

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

Age: 76

Date of First Appointment: February 28, 2017

Academic Background:

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

Business and Professional Background/ Experience:

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

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

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

Directorship in Other Listed Companies in the Philippines:

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

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

Age: 72

Date of First Appointment: February 24, 2021

Academic Background:

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

Business and Professional Background/ Experience:

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

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

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

Directorship in Other Listed Companies in the Philippines:

- a. IONICS, Inc.

Directorships in Other Publicly-Listed Companies

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

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

Executive Officers

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

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

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

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

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

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

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

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

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

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

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

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

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

Market Information

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

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

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

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

Holders

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

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

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

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

Dividends

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

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

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

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

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

VII. Compliance with Leading Practices on Corporate Governance

Vision and Mission

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

Governance Statement

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

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

COVER SHEET

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SEC Registration Number

P	H	I	L	E	X			M	I	N	I	N	G			C	O	R	P	O	R	A	T	I	O	N		A	N	D		
S	U	B	S	I	D	I	A	R	I	E	S																					

(Company's Full Name)

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

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

ROMEO B. BACHOCO

(Contact Person)

(632) 8631-13-81

(Company Telephone
Number)

1 2

Month Day
(Calendar Year)

3 1

1 7 - A

(Form Type)

0 6

Month

2 8

Day

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

43,901

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

S.E.C. Number 10044
File Number _____

PHILEX MINING CORPORATION
(Company's Full Name)

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

631-1381 to 88
(Telephone Numbers)

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

SEC FORM 17-A
Form Type

Amendment Delegation (If applicable)

December 31, 2022
Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

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

If yes, state the name of such stock exchange and the classes of securities listed therein:

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

PART 1 - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Company Overview

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

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

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

Business

Mining

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

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

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

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

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

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

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

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

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

The approved DMPF for underground sub-level cave mining method includes the approved Three Year Development and/or Utilization Work Program (3YD/UWP), the Environmental Protection and Enhancement Program (EPEP), Final Mine Rehabilitation and Decommissioning Plan (FMRDP) and Social Development and Management Program (SDMP). A revised 3YD/UWP covering three years was submitted to the MGB Central Office in October 2021.

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

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

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

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

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

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

Oil and Gas

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

Corporate Objectives

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

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

Product, Distribution and Customers

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

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

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

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

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

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

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

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

The breakdown of gross revenues per metal are as follows:

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

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

Competition

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

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

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

Sources and Availability of Raw Materials and Supplies

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

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

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

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

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

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

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

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

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

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

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

Employees

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

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

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

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

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

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

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

Mining Properties and Royalty Agreements

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

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

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

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

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

Padcal Mine Mineral Resources

As of December 31, 2022

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

Notes:

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

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

Metal prices = US\$ 3.50/lb Cu and US\$1,700/oz Au
Metal Recoveries = 80% for Cu and 80% for Au
Forex (Php to USD) = 57.00 Php
Operating Cost per MT= 952.00 Php

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

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

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

Padcal Mine Proved Reserves

As of December 31, 2022

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

Notes:

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

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

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

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

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



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

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

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

Patents, Trademarks and Licenses

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

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

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

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

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

Government Approvals

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

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

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

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

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

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

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

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

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

Government Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EO 79 issued on July 6, 2012

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

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

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

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

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

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

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

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

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

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

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

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

EO 130 issued on April 14, 2021

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

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

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

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

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

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

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

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

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

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

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

Exploration and Development

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

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

Padcal Projects in Benguet

Padcal Sto. Tomas II

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

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

Tailings Storage Facility 1

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

Tailings Storage Facility 2

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

activities for magnetite studies on TSF-2 started on April 2020. A 40x40m grid was laid out covering the entire TSF-2 area. Grab samples collected from the grid location points were analyzed for magnetic susceptibility, multi-element analysis using Niton tabletop XRF and submitted to Padcal Assay Laboratory for Au, Cu and Fe content. Scout drilling operations were carried out from July to September 2020, with a total of five (5) drill holes completed for the year, equivalent to 249.7m drilled. Laboratory studies show that magnetite recovery is very low, ranging from 1-15% only, which indicates that the density separation methodology is inefficient. Low magnetite recoveries are attributed mainly to the limitations of the separation method, particle size effects and feed capacity that resulted to long processing times. Minimizing the effects of these limitations entail additional time and energy costs in processing. Fe ore quality was assessed by its %Fe content and the amount of impurities present in the concentrate. The results for the shaking table concentrates qualify it as low (<58% Fe) to medium (62-64% Fe) grade Fe as magnetite concentrates. The average values of the contaminants are within acceptable limits for SiO₂ and outside the prescribed range for Al₂O₃ for commercial magnetite specifications for these trace elements. Thus, these could affect the marketability and consequently the profitability of the magnetite ore.

Support to Operations

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

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

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

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

Silangan Project

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

1. Geovia GEMSTTM software were used in the above estimate with the following parameters:

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

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

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

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

Notes:

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

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

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

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

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

Permits

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

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

Kalayaan Project

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

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

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

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

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

Other Significant Projects

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

Compliance with Environmental and Social Laws

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

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

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

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

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

Total Disturbed Areas Reforested and Maintained:

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

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

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

* Areas on assisted natural regeneration (ANR) are included

Environmental Compliance to DENR Regulations

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

The Company consistently meets the requirements of these environmental laws:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* Including carry-over project expenses from 2021.

Philex-Padcal Mine's SDMP Implementation in 2022:

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

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

Health and sanitation

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

Education

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

Livelihood and skills development

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

Public infrastructure support

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

Socio-Cultural Preservation Program

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

Covid-19 Response

Padcal Mines

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

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

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

Silangan Project

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

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

Information, Education, Communication

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

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

Education

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

Promotion of socio-cultural awareness

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

Land Resource Management

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

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

Related Party Transactions

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

Major Business Risks

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

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

Regulatory

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

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

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

Strategic

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

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

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

Financial

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

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

Operational

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

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

Environmental, Natural and Social

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

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

Item 2. Properties

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

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

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

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

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

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

Item 3. Legal Proceedings

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

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

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

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

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

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

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

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

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

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

Holders

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

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

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

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

Dividends

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

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

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

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

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

Recent Sales of Unregistered Securities

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

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

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

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

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

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

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

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

Operations Overview

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

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

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

Review of Financial Results

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

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

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

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

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

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

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

As part of the risk management strategy, the Company regularly monitors the prices of gold and copper in the world market as a basis of assessing the need to enter into hedging contracts to mitigate the risk of the potential impact of fluctuations of the metal prices to the Company's revenues. Based on the Company's outlook of the movement of gold and copper prices, the Company entered into various collar hedging contracts in 2022 as follows:

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

2022 Copper Collar Hedge							
Deal Date	Quantity (Pounds)	Copper Prices (US\$ Per Pound)			Period Covered	Settlement Date	Realized Gain (Loss) (in Php Millions)
		Put	Call	Settlement			
10/04/21	992,081	3.90	4.51	4.43	Jan. 2022	02/02/22	-
10/04/21	992,081	3.90	4.51	4.51	Feb. 2022	03/03/22	-
10/04/21	992,081	3.90	4.51	4.64	Mar. 2022	04/02/22	(7)
11/24/21	992,081	3.75	4.95	4.62	Apr. 2022	05/09/22	-
11/24/21	992,081	3.75	4.95	4.25	May 2022	06/09/22	-
11/24/21	992,081	3.75	4.95	4.10	June 2022	07/08/22	-
11/24/21	992,081	3.75	4.95	3.42	July 2022	08/05/22	18
11/24/21	992,081	3.75	4.95	3.61	Aug. 2022	09/08/22	8
11/24/21	992,081	3.75	4.95	3.51	Sept. 2022	10/07/22	14
11/24/21	992,081	3.75	4.95	3.46	Oct. 2022	11/08/22	17
11/24/21	992,081	3.75	4.95	3.64	Nov. 2022	12/07/22	6
11/24/21	992,081	3.75	4.95	3.80	Dec. 2022	01/09/23	-
Total							56

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

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

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

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

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

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

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

2021 Gold Collar Hedge							
Deal Date	Quantity (Ounces)	Gold Prices (US\$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) (in Php Millions)
		Put	Call	Settlement			
01/04/21	1,900	1,830	2,050	1,868	Jan. 2021	02/02/21	-
01/04/21	1,900	1,830	2,050	1,811	Feb. 2021	03/02/21	2
01/04/21	1,900	1,830	2,050	1,720	Mar. 2021	04/06/21	10
03/10/21	1,900	1,680	1,733	1,760	Apr. 2021	05/05/21	(3)
03/10/21	1,900	1,680	1,733	1,850	May 2021	06/02/21	(11)
03/10/21	1,900	1,680	1,733	1,835	June 2021	07/02/21	(9)
03/10/21	1,900	1,680	1,733	1,806	July 2021	08/03/21	(7)
03/10/21	1,900	1,680	1,733	1,784	Aug. 2021	09/02/21	(5)
03/10/21	1,900	1,680	1,733	1,779	Sept. 2021	10/04/21	(4)
10/01/21	1,900	1,700	1,800	1,776	Oct. 2021	11/02/21	-
10/01/21	1,900	1,700	1,800	1,820	Nov. 2021	12/02/21	(2)
10/01/21	1,900	1,700	1,800	1,788	Dec. 2021	01/05/22	-
Total							(29)

2021 Copper Collar Hedge							
Deal Date	Quantity (Pounds)	Copper Prices (US\$ Per Pound)			Period Covered	Settlement Date	Realized Gain (Loss) (in Php Millions)
		Put	Call	Settlement			
01/04/21	740,752	3.25	3.95	3.62	Jan. 2021	02/02/21	-
01/04/21	740,752	3.25	3.95	3.84	Feb. 2021	03/02/21	-
01/04/21	740,752	3.25	3.95	4.08	Mar. 2021	04/06/21	(5)
03/10/21	992,081	3.80	4.27	4.23	Apr. 2021	05/05/21	-
03/10/21	992,081	3.80	4.27	4.62	May 2021	06/02/21	(17)
03/10/21	992,081	3.80	4.27	4.36	June 2021	07/02/21	(4)
03/10/21	992,081	3.80	4.27	4.28	July 2021	08/03/21	(0.5)
03/10/21	992,081	3.80	4.27	4.24	Aug. 2021	09/02/21	-
03/10/21	992,081	3.80	4.27	4.23	Sept. 2021	10/04/21	-
10/04/21	992,081	3.90	4.51	4.44	Oct. 2021	11/02/21	-
10/04/21	992,081	3.90	4.51	4.43	Nov. 2021	12/02/21	-
10/04/21	992,081	3.90	4.51	4.33	Dec. 2021	01/05/22	-
Total							(26)

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

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

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

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

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

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

2020 Gold Put Options						
Deal Date	Quantity (Ounces)	Gold Prices (US\$ Per Ounce)		Period Covered	Settlement Date	Realized Gain (in Php Millions)
		Put	Settlement			
01/13/20	1,500	1,450	1,561	Jan. 2020	02/04/20	-
01/13/20	1,500	1,450	1,598	Feb. 2020	03/03/20	-
01/13/20	1,500	1,450	1,593	Mar. 2020	04/02/20	-
01/13/20	1,500	1,450	1,681	Apr. 2020	05/04/20	-
01/13/20	1,500	1,450	1,716	May 2020	06/02/20	-
01/13/20	1,500	1,450	1,733	June 2020	07/02/20	-
Total						-

The Company paid US\$4.20 per ounce or a total of US\$37,800 as put option premium for the gold hedging contracts covering period beginning January 2020 through June 2020. The premium is amortized over the term of the contract. The Company did not exercise any of the gold put options contracts as settlement prices were favourably higher than the strike price of US\$1,450 per ounce.

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

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

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

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

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

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

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

Operating Costs and Expenses

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

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

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

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

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

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

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

Break-even Production and Operating Cost per Unit

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

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

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

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

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

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

Net Other Income (Charges)

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

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

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

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

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

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

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

Core Net Income, EBITDA and Consolidated Net Income

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

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

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

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

Reconciliation of Core Net Income to Consolidated Net Income

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

Other Comprehensive Income

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

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

FINANCIAL CONDITION REVIEW

Financial Condition Summary

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

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

Current Assets

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

Cash and Cash Equivalents

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

Accounts Receivable

The Company's Accounts Receivables are largely composed of Trade Receivables from sales of the Company's copper concentrates or gold bullion and Other Receivables that include advances to employees for conduct of transactions in the ordinary course of business. As of December 31, 2022, Accounts Receivables amounted to Php581 million, consisting of Trade Receivables of 443 million, Loans receivable of Php31 million and Other Receivables of Php107 million. The 2022 balance increased from Php467 million in 2021, consisting of Trade Receivables of Php384 million and Other Receivables of Php83 million, compared with Php370 million in 2020 (comprising of Trade Receivables of Php284 million and Other Receivables of Php86 million), and Php416 million in 2019 (comprising of Trade Receivables of Php338 million and Other Receivables of Php78 million).

Under the existing sales agreement with the two major Company's Customers ("Offtakers"), the Company receives 90% of the total US\$ value of the copper concentrates within 3-4 days after presentation of sales and shipping documents, with the balance payable upon final pricing determination based on agreed quotational period ("QP"). QP is determined either Prior Month of Shipment Schedule ("MOSS") or Month After Month of Arrival ("MAMA") in destination. Trafigura Pte. Ltd., the third offtaker for contract year 2022-2023 follows the same QP of MOSS or MAMA.

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

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

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

Inventories

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

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

Other Current Assets

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

Non-Current Assets

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

Deferred Exploration Costs

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

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

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

Investment in Associates

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

Property, Plant and Equipment

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

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

Pension Asset

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

Financial Assets Measured at FVOCI

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

Other Non-Current Assets

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

Total Assets

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

Current Liabilities

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

Loans and Bonds Payable

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

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

Debt reduction program was started at the early part of 2020 and continued to 2021. However, at the onset of COVID-19, Philex re-availed a short term loan amounting to US\$2 million as contingency fund should there be disruptions in the Company's business operations related to COVID19. Immediately thereafter, the Company resumed repaying its loan. For 2020, the total Parent Company debt repayment was US\$15 million, reducing loan balance from US\$46 million as at end-2019 to US\$31 million as of December 31, 2020. For 2021, the Company made additional loan repayment of US\$8 million that reduced the Company's loan from US\$31 million to US\$23 million. No loan repayment was made in 2022.

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

Accounts Payable and Accrued Liabilities

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

Subscription Payable

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

Income Tax Payable

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

Dividends Payable

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

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

Non-Current Liabilities

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

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

Bonds Payable

Bonds Payable decreased to Php5.908 billion as of December 31, 2022 from Php8.652 billion as of December 31, 2021 on account of the settlement of the amount due to a noteholder upon maturity on December 18, 2022. The convertible notes issued to the other noteholder was extended for another three years from original maturity date of December 18, 2022, with the sole option of the SMECI and Philex to extend the term further for another three at intervals of 1.5 years. The balances of Bonds Payable in 2020 and 2019 were Php8.182 billion and Php7.743 billion, respectively. The year-end balances included the changes in the amounts corresponding to the amortization of deferred transaction costs, accretion of interest from the discounting of the face value of the CN and accrual of the 3% redemption premium.

The bonds payable pertains to the 8-year convertible bonds issued by SMECI, with Philex as the co-issuer, on December 18, 2014, with a face value of Php7.2 Billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at Php18,000 per share 12 months after the issue date ("Standstill Period"). On the last day of Standstill Period, the Issuer shall have a one-time right to redeem the bonds from the holders in whole or in part. After the Standstill Period, the noteholders may exercise the conversion right, in whole but not in parts, at any time but no later than the maturity date. At redemption/maturity date, the bonds can be redeemed together with the principal or face value of the bonds at a premium, payable at a rate of 3% per annum compounded semi-annually based on the face value of the bonds and unpaid accrued interest (if there be any). The proceeds of the bonds were used to repay the SMECI's advances from Philex Mining and fund further exploration works of SMMCI. The original maturity date was December 18, 2022.

Deferred Income Tax Liabilities

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

Provision for Losses and Mine Rehabilitation Costs

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

Total Liabilities

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

Total Equity

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

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

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

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

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

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

Liquidity and Capital Resources

The Company's existing liquidity position and capital resources are primarily used for the funding of its existing operations and exploratory drilling works within and around the Sto Tomas ore body with the aim to further extend mine life of Padcal and for development works of the Silangan Project. Despite the risks inherent in the business associated with metal prices, foreign exchange rates, regulatory environment, and the changing economic and market conditions as well as the global impact of the COVID-19 pandemic, the Company's net cash generated in operating activities amounted to Php3.291 billion in 2022, compared to Php3.777 billion in 2021, Php2.375 billion in 2020 and Php1.232 billion in 2019.

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

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

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

Capital Expenditures and Deferred Exploration Costs

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

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

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

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

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

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

Top Five Key Financial and Non-Financial Performance Indicators

Safety Performance

Personnel health and safety is of paramount concern and regarded with utmost priority. In 2022, the Company reported for its Padcal Mine two LAT-F incident, one incident in 2021 same as 2020 and five incidents in 2019. Meanwhile, in terms of Lost Time Accident Non-Fatal events, there were ten in 2022, eight in 2021, six recorded in 2020 and five in 2019.

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

Earnings (Loss) Per Share

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

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

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

Tonnes Milled and Metals Produced

Tonnes milled and ore grade determine the volume of concentrates produced and sold. Tonnes milled totalled to 7,431,651 in 2022, lower than tonnage of 7,945,879 in 2021 and tonnage of 7,837,536 in 2020 but higher than 8,112,791 in 2019. Due to lower tonnage, copper production went down to 25,085,952 pounds in 2022 from 26,200,259 in 2021 also lower compared to 26,378,914 pounds in 2020 (versus 25,737,207 pounds in 2019). Gold production was also lower at 48,567 ounces compared to 55,149 ounces in 2021 (versus 56,000 ounces in 2020 and 53,064 ounces in 2019).

Break-even Production and Operating Cost Per Unit

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

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

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

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

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

Exploration Activities

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

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

Subsidiaries and Related Party Transactions

Philex Mining Corporation has extended loans and advances to some of its subsidiaries, as described under Part III, Item 12 of this Report.

Furthermore, Note 2 of the Notes to the Consolidated Financial Statements is likewise incorporated hereto by reference for discussions on the new and revised accounting standards that the Company adopted in 2022.

Known Trends, Events, or Uncertainties

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

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

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

Item 7. Financial Statements

The audited financial statements are presented in Part V, Exhibits and Schedules.

Item 8. Information on Independent Auditor and Other Related Matters

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

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

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

External Audit Fees and Services

Audit and Audit-Related Fees

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

Tax Fees

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

All Other Fees

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

The Independent Auditor was also engaged by Silangan Mindanao Mining Company Inc. (SMMCI), a subsidiary of PMC, to re-confirm or re-evaluate in 2020 the previously issued opinion on the outstanding value-added tax receivable of SMMCI based on the existing registration of the SMMCI with the Board of Investments. The engagement fee amounted to Php400 thousand. Other than such engagement, the Company has not engaged to do other engagements in 2021 and in the three prior years.

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

Audit Committee's Approval of Policies and Procedures

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

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

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

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The following individuals served as Directors and Executive Officers of Philex Mining Corporation for the year 2021.

DIRECTORS

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

Age: 76

Date of First Appointment: November 28, 2008

Academic Background:

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

Business and Professional Background/ Experience:

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

Mr. Pangilinan has been a Director of the Company and Philex Gold Philippines, Inc. (PGPI) since November 2008, and most recently re-elected on June 25, 2021. He is also Chairman of the PLDT Inc. (PLDT) since 2004, after serving as its President and Chief Executive Officer (CEO) since 1998. He reassumed the position of President and CEO of PLDT from December 2015 until June, 2021. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation, Landco Pacific Corporation, Medical Doctors Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Asian Hospital, Inc., Davao Doctors, Inc., Riverside Medical Center Inc., Our Lady of Lourdes Hospital, Central Luzon Doctor's Hospital, Inc., Maynilad Water Services Corporation, Mediaquest, Inc., Associated Broadcasting Corporation (TV5) and Manila North Tollways Corporation. Mr. Pangilinan is also Chairman of the Manila Electric Company (MERALCO), after serving as its President and Chief Executive Officer from July 2010 to May 2012. Mr. Pangilinan is also Vice Chairman of Roxas Holdings, Incorporated, the largest sugar producer in the Philippines. He is a Director of SMMCI.

Directorship in Other Listed Companies in the Philippines:

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

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

Age: 61

Date of First Appointment: June 29, 2011

Academic Background:

Mr. Austin graduated from Saint Louis University-Baguio City, with a Bachelor of Science degree in Mining Engineering and placed eight at the 1982 Professional Board Examination for mining engineers. He took his Management Development Program at the Asian Institute of Management in 2005 and his Advance Management Program at Harvard Business School in 2013.

Business and Professional Background/ Experience:

Mr. Austin has been a Director of the Company and PGPI since June 29, 2011 and was reelected on June 25, 2021. He became President and Chief Operating Officer on January 1, 2012 and President and CEO of the Company on April 3, 2013.

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

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

Directorship in Other Listed Companies in the Philippines:

- a. PXP Energy Corporation - Non-Executive Director

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

Age: 60

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

Age: 60

Date of First Appointment: January, 30 2019.

Academic Background:

Mr. Ng received an MBA and a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales.

Business and Professional Background/ Experience:

Mr. Ng. joined First Pacific in 1988 from PriceWaterhouse's audit and business advisory department in Hong Kong. He was appointed as First Pacific's Chief Financial Officer in August 2022 and has been an Associate Director since in April 2019. Previously, he was Executive Vice President of Group Finance and served in several senior positions within First Pacific Group, including as the Group Treasurer, the Head of Finance of its regional telecom division and as a director of a number of First Pacific Group's telecom joint ventures in India, Indonesia and China. Mr. Ng is also a Commissioner of PT Indofood Sukses Makmur Tbk, a Non-executive Director of PXP Energy Corporation, and a Director of PacificLight Power Pte. Ltd., which are First Pacific Group subsidiary and associates.

Directorship in Other Listed Companies in the Philippines:

- b. PXP Energy Corporation - Non-Executive Director
- c.

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

Age: 53

Date of First Appointment: January 30, 2019

Academic Background:

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

Business and Professional Background/ Experience:

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

5. MARILYN A. VICTORIO-AQUINO, *Non-Executive Director.*

Age: 67

Date of First Appointment: December 7, 2009

Academic Background:

Ms. Aquino was educated at the University of Santo Tomas (A.B.) and University of the Philippines (LL.B., cum laude). and admitted to the practice of law in the Philippines in 1981.

Business and Professional Background/ Experience:

Ms. Aquino joined Sycip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989. Mr. Aquino's practice focused on banking, finance and securities, construction and infrastructure, investments, mergers and acquisitions, and mining and natural resources. Ms. Aquino is a Director of Philex Mining Corporation, Philex Gold Philippines, Inc., PXP Energy Corporation, Silangan Mindanao Mining Company, Inc., Lepanto Consolidated Mining Company and Maynilad Water Services, Inc. She was also appointed as Chief Legal Counsel of PLDT in December 2018. Ms. Aquino was most recently re-elected on June 25, 2021.

Directorship in Other Listed Companies in the Philippines:

- a. PXP Energy Corporation - Non-Executive Director
- b. Lepanto Consolidated Mining Company - Non-Executive Director

6. OSCAR J. HILADO, *Lead Independent Director.*

Age: 85

Date of First Appointment: December 7, 2009

Academic Background:

Mr. Hilado, a Certified Public Accountant, completed his undergraduate studies at the De La Salle College-Bacolod in 1958 and obtained his Master's degree in Business Administration from the Harvard School of Business Administration (Smith Mundt/Fulbright Scholar) in 1962. He received a Doctorate in Business Management, Honoris Causa, from the De La Salle University in 1992 and a Doctorate of Laws, Honoris Causa, from the University of St. La Salle in 2003.

Business and Professional Background/ Experience:

Mr. Hilado has been an Independent Director of Philex Mining since December 7, 2009 and was most recently re-elected on June 30, 2022. Mr. Hilado holds the following positions: Chairman of Philippine Investment Management (PHINMA), Chairman Emeritus of Phinma Corporation, Vice-Chairman of Phinma Property Holdings Corporation and Union Galvasteel Corporation. Chairman of the Executive Committee of Phinma Corporation. Director of Philex Mining Corporation, Rockwell Land Corporation, A. Soriano Corporation, Roxas Holdings, Inc. Smart Communications, Inc., Phinma Solar Energy Corporation, Philippine Cement Corporation, Phinma Education Holdings, Inc., Araullo University, Inc., Cagayan de Oro College, Inc., University of Iloilo, Inc., University of Pangasinan, Inc., Southwestern University, Phinma Hospitality, Inc., United Pulp and Paper Company, Inc., Digital Telecommunications Philippines, Inc., Seven Seas Resorts and Leisure, Inc., Beacon Property Ventures, Inc., Cebu Light Industrial Park, Inc., Pueblo de Oro Development Corporation, Manila Cordage Company, and Metro Pacific Investments Corporation.

Directorship in Other Listed Companies in the Philippines:

- a. PHINMA Corporation – Chairman Emeritus
- b. A. Soriano Corporation – Independent Director
- c. Rockwell Land Corporation – Independent Director

- d. Roxas Holdings, Inc. – Independent Director
- e. Metro Pacific Investments Corporation – Independent Director

7. WILFREDO A. PARAS, *Independent Director.*

Age: 76

Date of First Appointment: June 29, 2011

Academic Background:

Mr. Paras completed his undergraduate studies at the University of the Philippines in 1969 with Bachelor of Science, Industrial Pharmacy and his Master in Business Administration at the De La Salle University in 2001. He also completed an Executive Program at the University of Michigan at Ann Arbor, Michigan, USA.

Business and Professional Background/ Experience:

Mr. Paras has been an Independent Director of Philex Mining since June 29, 2011 and was reelected on June 30, 2022. He is currently an Independent Director of RLC REIT INC. He is also a senior adviser to the Board of Trustees of Dualtech Training Foundation Inc. and is a teaching fellow at the Institute of Corporate Directors Inc. Mr. Paras was previously the Executive Vice-President, Chief Operating Officer and Director of JG Summit Petrochemical Corporation, President and Director of PT Union Carbide Indonesia, Managing Director of Union Carbide Singapore, Business Director, Union Carbide Asia Pacific, and President of Union Carbide Philippines.

Directorship in Other Listed Companies in the Philippines

RLC REIT INC. – Independent Director

8. BARBARA ANNE C. MIGALLOS *Corporate Secretary, Executive Director.*

Age: 68

Date of First Election: June 26, 2013

Academic Background:

Ms. Migallos graduated Cum Laude from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as Cum Laude (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

Business and Professional Background/ Experience

Ms. Migallos was elected to the Board of Directors of the Company and PGPI on June 26, 2013, and was most recently re-elected on June 25, 2021. She has been the Company's Corporate Secretary since 1998. She is also the Corporate Secretary and former Director of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos is also Director of Mabuhay Vinyl Corporation since 2000, Philippine Resins Industries since 2001, Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005, Nickel Asia Corporation since 2010, and Alliance Select Foods International, Inc. since 2015. She is a professional lecturer in Corporations Law, Securities Regulation and Commercial 1 and 2 at the De La Salle University College of Law, and heads its Mercantile Law Department. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006.

Directorship in Other Listed Companies in the Philippines

- a. Mabuhay Vinyl Corporation - Non-Executive Director

9. ROLANDO L. MACASAET *Non-Executive Director*

Age: 62

Date of First Election: February 23, 2022

Academic Background:

Mr. Macasaet holds a Bachelor of Science in Business Economics, Cum Laude, from the University of the Philippines and has earned a Master of Business Administration- Honors Program from the same university. He also finished an Executive Program in Finance at Columbia University in New York, and a Diploma in Management Development at Harvard Business School in Boston, Massachusetts.

Business and Professional Background/ Experience:

Rolando Ledesma Macasaet formally assumed the post as the 20th head of Social Security System (SSS) on January 05, 2023. PCEO Macasaet previously held the position of President and General Manager of the Government Service and Insurance System (GSIS) from 2019 to 2022, and as the Chairperson of the GSIS' Board of Trustees in 2018. Prior to joining the SSS, Macasaet had an extensive experience in public service as he served in various leadership capacities in several Government-Owned and Controlled Corporations (GOCCs) from 1988 to 2005, such as the Philippine National Construction Corporation, Dasmariñas Industrial Steel Corporation, Skyway Corporation, and Tierra Factors Corporation. Moreover, he has more than two decades of professional experience in financial services, banking, and public-private partnerships, most of it under the Philippine National Bank (PNB). His work in PNB included postings overseas as Vice President and General Manager in Los Angeles, California (USA) and as Regional Vice President-ASEAN in Singapore. His other stints in the banking sector included a two-year service as Corporate Account Manager at BMO Bank of Montreal, Vancouver and as President and Vice Chairman of the Philippine Postal Bank from 2005 to 2007. He also served as a Board Member of various companies such as San Miguel Corporation, Bank of Commerce, Private Infrastructure and Development Corporation, and PCI Bank. He further served as Director of the Asian Infrastructure and Investment Bank (AIIB) in Beijing (China's counterpart of the World Bank and Asian Development Bank).

Directorship in Other Listed Companies in the Philippines:

- a. Union Bank of the Philippines, Inc. – Non-Executive Director

10. ANITA BUMPUS QUITAIN, *Non-Executive Director*.

Age: 76

Date of First Appointment: February 28, 2017

Academic Background:

Ms. Quitain has a BSE Education Degree from the University of Mindanao in Davao City, and Bachelor of Science Degree in Commerce, Major in Accounting. She has also completed two (2) years of Masters in Public Administration (37 units) for her Career Civil Service Eligibility.

Business and Professional Background/ Experience:

Ms. Quitain was first elected to the Company's Board of Directors on February 28, 2017, and most recently re-elected on June 25, 2021. She is Commissioner of the Social Security Commission since her appointment in 06 October 2016. She is also Director of First Philippine Holdings, Inc. since March 2018. She was an employee of the Social Security System (SSS) for 31 years assigned to the Main Office of Region 09 in Davao City, where one of her major achievements was taking charge of the operations of the then newly-opened SSS Representative Office in Digos City, Davao del Sur as Office-in-Charge. She stayed there for five (5) years where she conducted seminars and coverage drives, especially in rural areas, aside from discharging management and leadership functions in the Representative Office.

As a BSE Education Degree holder, she worked with the Department of Education as an elementary classroom teacher for ten (10) years and was a teacher at the Philippine Women's College of Davao. After this, she moved to SSS office in Region 09, Davao City, where she eventually retired in July 2009 after 31 years of dedicated service. Ms. Quitain, at one time or another, headed different sections of SSS Region 09, namely: Membership, Real Estate, Operations Accounting, Member Assistance Center, and Sickness, Maternity and Disability Sections.

Directorship in Other Listed Companies in the Philippines:

- a. First Philippine Holdings, Inc. – Non-Executive Director

11. BAI NORHATA D. M. ALONTO, *Non-Executive Director*

Age: 72

Date of First Appointment: February 24, 2021

Academic Background:

Ms. Alonto holds a Masters degree in Psychology from the University of the Philippines (1976), and a major in Psychology from the Philippine Women's University (1970).

Business and Professional Background/ Experience:

Ms. Alonto was appointed as Director on February 24, 2021 and re-elected on June 25, 2021. She was appointed Commissioner of the state-run Social Security System in December 2019, and member of the Information Technology & Collection and Coverage Committee, and the Executive Committee. She is a member of the Board of Directors of Ionics, Inc. and Philamlife Tower.

Ms. Alonto is currently the President of the Philippine Muslim Women Council, Vice President of the 16th President Cabinet Spouses Foundation, and Regional Governor of the National Council of Women in the Philippines. Ms. Alonto was Head Secretariat of the All Moro Convention, Mindanao, in November 2017. Ms. Alonto was the proponent in the issuance of the first Presidential Declaration on Eid'l Fitr non-working national holiday; the establishment of Muslim prayer areas in all international and domestic airports; memorandum order obliging hospitals to release in 6 hours but not later than 12 hours the cadaver of a Muslim patient; and the Department Order exempting Muslim students from participating in non-Islamic activities and allowing them to wear their traditional Islamic attire, among others.

Ms Alonto was Executive Assistant V / Chief of Staff to the Chairman of the Mindanao Development Authority from October 2017 - May 2019. She was the Focal Person for foreign-assisted development programs for the Bangsamoro under the Office of the Chairman, Mindanao Development Authority. Ms. Alonto was a Member of the Board of Directors of the ARMM Social Fund Board from 2003-2004, and the Bataan Shipyard and Engineering Corporation from 2003-2004. She was Commissioner of the Presidential Commission for Urban Poor from 2001-2002, Presidential Assistant for Muslim Mindanao from 1999-2001. Ms. Alonto also held various positions in the College Instructor, College of Arts and Sciences, Mindanao State University.

Directorship in Other Listed Companies in the Philippines:

- a. IONICS, Inc.

Directorships in Other Publicly-Listed Companies

Name	Listed Company	Type of Directorship
Manuel V. Pangilinan	PLDT, Inc.	Non-Executive
	Metro Pacific Investments Corp.	Executive
	Roxas Holdings, Inc.	Non-Executive
	Manila Electric Company	Non-Executive
	PXP Energy Corp.	Non-Executive
Eulalio B. Austin, Jr.	PXP Energy Corp.	Non-Executive

Joseph H. P. Ng	PXP Energy Corp.	Non-executive
Marilyn A. Victorio-Aquino	PXP Energy Corp. Lepanto Consolidated Mining Company	Non-Executive Non-Executive
Oscar J. Hilado	PHINMA Corp. A. Soriano Corporation Rockwell Land Corporation Roxas Holdings, Inc. Metro Pacific Investments Corporation	Non-Executive Independent Independent Independent Independent
Wilfredo A. Paras	GT Capital Holdings, Inc.	Non-Executive
Barbara Anne C. Migallos	Mabuhay Vinyl Corp.	Non-Executive
Rolanda L. Macasaet	Union Bank of the Philippines	Non-Executive
Anita Bumpus Quitain	First Philippine Holdings, Inc.	Non-Executive
Bai Norhata D. M. Alonto	IONICS, Inc.	Non-Executive

Executive Officers

The following persons are the present Executive Officers of the Company:

EULALIO B. AUSTIN, JR. – 61, Filipino citizen. Mr. Austin has been a Director of PMC and PGPI since June 29, 2011 and was re-elected on June 24, 2015. He became President and Chief Operating Officer on January 1, 2012 and President and Chief Executive Officer of the Company on April 3, 2013. He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998.

Mr. Austin concurrently serves as Director of PXP Energy Corporation and Silangan Mindanao Mining Co., Inc. Outside of Philex Mining, he is a member of the Chamber of Mines of the Philippines' Board of Trustees. Mr. Austin also sits as a member of the Executive Committee of the Board of Trustees and serves as the Chairman of the Membership Committee as well as the Towards Sustainable Mining Initiative Committee. He is a Competent Person (CP) for Copper and Gold Deposit by the Philippine Society of Mining Engineers under the PMRC guidelines. He was awarded 2021 Outstanding Professional of the Year in the Field of Mining Engineering by the Professional Regulation Commission of the Philippines. Also in 2016, he was awarded Most Outstanding Engineer in Mine Management by the Philippine Society of Mining Engineers (PSEM), aside from being the Founding President of PSEM's Philex Chapter. He was also recognized as the CEO of the Year on Mining by The Asset last December 14, 2015 in Hong Kong and was recently an Asia Pacific Entrepreneurship Awardee by the Enterprise Asia, awarded November 2016.

BARBARA ANNE C. MIGALLOS – 68, Filipino citizen. Ms. Migallos has been a Director of the Company and PGPI since June 26, 2013 and was re-elected on June 25, 2021. She is also the Company's Corporate Secretary since July 1998. Ms. Migallos is also Director and Corporate Secretary of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. and Lascogon Mining Corporation. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos has also been a Director of Mabuhay Vinyl Corporation since 2000 and the Philippine Resins Industries since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005 and Nickel Asia Corporation since 2010. She is also a professorial lecturer in insurance law and securities regulation law at the De La Salle University College of Law. Ms. Migallos graduated cum laude from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as cum laude (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

ROMEO B. BACHOCO - 62, Filipino Citizen. Mr. Bachoco has been appointed as the Company's Senior Vice President for Finance, Chief Finance Officer and Treasurer since August 2019. He is a seasoned corporate professional with a diverse background in finance and commercial operations. He previously held the following senior management positions

namely as Chief Operating Officer of XRC Mall Developer, Inc. (XentroMalls), Executive Vice-President and Head of Retail and Business Development of Seaoil Philippines, Inc., Executive Vice-President and Chief Operating Officer of Double Dragon Properties Corp., Executive Vice-President and Chief Finance Officer of Golden Arches Development Corp. (McDonalds Philippines) and Eastern Telecommunications Philippines. Mr. Bachoco graduated Cum Laude with a Bachelor of Science Degree in Business Administration, Major in Accounting, from the University of the Philippines Visayas and is a licensed Certified Public Accountant. He also obtained his Master in Business Administration from the Ateneo Graduate School of Business under the Ateneo-Regis Program. He is also a visiting professional lecturer in financial management at the Ateneo Graduate School of Business.

VICTOR A. FRANCISCO – 58, Filipino citizen. Mr. Francisco has been Vice President for Environment and Community Relations since January 2, 2009. He was previously Group Manager for Corporate Environment and Community Relations in 2007, Department Manager–Corporate Environment and Community Relations in 1999 and Assistant Manager –Corporate Environmental Affairs in 1997. Mr. Francisco completed a Bachelor of Science Degree in Community Development at the University of the Philippines in 1987. He also obtained a Master’s in Environmental Science and Management degree at the University of the Philippines campus in Los Banos, Laguna in 1995.

WINSTON S. CRUZ – 51, Filipino citizen. Mr. Cruz has broad experience with both the Government and the private sector. He was formerly with J.G. Summit Holdings as the Director of the Corporate Outsourcing Group, and is currently the Chairperson of the Labor Policy Reforms and Industrial Relations Committee of the People Management Association of the Philippines (PMAP). Atty. Cruz has worked with the BCDA on various projects, including the SCTEX, Clark, and John Hay. He graduated from the U.P. College of Law in 2000.

RICARDO S. DOLIPAS, II – 50, Mr. Dolipas was appointed as Vice President – Operations effective 1 January 2023. Mr. Dolipas holds a degree in Bachelor of Science in Mining Engineering from St. Louis University and ranked eighth in the 1993 Mining Engineer’s Licensure Examination. He attended numerous trainings, conferences, and seminars, in the Philippines, Greece, Australia, and Canada. He joined the Company in 1994 as a Cadet Engineer and held various positions such as Geotechnical Engineer, Rock Mechanics Engineer, Rock Mechanics and Development Planning Superintendent, Department Manager for Mine Engineering and Draw Control, Mine Operations Group Manager, Mine Division Manager, General Manager for Technical Services and OIC of Padcal Operations. Mr. Dolipas is a competent person under the definition of the Philippine Mineral Reporting Code (PMRC). He has extensive training and experience in mechanized block caving particularly in the fields of rock mechanics both underground and surface, mine planning and design, mine development, mine production, block cave, and geotechnical software utilization.

Item 10. Executive Compensation

There are no arrangements for additional compensation of directors other than that provided in the Company’s By-Laws which provides compensation to the directors, at the Board’s discretion to determine and apportion as it may deem proper, an amount up to 1.5% percent of the Company’s net income before tax of the preceding year. Payments made in 2022, 2021 and 2019 amounted to Php22.1 million, Php9.8 million and Php1.3 million, respectively. No payment made in 2020 as the Company reported a net loss in 2019 which was the basis for the directors’ compensation for 2020.

Effective March 2015, the Directors’ per diem increased to Php40,000 per Board meeting attended and Php30,000 per Board committee participation, and are deductible from the annual directors’ compensation provided under Section 7 of the Company’s By-laws. Previously, the rate per attendance for both Board and Board committee meeting was at Php8,000. In the event that financial results warrant the payment of the annual directors’ compensation under the Company’s by-laws, such directors’ compensation shall be inclusive of the annual total per

diem paid to directors. The total amount of per diem paid in 2022, 2021, 2020 and 2019 were Php6.0 million, Php5.9 million, Php5.5 million and Php7.0 million, accordingly.

There is no executive officer with contracts or with compensatory plan or arrangement having terms or compensation significantly dissimilar to the regular compensation package, or separation benefits under the Company's group retirement plan, for the managerial employees of the Company.

The Stock Option Plan approved in June 2011 has expired in 2020 upon the expiration of the last outstanding option grant. The Plan covered a maximum of 246,334,118 shares equivalent to 5% of the Company's outstanding shares of 4,926,682,368 as of June 29, 2011. This plan was approved by the SEC in February 2013, which approval was received by the Company in March 2013. Note 29 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on the Company's Stock Option Plan is hereby incorporated for reference.

The following table shows the summary compensation of the directors and officers for the past two completed fiscal years and estimated to be paid in the ensuing fiscal year. Starting 2008, stock option exercises of the Company's non-management directors, consisting of the difference between the market and exercise prices at the time of option exercise, are considered as director's fee for purposes of the table.

SUMMARY COMPENSATION TABLE

(in Php million)

a) Aggregate Compensation of All Directors

	Year	Director's Fee	Bonus	Others
All Directors as a Group (including the Director's Fees of the CEO)	2023 Estimate	Php24.828	-	
	2022	Php28.115	-	
	2021	Php15.673	-	
	2020	Php5.530	-	
	2019	Php8.291	-	

b) Chief Executive Officer and Four Most Highly Compensated Executive Officers (excluding Director's Fee of the CEO)

Name and Principal Position	Year	Salary	Bonus	Others
Eulalio B. Austin, Jr. Romeo B. Bachoco Victor A. Francisco Winston S. Cruz Ricardo S. Dolipas II	2023 Estimate	Php57.408	Php4.784	
Eulalio B. Austin, Jr. Romeo B. Bachoco Victor A. Francisco Winston S. Cruz	2022	Php48.978	Php23.219	
Eulalio B. Austin, Jr. Romeo B. Bachoco Victor A. Francisco Vic Morris A. Yodong	2021	Php50.879	Php16.251	

Jonas Emanuel S. Santos			
Eulalio B. Austin, Jr. Romeo B. Bachoco Michael T. Toledo Victor A. Francisco Vic Morris A. Yodong Jonas Emanuel S. Santos <i>*All executive officers, comprising of 6, were included to avoid indirectly disclosing the salary of one officer if excluded</i>	2020	Php62.836	Php30.817
	2019	Php56.444	Php9.134

c) Aggregate Compensation of All Executive Officers

	Year	Salary	Bonus	Others
All Executive Officers as a Group	2023 Estimate	Php57.408	Php4.784	
	2022	Php48.978	Php23.219	
	2021	Php50.879	Php16.251	
	2020	Php62.838	Php30.817	
	2019	Php56.444	Php9.134	

d) Aggregate Compensation of all Directors and Executive Officers

	Year	Director's Fees and Salary	Bonus	Others
All Directors and Executive Officers	2023 Estimate	Php82.236	Php4.784	
	2023	Php77.093	Php23.219	
	2021	Php66.552	Php16.251	
	2020	Php68.366	Php30.817	
	2019	Php64.735	Php9.134	

Individual Director Remuneration

In 2022, a total of Php28.115 million was paid to all executive and non-executive directors, details of which are as follows:

Name	Position	Amount (Php Millions)
Manuel V. Pangilinan	Chairman	2.329
Eulalio B. Austin, Jr.*	President & CEO	2.509
Marilyn A. Victorio-Aquino	Non-Executive Director	2.609
Pin Cheung Chan	Non-Executive Director	2.479
Oscar J. Hilado	Independent Director	2.719
Barbara Anne C. Migallos	Executive Director	2.449
Joseph Ng	Non-Executive Director	2.749
Wilfredo A. Paras	Independent Director	2.689
Bai Norhata M. Alonto	Non-Executive Director	2.114
Michael G. Regino	Non-Executive Director	2.539
Anita B. Quitain	Non-Executive Director	2.599

Total**		28.115
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*The amount paid to Mr. Eulalio B. Austin, Jr. is included in his compensation as President and Chief Executive Officer.

**Inclusive of Php0.335 million remuneration of Ms. Diana Pardo-Aguilar, member of Philex BOD up to February 2021.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

The list of registered stockholders owning five (5%) percent or more of the Company's stock as of December 31, 2022 are as follows:

Title of Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	%
Common	Asia Link B.V. Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands	Asia Link B.V. (See Note 1)	Non-Filipino	1,023,275,990	17.70
Common	Social Security System c/o Loans and Investment Office, 7/F SSS Building, Diliman, Quezon City	Social Security System (See Note 2)	Filipino	1,376,053,232	19.74
Common	PCD Nominee Corp. 37/F Tower 1, The Enterprise Center, 6766 Ayala Avenue, Makati City	(See Note 3)	Filipino/Non- Filipino	1,478,485,961	25.57
Common	Two Rivers Pacific Holdings Corp. 10/F Net One Center, 26 th Street corner 3 rd Avenue, Bonifacio Global City, Taguig	Two Rivers Pacific Holdings Corp.	Filipino	864,799,776	14.96
Common	First Pacific Mining Limited	First Pacific Mining Limited (see Note 1)	Filipino	312,908,501	5.41

¹ Asia Link B.V. and First Pacific Mining Limited are a wholly-owned subsidiaries of First Pacific Company Limited (FPC).

² Total shares held by the Social Security System (SSS) is inclusive of 174,362,583 shares lodged under PCD Nominee Corporation as of December 31, 2022.

³ PCD Nominee Corporation (PCD) is a nominee of the Philippine Depository & Trust Corporation and the registered owner of the shares recorded in the books of the Company's stock transfer agent. PCD is private entity organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions.

Security Ownership of Management

The beneficial ownership of the Company's directors and executive officers as of December 31, 2022 follows:

Title of Class	Beneficial Owner	Citizenship	Nature of Ownership	Number of Shares	%
Directors					
Common	Manuel V. Pangilinan	Filipino	Direct	4,655,000	0.08
Common	Eulalio B. Austin Jr.	Filipino	Direct	1,360,937	0.02
			Indirect	1,184,329	0.02
Common	Barbara Anne C. Migallos	Filipino	Indirect	241,622	-
Common	Michael G. Regino*	Filipino	Direct	1	-
Common	Bai Norhata M. Alonto	Filipino	Direct	1	-
Common	Anita B. Quitain	Filipino	Direct	1	-
Common	Marilyn A. Victorio-Aquino	Filipino	Direct	100	-
			Direct	500,000	0.01
Common	Oscar J. Hilado	Filipino	Direct	173	-
Common	Joseph Ng	British	Direct	1	-
Common	Ping Cheun Chan (Richard Chan)	Chinese	Direct	1	-
Common	Wilfredo A. Paras	Filipino	Direct	1	-
Officers					
Common	Romeo B. Bachoco	Filipino	Indirect	600,000	0.01
Common	Victor A. Francisco	Filipino	Direct	50,000	-
Common	Winston S. Cruz	Filipino	-	-	-
Directors and Key Officers as a Group				8,702,014	0.15

Voting Trust/Changes in Control

There is no voting trust holder of 5% or more of the Company's stock. There are no arrangements which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company's significant related party transactions as of December 31, 2022, 2021, 2020 and 2019, which are under terms that are no less favourable than those arranged with third parties, and account balances are as follows:

a) Advances from PMC to SMMCI and SMECI

PMC, owning directly and indirectly 100% of SMMCI and SMECI, provides the funds to SMMCI, through SMECI since 2011 and directly thereafter, for the Silangan project's expenditures since the Company's acquisition of Anglo American's interest in the Silangan Project in 2009. These advances, which were intended to be converted into equity, amounted to Php3.673 billion, Php2.527 billion, Php2.327 billion and Php2.144 billion as of December 31, 2022, 2021, 2020 and 2019, respectively. In December 2022, portion of the PMC advances to SMECI and SMMCI amounted to Php792 million and Php1.459 billion, respectively, were settled.

b) Investment in SMECI and SMMCI

In October 2022, a subscription agreement was entered between PMC and SMECI wherein PMC subscribed 75,787 new shares from SMECI with a total consideration of Php2.580 billion. The subscription price was taken from PMC's proceeds from SRO.

Subsequently, SMECI invested the net proceeds in SMMCI to support the capital expenditures and development of the Silangan Project.

In December 2022, PMC subscribed additional shares from SMECI consisting of 101,471 new shares with total subscription price of Php2.649 billion.

c) Advances from PMC to PXP Energy

PMC made cash advances to PXP Energy Corporation (PXP Energy) for its additional working capital requirements, and for the acquisition of equity in FEP, PERC and Pitkin. These advances were covered by a pledge agreement between PMC and PXP Energy wherein certain shares of stocks owned by PXP Energy were pledged to secure the advances. On October 26, 2018, PMC and PXP Energy signed a subscription agreement wherein PMC will subscribe to 260 million common shares of PXP Energy for a total consideration of Php3.081 billion. PXP Energy's proceeds from the subscription agreement will be utilized by PXP Energy for the repayment of its advances from PMC. On August 5, 2019, a deed of assignment was entered into by Brixton Energy and Mining Corporation (BEMC, a subsidiary of PXP Energy) transferring Brixton receivables from PMC to PXP Energy amounting to Php738 million. As of December 31, 2019, PXP Energy paid Php2.897 billion to PMC to settle all PXP Energy advances, including the Brixton receivables which reduced the advances to nil from Php1.387 billion as at end 2018 and Php2.169 billion as of December 31, 2017.

The Company has no outstanding subscription payable to PXP Energy after fully settling Php121 million in 2021 and Php2.960 billion in 2018 to 2020 of the total subscription of Php3.081 billion that brought PMC's interest in PXP Energy from 19.8% to 30.4%.

In March 2022, the Company granted loans to its associate, PXP Energy Corporation, where Philex owns 30.4% interest, through the issuance of the later of covering Promissory Notes (PNs). Under the PNs, total loans to PXP Energy amounted to P30,684 or US\$600,000, payable on demand and subject to an interest of 3.5% p.a. over LIBOR (6 months) that is payable quarterly.

d) Issuance of Convertible Bonds to FPC and SSS by SMECI

In December 2014, SMECI and PMC, as the co-issuer, issued 8-year convertible bonds with a face value of Php7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at Php18,000 per share one year after the issue date. The carrying value of loans payable amounted to Php5.908 billion, Php8.652 billion, Php8.182 billion and Php7.743 billion as of December 31, 2022, 2021, 2020 and 2019, respectively.

On December 7, 2022, Asia Link B.V. and SMECI agreed, with the consent of PMC, to a 3-year extension from the original maturity of the convertible notes held by Asia Link B.V. from December 19, 2022 to December 18, 2025, the same which can be further extended for another 3 years, at 1.5 year intervals, at the sole option of SMECI and PMC. The extension was made in support of the fund-raising activities for the development of the Silangan Project of SMECI under its subsidiary, SMMCI. With respect to the convertible notes held by SSS, the same was settled at maturity date, consistent with the agreement with the related equity conversion option classified as part of the Group's equity reserves. The extension of the bonds payable was accounted for as a modification of a financial liability which resulted to recognition of gain amounting to Php500 million in the Group's statement of comprehensive income.

Note 12, 15 and 26 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on Related Party Transactions, is incorporated hereto by reference.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Philex Mining Corporation is principally committed to the highest standards of corporate governance and transparency in the conduct of its business. Through the years, the Company has reinforced its governance framework by broadening its scope to include initiatives associated with social responsibility and environmental stewardship. To ensure constant improvement, PMC regularly benchmarks its procedures against internationally-recognized and globally-accepted best corporate practices. Since 2015, PMC has constantly maintained its top-tier standing among local peers in the annual ASEAN Corporate Governance Scorecard rankings. For 2018, the Company formalized new policies on Succession Planning, Board Diversity, Information Technology Governance and assessment forms for Key Officers to further strengthen its overall governance structure.

The Company has adopted a Manual of Corporate Governance and is generally compliant with the Code of Corporate Governance of the Securities and Exchange Commission and Corporate Governance Guidelines of the Philippine Stock Exchange, including all other pertinent regulations for publicly-listed entities. The Company is a recipient of a 3 Golden Arrow Award in the 2022 ACGS Golden Arrow Awards by the Institute of Corporate Directors recognizing the top-performing Publicly Listed Companies (PLCs) in the Philippines based on the ASEAN Corporate Governance Scorecard (ACGS) 2021 results.

The Company's 2022 Integrated Annual Corporate Governance Report will be submitted on or before May 30, 2022.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits and Schedules


Exhibits	Statement of Management's Responsibility for Financial Statements Report of Independent Auditors Audited Consolidated Financial Statements and Noted for the Year Ended December 31, 2021
Schedules	
Schedule I:	Reconciliation of Retained Earnings Available for Dividends Declaration
Schedule II:	Schedule of Financial Soundness Indicators
Schedule III:	Chart Showing Ownership and Relationship Between the Parent Company and Subsidiaries
Schedule IV:	Schedules as Required by SRC Rule 68, As Amended
Schedule A.	Financial Assets
Schedule B.	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C.	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
Schedule D.	Intangible Assets – Other Assets
Schedule E.	Long-Term Debt
Schedule F.	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule G.	Guarantees of Securities of Other Issuers
Schedule H.	Capital Stock
Annex A	Sustainability Report

Reports on SEC Form 17-C

Date	Subject of Report
January 3,2022	PSE News Clarification – “Silangan Mine to follow Philex’s ‘best practices’”
January 10,2022	Results of Referendum of Philex Mines Independent Labor Union
January 12, 2022	In-Phase Mine Plan Disclosure – Press Release
January 28, 2022	Pre-effective Letter from SEC
February 17,2022	PSE Notice of Approval of Stock Rights Offering of Common Shares
February 10, 2022	Clarification on News Report entitled "With Silangan momentum set, Philex shopping for more mining sites"
March 4, 2022	Press Release on 2021 Results Notice of AGM Cash Dividend
March 7, 2022	Amendment to Cash Dividend
March 14, 2022	Summary of Remaining Proved Reserves of Padcal Mine as of December 31, 2021 Summary of Remaining Mineral Resource Estimate (MRE) for Padcal Mine as of December 31, 2021
April 1, 2022	Update on Corporate Actions, Material Transactions, Agreements
April 28,2022	Change in Director/Officer SEC Form 17C
April 28, 2022	Press Release on Philex 1Q2202 Results
May 4, 2022	Joint Analysts and Investors Briefing
May 23, 2022	Appointment of VP-Legal and General Counsel
June 22, 2022	Stock Rights Offering Timetable
June 23, 2022	Amended Stock Rights Offering
June 24, 2022	SEC Form 17-C Materials Information Receipt of Pre-effective Letter
June 29, 2022	Stock Rights Offering Permit to Sell
June 30, 2022	2022 Results of the Organization Meeting
June 30, 2022	Results of Annual Stockholders Meeting
July 08, 2022	Disclosure on Adjustment of Offer Period
July 29, 2022	Press Release on Philex 1H2022 Results
August 10, 2022	Notice of Analyst Briefing – PSE STAR
October 4, 2022	Disbursement Proceeds and Progress Report
October 28, 2022	Press Release on 9M 2022 Results
December 9, 2022	Press Release on Mine Life Extension
December 9, 2022	Press Release on Extension of Convertible Notes
December 22, 2022	Appointment of Officers
January 13, 2023	Resignation of Director
January 23, 2023	Press Release on Macawiwili
January 30, 2023	News Clarification
February 23, 2023	Declaration of Cash Dividend
February 23, 2023	Notice of Annual Stockholders Meeting
February 23, 2023	Press Release
February 23, 2023	Appointment of New Director
March 15, 2023	Disbursement of Proceeds and Progress Report
March 17, 2023	Summary of Remaining Mineral Resources
March 17, 2023	Summary of Remaining Proved Reserves

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April 11, 2023.


EULALIO B. AUSTIN, JR.
President & Chief Executive Officer


BARBARA ANNE C. MIGALLOS
Corporate Secretary


ROMEO B. BACHOCO
Chief Finance Officer


PARALUMAN M. NAVARRO
Assistant Vice-President
Corporate Finance

SUBSCRIBED AND SWORN TO before me this 11th day of April 2023 at Mandaluyong City. Affiants exhibiting to me their Competent Evidence of Identity indicated opposite their names:

Name

Eulalio B. Austin, Jr.
Romeo B. Bachoco
Barbara Anne C. Migallos
Paraluman M. Navarro

Competent Evidence of Identity

Passport No. P9041046A; valid until October 04, 2028
Passport No. P0404617B; valid until January 24, 2029
Passport No. P7148981A; valid until May 10, 2028
Passport No. P1430237B; valid until April 10, 2029

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Book No. 11
Series of 2023


ROBIN BRYAN F. CONCEPCION
NOTARY PUBLIC FOR AND IN THE CITY OF MANDALUYONG
APPOINTMENT NO. 0545-22 (2022-2023)
COMMISSION EXPIRES ON DECEMBER 31, 2023
2nd Floor, LaunchPad, Reliance St. cor. Sheridan St.,
Mandaluyong City, 1550
PTR O.R. No. 5102970 / 01-04-23 / Mandaluyong City
BP No. 273436; 01/06/23; Pasig City- Manila III Chapter
Roll of Attorneys No. 62424



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

SECURITIES AND EXCHANGE COMMISSION
Roxas Boulevard, Pasay City


The management of Philex Mining Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


MANUEL V. PANGILINAN
Chairman of the Board


EULIO B. AUSTIN, JR.
President & Chief Executive Officer




ROMEO B. BACHOCO
Chief Finance Officer

Subscribed and sworn to before me this APR 11 2023 at Mandaluyong City
affiants exhibiting to me their respective ID No. indicated opposite their names:

Name

Manuel V. Pangilinan
Eulallo B. Austin, Jr.
Romeo B. Bachoco

TIN 914-481-801-000
TIN 131-691-825-000
TIN 908-524-883-000

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Series of 2023


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IBP No. 273436; 01/06/23; Pasig City- Manila III Chapter
Roll of Attorneys No. 62424



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 Launch Pad, Reliance
Street corner Sheridan Street,
Mandaluyong City, Metro Manila

Form Type

A A C F S

Department requiring the report

C R M

Secondary License Type, If
Applicable

N / A

COMPANY INFORMATION

Company's Email Address

philex@philexmining.com.ph

Company's Telephone Number

(632) 8631-1381

Mobile Number

N/A

No. of Stockholders

43,901

Annual Meeting (Month / Day)

0 715

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Romeo B. Bachoco

Email Address

rbbachoco@philexmining.com.ph

Telephone Number/s

(632) 8631-1381

Mobile Number

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 the designated contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence of the incident to the new contact person designated.

NOTE 2: All Boxes must be properly and completely filled out. Failure to do so shall not excuse the corporation from liability for its deficiencies.



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.

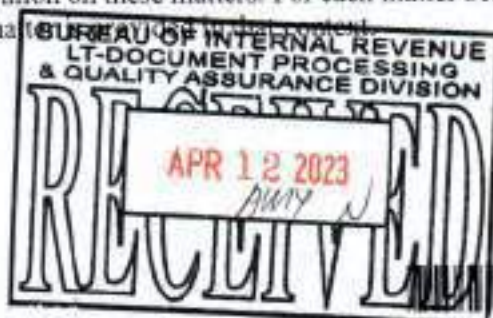
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the 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 matter is provided.



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.



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.

SYCIP GORRES VELAYO & CO.



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



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)	P9,261,576	P9,796,531	P7,833,713
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	P1,795,513	P2,431,208	P1,228,297
Net Income Attributable to:			
Equity holders of the Parent Company	P1,795,517	P2,431,212	P1,228,308
Non-controlling interests (Note 28)	(4)	(4)	(11)
	P1,795,513	P2,431,208	P1,228,297
Basic/Diluted Earnings Per Share (Note 30)	P0.339	P0.492	P0.249

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	P1,795,513	P2,431,208	P1,228,297
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Loss on fair value of derivatives (Note 23)	(6,492)	(24,048)	-
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains on pension obligation plans (Note 21)	1,571	71,593	120,406
Income tax effect on remeasurement losses on pension obligation 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	P1,810,547	P2,763,704	P1,306,695
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	P1,810,551	P2,763,708	P1,306,706
Non-controlling interests (Note 28)	(4)	(4)	(11)
	P1,810,547	P2,763,704	P1,306,695

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

	Capital Stock (Note 28)	Additional Paid-In Capital	Retained Earnings (Note 28)	Appropriated (Notes 11 and 23)	Net unrealized gain on financial assets measured at FVOCI and derivative (Notes 11 and 23)	Equity Conversion Option (Note 15)	Equity Reserves (Note 15)	Revaluation Surplus (Note 4)	Net Transactions with Non-controlling Interests	Non-controlling Interests (Note 28)	Total
BALANCES AT JANUARY 1, 2020	P4,940,399	P1,143,981	P3,471,281	P10,500,000	P57,745	P1,225,518	P	P1,572,385	P77,892	P22,969,291	P22,969,291
Net income			1,278,308							(11)	1,278,297
Items not to be reclassified to profit or loss in subsequent periods:											
Remeasurements of pension obligations, net of tax (Note 21)			84,284								84,284
Unrealized gain on financial assets measured at FVOCI - net of related deferred income tax (Note 11)					(5,886)						(5,886)
Total comprehensive loss			1,312,592		(5,886)					(11)	1,306,695
Declaration of dividends (Note 28)			(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	(264)	24,226,219
Net income			2,431,212							(4)	2,431,208
Other comprehensive income											
Items not to be reclassified to profit or loss in subsequent periods:					(24,048)						(24,048)
Loss on fair value of derivatives (Note 27)											
Items not to be reclassified to profit or loss in subsequent periods:											
Remeasurements of pension obligations, net of tax (Note 21)			53,663								53,663
Income tax effect on net revaluation surplus (Note 27)			15,757					277,586			293,343
Unrealized gain on financial assets measured at FVOCI - net of related deferred income tax (Note 11)					6,508						6,508
Total comprehensive income			2,300,682		(14,540)			277,586		(4)	2,763,704
Declaration of dividends (Note 28)			(291,483)								(291,483)
BALANCES AT DECEMBER 31, 2021	4,940,399	1,143,981	66,943,648	P10,500,000	P12,110	P1,225,518	P	P1,849,971	P77,892	(P288)	P26,698,410



Equity Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 28)	Additional Paid-In Capital	Retained Earnings (Note 28)	Appropriated Unappropriated	Net unrealized gain on financial assets measured at FVOCI and derivative (Notes 11 and 21)	Equity Conversion Option (Note 15)	Equity Reserves (Note 15)	Revaluation Surplus (Note 4)	Effect of Transactions with Non-controlling Interests	Non-controlling Interests (Note 28)	Total
BALANCES AT DECEMBER 31, 2021	P4,940,399	P1,143,981	P6,943,448	P10,540,800	P17,319	P1,235,518	P-	P1,849,971	P77,892	(P286)	P26,608,440
Net income	-	-	1,794,517	-	-	-	-	-	-	(4)	1,796,513
Other comprehensive income: Items not to be reclassified to profit or loss in subsequent periods:	-	-	-	-	17,556	-	-	-	-	-	17,556
Loss on fair value of derivatives (Note 23)	-	-	-	-	-	-	-	-	-	-	-
Items not to be reclassified to profit or loss in subsequent periods:	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of convertible bonds	-	-	-	-	-	(367,655)	367,655	-	-	-	-
Reversals of premium obligation, net of tax (Note 21)	-	-	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
Total comprehensive income	-	-	1,797,048	-	37,551	(367,655)	367,655	-	-	(4)	1,834,635
Issuance of shares (Note 24)	842,000	1,741,182	-	-	-	-	-	-	-	-	2,583,182
Declaration of dividends (Note 28)	-	-	(247,000)	-	-	-	-	-	-	-	(247,000)
BALANCES AT DECEMBER 31, 2022	P5,782,399	P2,885,163	P8,493,716	P10,540,800	P54,870	P857,863	P367,655	P1,849,971	P77,892	(P297)	P30,869,257

See accompanying Notes to Consolidated Financial Statements.



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	P2,328,755	P2,799,541	P1,530,324
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)	P2,890,763	P1,191,479	

See accompanying Notes to Consolidated Financial Statements



PHILEX MINING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Amounts Per Unit, Share Price and Number of Shares)

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

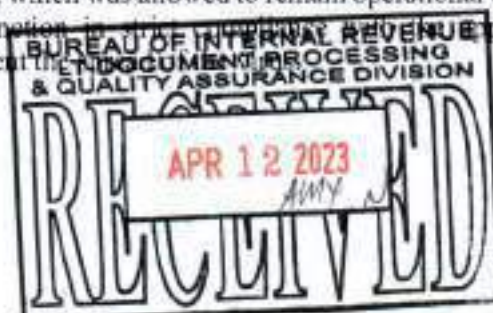
The Parent Company has the Padcal Mine as its main source of revenue. The Padcal Mine produces copper concentrates containing gold, copper and silver.

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 function in strict compliance with applicable government mandated operating guidelines to prevent the transmission of COVID-19.



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 SMMCL.
SMMCL	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 holders of 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 of the 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 on the 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 less costs to sell and its value in use (VIU), 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 VIU, 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 consolidated statements of income in the 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 revegetation 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 interpretation and 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 P162,130 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 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 condition and 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 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. 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 P345,356 and P357,203 as at December 31, 2022 and 2021, respectively (see Note 21). SMMCI's retirement liability amounted to P4,631 and P4,594 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 P1,572,385 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 P3,523,544 and P4,316,836 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 relies primarily on the results in accordance with PFRSs and uses core net income (loss) only as supplementary information.

The following table shows the Group's 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 P2,707,535 and P3,569,085 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 P144,928, P79,125, and P81,440 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	P709,754	P1,263,701
Materials and supplies at cost	548,470	713,931
	1,258,224	1,977,632
Less allowance for inventory obsolescence	107,135	51,168
	P1,151,089	P1,926,464

The NRV of materials and supplies inventories amounted to P441,335 and P662,763, as at December 31, 2022 and 2021, respectively.

Provision for inventory losses amounting to P84,000 and P33,000 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 P107,135 and P51,168 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	1,026,920
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	575,596	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	₱717,449	₱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	4,617,391	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 P9,795,971 and P9,409,909, 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 Company recognized provision for impairment loss amounting to P290,000 in 2022 from a specific portion of the Padcal Mine that is inaccessible. A reversal of previous impairment amounting to P699,241 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 P2,056,912 and P1,782,293 as of December 31, 2022 and 2021, respectively.

Total depreciation cost of machinery and equipment used in exploration projects amounting to P5,493, P8,747 and P24,974 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, P585 and P3,510 were recorded in 2022, 2021 and 2020, respectively.

The Group's provision for mine rehabilitation costs amounted to nil and P15,154 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	P92,172	P72,177
Investments in unquoted shares of stock	53,035	53,035
	P145,207	P125,212

The cumulative change in value of financial assets measured at FVOCI amounted to P61,362 and P41,367 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	P41,367	P31,859
Increase (Decrease) in fair value of financial assets measured at FVOCI	19,995	9,508
December 31	P61,362	P41,367



12. Investment in Associates - net

Investment in associates consist of:

	2022	2021
Acquisition cost	P4,814,941	P4,814,941
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	P3,605,677	P3,632,480

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 P349,287 as at December 31, 2022 and 2021.

The following table summarizes the financial information of Lepanto:

	2022*	2021
Current assets	P1,878,921	P1,546,321
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	P5,013,273	P5,389,987

*Balances are based on unaudited September 30, 2022 interim financial statements submitted by Lepanto to the PSE.

	2022*	2021	2020
Revenue	P1,290,748	P1,180,435	P1,472,978
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	(P377,240)	(P298,289)	(P750,976)
Total comprehensive loss	P377,240	P396,145	P1,049,212
Group's share of loss for the year	P16,425	P12,997	P27,980

*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 mining properties. 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 requirements of 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 P499,664 in the Group's statement of comprehensive income.

Interest amortization amounted to P484,595 and P348,959 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 P616,721 and P591,418 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	P706,190	P851,011
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
	P2,670,983	P2,556,347

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	P4,578,319	P121,964	P4,700,283	P4,771,018	(P14,292)	P4,756,796	P4,675,766	(P16,302)	P4,659,464
Copper	4,469,356	28,730	4,498,086	4,924,729	37,890	4,962,619	3,094,063	7,025	3,101,088
Silver	69,174	1,233	70,407	76,904	212	77,116	68,753	(892)	68,161
			P9,261,576			P9,786,531			P7,833,713

*net of smelting charges amounting to P825,991, P691,336 and P616,086 in 2022, 2021 and 2020, respectively.

*Includes realized net loss from put and gold collar amounting to P11,952, P28,898 and P24,146 in 2022, 2021 and 2020, respectively, and realized net gain from copper collar amounting to P56,302 in 2022, realized net loss from copper collar amounting to P26,350, and P51,712 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)	P1,787,617	P1,730,166	P1,710,025
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
	P4,864,929	P4,488,274	P4,215,573
Depletion, amortization and depreciation (Notes 10 and 20)			
Depletion and amortization	P825,453	P663,242	P584,740
Depreciation	587,797	554,494	667,464
	P1,413,250	P1,217,736	P1,252,204
Excise taxes and royalties			
Excise taxes	P363,479	P392,938	P320,323
Royalties	228,426	246,343	222,915
	P591,905	P639,281	P543,238
General and administrative expenses			
Personnel (Note 19)	P149,534	P158,502	P184,937
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
	P249,640	P252,932	P287,133

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						2021					
	Net benefit cost charged to consolidated statements of income			Remeasurements in other comprehensive income			Net benefit cost 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)	₹-	(₹12,823)	(₹17,538)	(₹40,441)	₹-	₹662,845
Fair value of plan assets	(1,481,224)	-	(34,439)	-	(1,115,663)	68,388	39,074	-	-	39,074	-	(1,008,201)
	(₹357,203)	₹31,094	(₹17,860)	₹-	(₹343,969)	₹-	(₹39,074)	(₹12,823)	(₹17,538)	(₹13,887)	₹-	(₹345,159)
	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	₹789,187	₹53,755	₹12,177	₹-	₹855,119	(₹54,711)	₹-	(₹36,279)	(₹29,754)	(₹56,583)	₹-	₹724,021
Fair value of plan assets	(1,104,829)	-	(17,560)	-	(1,122,389)	54,711	(13,546)	-	-	(13,546)	-	(1,081,224)
	(₹315,642)	₹53,755	(₹5,383)	₹-	(₹267,270)	₹-	(₹13,546)	(₹36,279)	(₹29,754)	(₹79,579)	-	(₹357,203)
	January 1, 2020	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, 2020
Present value of defined benefit obligation	₹973,634	₹43,235	₹17,624	₹-	₹1,034,493	(₹66,940)	₹-	(₹12,865)	(₹15,040)	(₹94,845)	₹-	₹789,267
Fair value of plan assets	(1,100,299)	-	(47,892)	-	(1,148,191)	66,940	(23,078)	-	-	(23,078)	-	(1,004,829)
	(₹927,165)	₹43,235	(₹31,268)	₹-	(₹87,198)	₹-	(₹23,078)	(₹12,865)	(₹15,040)	(₹51,083)	₹-	(₹315,642)



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	P28,360	P41,261
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
	P1,008,198	P1,081,221

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% (1.00%)	(P19,279) 20,274
Future salary increases	1.00% (1.00%)	P21,914 (21,234)

Shown below is the maturity analysis of the Company's undiscounted benefit payments:

	Expected benefit Payments
Less than one year	P179,834
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	P4,594	P4,710	P3,390
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	P4,631	P4,594	P4,710

Retirement expense amounting to P991, P948 and P832 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%	(P267)
	(1.00%)	307
Future salary increases	1.00%	P339
	(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 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	P874,997	P1,389,639
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	P4,616,560	P3,477,365



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	P874,997	P-	P-	P-	P-	P874,997
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	P4,616,560	P-	P-	P-	P-	P4,616,560

2021						
	On demand	Less than 30 days	30-60 days	61-90 days	More than 90 days	Total
Cash and cash equivalents						
Cash	P1,389,639	P-	P-	P-	P-	P1,389,639
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	P3,477,365	P-	P-	P-	P-	P3,477,365

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	P-	P1,616,895	P-	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 financial liabilities	P343,346	P9,442,156	P-	P9,785,502

December 31, 2022				
	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables				
Cash and cash equivalents	P3,925,296	P-	P-	P3,925,296
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	P4,070,503	P547,712	P-	P4,618,215

December 31, 2021				
	On Demand	Within 1 Year	More than 1 Year	Total
Other financial liabilities				
Short-term loans				
Principal	P-	P1,478,971	P-	P1,478,971
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 financial liabilities	P452,413	P11,434,027	P-	P11,886,440



December 31, 2021				
	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables				
Cash and cash equivalents	P2,890,763	P-	P-	P2,890,763
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	P3,015,975	P462,983	P-	P3,478,958

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 P82,703 for the year ended December 31, 2022, net foreign exchange loss of P46,485 for the year ended December 31, 2021 and net foreign exchange gain of P99,115 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%		(P12,358)
-6%		12,358
Year Ended December 31, 2021		
US\$ Appreciate (Depreciate)	Effect on Income before Income Tax	
4%		(P7,536)
-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 P92,172 and P72,177 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%	P27.47
	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%	P82.42
	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%	P693,719
Decrease by 15%	(693,719)
Copper	
Increase by 28%	P1,507,228
Decrease by 28%	(1,507,228)
December 31, 2021	
Change in Metal Prices	Effect on Income before Income Tax
Gold	
Increase by 13%	P635,090
Decrease by 13%	(635,090)
Copper	
Increase by 25%	P1,378,923
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 P56,302 in 2022, and realized net loss from collar amounted to P26,350 and P51,712 in 2021 and 2020, respectively.

As at December 31, 2022 and 2021, outstanding copper derivatives amounted to nil and P12,625, 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 P17,805 (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	P5,782,399	P4,940,399
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
	P27,661,298	P23,528,028

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	P875,521	\$17,822	P908,895
Trade receivables	7,940	442,704	7,484	381,652
	\$23,643	P1,318,225	\$25,306	P1,290,547



	2022		2021	
	US\$	Peso Equivalent	US\$	Peso Equivalent
Liabilities				
Accounts payable	\$-	P-	\$-	P-
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)	(P298,670)	(\$3,694)	(P188,424)

The exchange rates of Peso to US dollar were P55.755 to US\$1 as at December 31, 2022 and P50.999 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 P3,081,000 and P4,029,000, respectively.

Each share is valued at P11.85, 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 P770,250. 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 P2,310,750 is included in the subscription payable of the Group totaling P2,312,981 as at December 31, 2018.

As of December 31, 2018, the Parent Company had advances to PXP amounting to P1,387,370.



On January 7, 2019, DHC paid an initial down payment of P40,290, 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 P1,386,450 and P740,000 on February 11, 2019 and December 31, 2019, respectively. The balance of subscription payable in relation to the subscription agreement with PXP amounted to P184,300 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 P737,815. 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 P19,700, P21,864, and P21,622 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 P121,114 as at December 31, 2020.

In 2021, the Parent Company paid the remaining subscription receivable to PXP amounting P14,440, P9,627 and P97,047 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 P7,200,000 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	P74,705	P70,049	P94,093
Pension costs	835	6,052	6,052
	P75,540	P76,101	P100,145

27. Income Taxes

- a. The provision for (benefit from) income tax consists of:

	2022	2021	2020
Current	P 838,743	P559,498	P234,407
Deferred	(305,501)	(191,165)	67,620
	P533,242	P368,333	P302,027



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:

- To conduct exploration and pre-development;
- To perform all activities necessary to complete a final feasibility study for the project; and,
- 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	Liang and Barobo, Surigao del Sur	PGPI
MPSA No. 063-97-IX	Sibutad, Dapitan City and Rizal,	PGPI
MPSA No. 096-97-VI	Zamboanga del Norte	PGPI
	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	P8,652,100	P-	(P2,741,009)	P11,938	P484,596	(P409,664)	(P5,907,961)	P-
Bank loans	1,478,971	-	-	-	137,924	-	-	1,616,895
Dividend	452,413	247,009	(356,067)	-	-	-	-	343,346
Noncurrent Liability:								
Bonds payable	-	-	-	-	-	-	5,907,961	5,907,961
	P10,583,484	P247,009	(P3,097,076)	P11,938	P622,520	(P409,664)	-	P7,868,202

	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	P-	P-	P-	P-	P-	P-	P8,652,100	P8,652,100
Bank loans	1,776,851	-	(387,180)	-	P89,300	-	-	1,478,971
Dividend	553,610	291,483	(392,680)	-	-	-	-	452,413
Noncurrent Liability:								
Bonds payable	8,182,002	-	-	470,098	-	-	(8,652,100)	-
	P10,512,463	P291,483	(P779,860)	P470,098	P89,300	P-	P-	P10,583,484



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.



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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working world

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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.

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



PHILEX MINING CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Schedule</u>
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
EARNINGS AVAILABLE 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		<u>P9,278,760</u>
Net income (loss) during the period closed to retained earnings	<u>P1,722,997</u>	
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	<u>216,522</u>	
	<u>1,957,503</u>	
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		<u>—</u>
Unappropriated retained earnings as at December 31, 2022, as adjusted		<u>P10,989,263</u>

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 Zaccaria

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

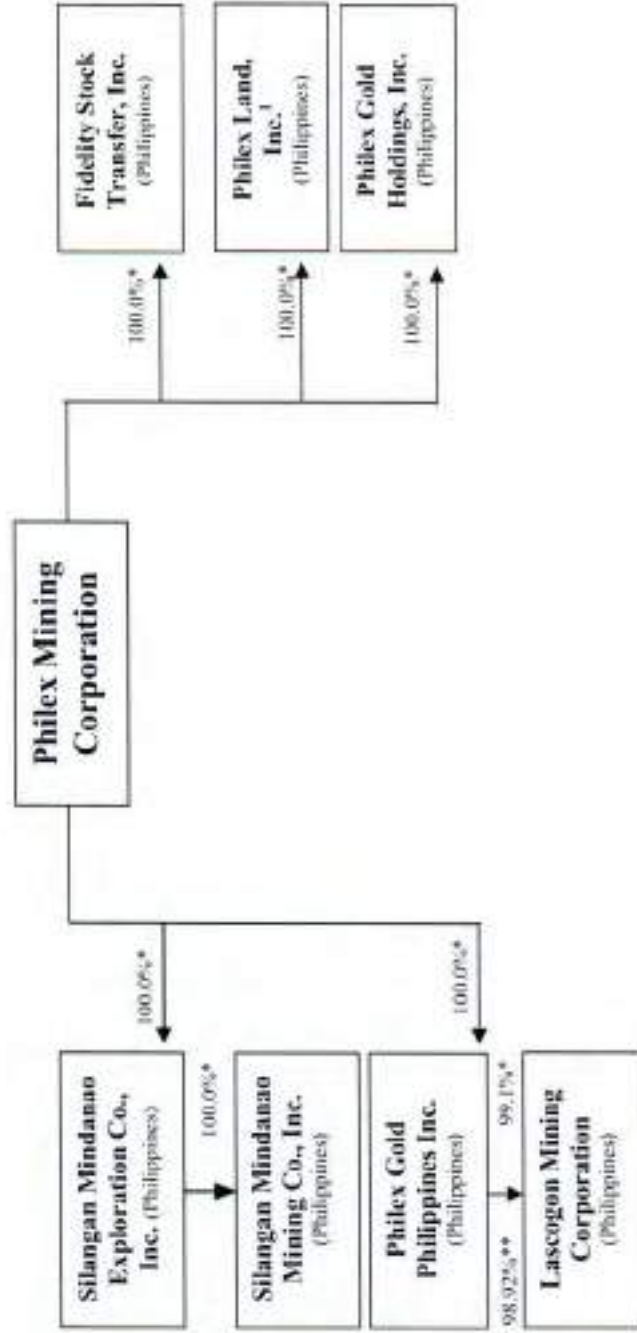
February 23, 2023



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 COMPANY AND 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	P2,747	P-
Wack Wack Golf and Country Club	1	44,995	-
Manila Polo Club	1	30,000	-
Valle Verde Country Club	3	14,430	-
		P92,172	P-
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	-
		P145,207	P-

The Group elected to classify irrevocably its equity investments as financial assets measured at FVOCI as it 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 carried at fair value with cumulative changes in fair values presented as a separate account in equity.

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.	P731,386	P2,878,714	(P792,238)	P-	P2,817,862	P-	P2,817,862
Silangan Mindanao Mining Co., Inc.	1,795,658	518,289	(1,458,946)	-	855,001	-	855,001
	P2,527,044	P3,397,003	(P2,252,184)	P-	P3,672,863	P-	P3,672,863

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
	P-	P-	P-	P-	P-	P-
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
	P28,595,260	P1,419,255	P-	P-	P-	P30,014,515

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	P5,040,000	P5,907,961¹	P-

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, SMMCL. 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 filed	Nature of guarantee
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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	2 nd Floor Launchpad, Reliance Street corner Sheridan Street, Mandaluyong City 1550, Philippines
Location of Operations	<ul style="list-style-type: none"> • Padcal Mine: Padcal, Tuba, Benguet • Silangan Project: Surigao del Norte • Bulawan Project (<i>under Final Mine Rehabilitation and/or Decommissioning Plan (FMR/DP) status</i>): Sipalay City, Negros Occidental • Sibutad Project (<i>under Final Mine Rehabilitation and/or Decommissioning Plan (FMR/DP) status</i>): 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	<p>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.</p> <p>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.</p> <ul style="list-style-type: none"> • Mining Business (wholly owned subsidiaries): <ul style="list-style-type: none"> ○ 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

	<p>(Silangan Project) in Surigao del Norte, Northeastern Mindanao in 2010.</p> <ul style="list-style-type: none"> ○ 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): <ul style="list-style-type: none"> ○ 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 <ul style="list-style-type: none"> 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.

	<p>Water Management</p> <ul style="list-style-type: none"> • Impact on water sources and of water pollution • Water quality and discharge • Tailings pond management • Efficiency in water consumption • Water recycling <p>Waste/Chemicals Management</p> <ul style="list-style-type: none"> • Oil spill management • Reagents management • Solid waste management <p>Land Resource Management</p> <ul style="list-style-type: none"> • Land rehabilitation and reforestation • Biodiversity and Ecosystem Management • Geologic risk assessments <p>Air Quality Management</p> <ul style="list-style-type: none"> • Ambient air quality monitoring • Dust and noise pollution 		
Community Development	<p>Diseases and illnesses</p> <p>Risks and conflicts with local communities and indigenous peoples</p> <p>Information, consultation, and participation mechanisms</p>	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	<p>Education and training</p> <p>Safety procedures in the facility</p>	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		
<p>In 2022, tonnes milled amounted to 7,431,651, lower than tonnage of 7,945,879 in 2021.</p> <p>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.</p> <p>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.</p> <p><i>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.</i></p>	<p>Company Shareholders Business partners, lenders</p>	<p>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.</p>
2. Operating Costs		
<p>The Company's full-year operating cost and expenses amounted to Php7.120 billion in 2022 from Php6.598 billion in 2021.</p>	<p>Company Shareholders Business partners, lenders</p>	<p>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</p>

<p>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.</p>		<p>currency against US dollar and higher power cost due to higher coal prices.</p> <p>EBITDA decreased by 18% to Php3.525 billion in 2022 from Php4.317 billion in 2021.</p>
3. Employee Wages and Benefits		
<p>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.</p>	<p>Company Shareholders Employees</p>	<p>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.</p>
4. Taxes Paid to the Government		
<p>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.</p> <p>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.</p>	<p>Company Government</p>	<p>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.</p>
5. Investments to Community		
<p>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.</p> <p>More information on the Company's SDMP can be found under the Social Performance section of this report.</p>	<p>Stakeholders in host and neighboring communities</p>	<p>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:</p> <ul style="list-style-type: none"> • Bring quality health services closer to its host and neighboring communities; • Implement educational programs (including scholarships) that gave

		<p>wider access to quality education;</p> <ul style="list-style-type: none"> • 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.
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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.

	<p>In addition, PMC has a pollution liability insurance coverage to mitigate the impact of environmental pollution-related events.</p> <p>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.</p> <p>The Company also installed landslide prevention facilities, e.g., shotcrete, drainage canal roads, retaining walls, grouted riprap box culvert and flood controls.</p>
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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	<p>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.</p> <p>PMC implements Green Purchasing (SCM.PRO.14.00) in which chemical compositions and product testing of materials delivered are required.</p> <p>PMC also has a Supply Chain Manual (SCM.PRO.14.00) in which the following policies in dealing with all suppliers are enforced:</p> <ul style="list-style-type: none"> • 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.
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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

		<p>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.</p> <p>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.</p>
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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)	<i>Increase of 1,821.58GJ due to inclusion of Head Office consumption</i>	GJ
Energy reduction (LPG)	<i>Not applicable</i>	GJ
Energy reduction (diesel)	<i>Increase of 51,131.07GJ due to inclusion of Head Office consumption and in the Silangan Project activities</i>	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	<p>The Company strictly monitors and manages its energy consumption through the following:</p> <ul style="list-style-type: none"> • 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.
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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
<i>Materials used by weight or volume</i>		
• 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 (<i>see details below</i>)	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	<p><u>Fruit trees:</u> coffee, mango, pomelo, guyabano, papaya, tamarind, guava, calamansi, chesa, santol, star apple, atis, rambutan, jackfruit, marang, avocado, cacao, duhat, blackberry, lomboy, orange</p> <p><u>Forest trees:</u> anstoan dilau, Benguet pines, tibig, oak tree/palayan, 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</p> <p><u>Cuttings:</u> bamboo, balete, dapdap, tricanthera</p> <p><u>Grass/Vines:</u> vetiver grass</p>
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 ₂ e
Energy indirect (Scope 2) GHG Emissions	151,507.90	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)		Tonnes

Air Pollutants

Disclosure	Quantity	Units
NO _x	<i>The Company monitors air quality through the Air Quality Monitoring equipment (EBAM) PM 10 The results range from good to fair.</i>	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:

Identification of Impact	Stakeholders Affected	Management Approach, Risks & Opportunities
Managing Air Quality		
	Host communities	<p>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.</p> <p>UNDERGROUND</p> <ul style="list-style-type: none"> 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. <p>MILL PLANT</p> <ul style="list-style-type: none"> 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. <p>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.</p> <p>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.</p>
Managing Water Use		

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	<p>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.</p> <p>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.</p>
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.		<p>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 Resources Joint Order # 2, Series of 2005 - Policies and Guidelines on Effective and Proper Handling, Collection, Transport, Treatment, Storage and Disposal of Health Care Waste.</p> <p>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.</p> <p>In 2022, PMC implemented the following:</p> <ul style="list-style-type: none"> • 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

		<p>tailings conveyance to TSF # 3 reservoir.</p> <ul style="list-style-type: none"> Planting of vetiver grass at the Spillway and at the TSF3 Spanish Culvert
Managing Waste Water		
<p>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.</p>	<p>Company Host communities</p>	<p>Philex Mill reclaims process water by operating two units of 250-foot 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-foot 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.</p>
Managing Land Resource and Protecting Biodiversity		
<p>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.</p>	<p>Host communities</p>	<p>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.</p> <p>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</p>

		<p>company. Other Biodiversity programs have been included in current operational practices through the following:</p> <ul style="list-style-type: none"> • 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 <p>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.</p> <p>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.</p>
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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	#
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*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	<p>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.</p> <p>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.</p>
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	<p>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/Our-policies/</p>

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*	#
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*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
    	<p>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.</p> <p>In 2022, the Company spent Php108.79 million for its mandated SDMP</p>	<p>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.</p> <p>The highlights of our Padcal 2022 Social Development and Management Programs (SDMP) Accomplishments for our host and neighboring communities are follows:</p> <p><u>Education</u></p> <ul style="list-style-type: none"> 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	<p>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</p>



  	<p>in Padcal, and Php4.35M in its advance SMDP for Silangan Mining.</p>	<ul style="list-style-type: none"> • 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. <p><u>Health</u></p> <ul style="list-style-type: none"> • 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 <p><u>Livelihood (Business Enterprise)</u></p> <ul style="list-style-type: none"> • Assisted 12 livelihood association and 1 cooperative • Supported the tourism program of two barangays (Camp 3 and Dalupirip) • Public infrastructure <ul style="list-style-type: none"> - 1.36 kms of road pavements - Constructed 18 retaining wall/ flood control 		<p>effectively strengthen its social license to operate.</p>
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		<p>structures/pathway railings</p> <ul style="list-style-type: none"> - Construction and improvement of 14 Water System - Construction/ improvement of Multipurpose Building: 8 buildings - Electrification projects: benefitted 152 households <p><u>Socio-Cultural</u></p> <ul style="list-style-type: none"> • Provided bereavement assistance to 93 families • Assisted 13 religious groups • Supported 5 barangays promoting the practice and preservation of cultural and social values <p><u>SMMCI</u></p> <ul style="list-style-type: none"> • 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. 		
	<p>Environmental Protection and Enhancement Program (EPEP)</p> <p>DAO No. 2010-21 mandates the</p>	<p>As a manifestation of its commitment to responsible and sustainable mineral resource development, the Company has adopted an environmental policy</p>	<p>Environmental risks (natural disasters, calamities, etc.) which could hamper Company operations.</p>	<p>To manage the risk, the Company invests a substantial amount of resources into its EPEP, in addition to ensuring compliance with all</p>

	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>PMC also entered into a partnership with the</p>	<p>applicable environmental laws and regulations. The Company has adopted an environmental policy statement, which is consistent with ISO 14001 Certification on Environmental Management Systems.</p> <p>To mitigate the risk from business disruption, PMC obtained a comprehensive insurance policy with a business interruption clause.</p>
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		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.	<ul style="list-style-type: none"> • 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	<p>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.</p> <p>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.</p> <p>The established 5.3-hectare bamboo plantation in 1998 at Tailing Storage Facility no.1 became the source of bamboo propagules being propagated.</p> <p>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.</p> <p>Likewise, maintenance of the 5-hectare</p>		
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		Bamboo Plantation was also implemented. A target of 3,000 bamboo propagules was 100% accomplished.		
	Green Purchasing and Recycling	<p>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.</p> <p>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.</p>		
	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.		

				
 		<p>PMC adopts best practices and standards such as:</p> <ul style="list-style-type: none"> • 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 <p>In addition, the Company constantly engages concerned parties and educates the public and local government units.</p>	<p>Acts of terrorism and insurgency threats</p>	<p>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.</p>



**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.

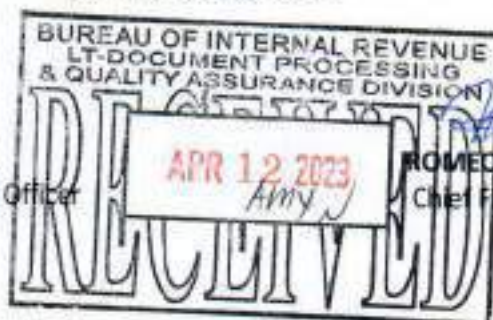
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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

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Book No. II
Series of 2023


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



COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 0 0 4 4

COMPANY NAME

PHILEX MINING CORPORATION

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

2nd floor Launch Pad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila

Form Type

A A F S

Department requiring the report

C R M

Secondary License Type, if Applicable

N / A

COMPANY INFORMATION

Company's Email Address

philex@philexmining.com.ph

Company's Telephone Number

(632) 8631-1381

Mobile Number

N/A

No. of Stockholders

43,901

Annual Meeting (Month / Day)

07/15

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Romeo B. Bachoco

Email Address

rbbachoco@philexmining.com.ph

Telephone Number/s

(632) 8631-1381

Mobile Number

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 Delinquencies. Further, non-compliance shall constitute a basis for suspension from liability for its delinquencies.



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.

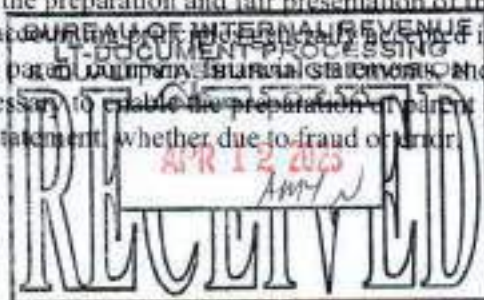
In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with accounting principles 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.



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.

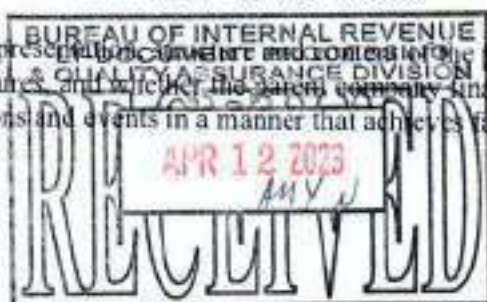
Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

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.



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.



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



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)	P9,261,576	P9,796,531
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	P1,722,997	P2,428,872

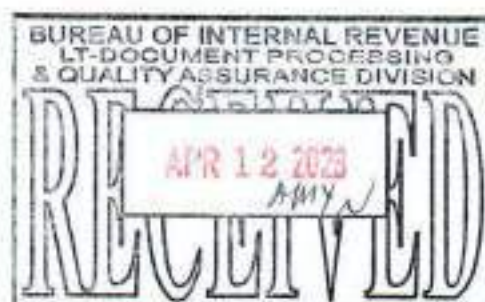
See accompanying Notes to Parent Company Financial Statements.



PHILEX MINING CORPORATION**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Thousands)

	Years Ended December 31	
	2022	2021
NET INCOME	P1,722,997	P2,428,872
OTHER COMPREHENSIVE INCOME		
<i>Item to be reclassified to profit or loss in subsequent periods:</i>		
Loss on fair value of derivatives (Note 20)	(6,492)	(24,048)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
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	P1,737,505	P2,482,986

See accompanying Notes to Parent Company Financial Statements.

PHILEX MINING CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

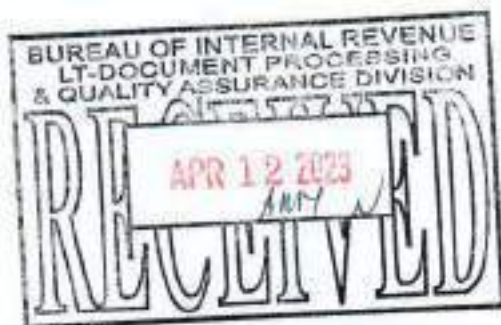
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Amounts in Thousands)

	Capital Stock (Note 25)	Additional Paid-in Capital	Retained Earnings (Note 25)	Net unrealized gain on financial assets measured at FVOCI and derivative (Notes 9 and 13)	Total
BALANCES AT DECEMBER 31, 2020	P4,940,399	P1,138,225	P6,521,503	P31,859	P23,131,986
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	P4,940,399	P1,138,225	P8,727,546	P17,319	P25,323,489

See accompanying Notes to Parent Company Financial Statements





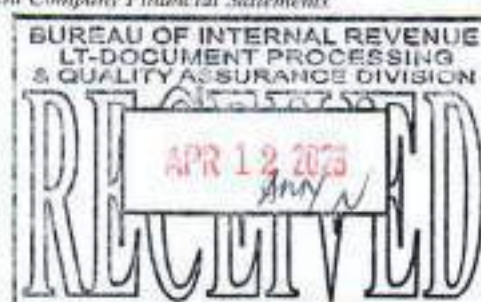
	Capital Stock (Note 25)	Additional Paid-in Capital	Retained Earnings (Note 25)	Appropriated	Unappropriated (Notes 9 and 13)	Total
BALANCES AT DECEMBER 31, 2021	₱4,940,399	₱1,138,225	₱8,727,546	₱10,500,000	₱17,319	₱25,323,489
Net income	-	-	1,722,997	-	-	1,722,997
Other comprehensive income:						
<i>Item to be reclassified to profit or loss in subsequent periods:</i>						
Loss on fair value of derivatives (Note 20)	-	-	-	-	17,557	17,557
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>						
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



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	P2,219,790	P2,784,820
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)	P1,355,972	P2,786,966

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)

I. 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
SMMC1	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	-
SMMC1	-	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 revegetation 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.

Cost and Expense Recognition

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.

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 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.

Share-based Payments

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 P2,640,120 and P3,342,830, net of accumulated depreciation, depletion and impairment amounting to P21,585,498 and P19,911,589, 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 P1,291,862 and P1,866,652, respectively, net of related accumulated depletion and impairment amounting to P16,308,745 and P15,193,292, 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 P15,154 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	P442,704	P384,068
Others	130,224	76,782
	P572,928	P460,850

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 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 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 P2,707,535 and P3,569,085 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 P144,928 and P79,125 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	P709,754	P1,263,701
Materials and supplies at cost	548,413	713,873
	1,258,167	1,977,574
Less allowance for inventory obsolescence	107,135	51,168
	P1,151,032	P1,926,406

As at December 31, 2022 and 2021, the NRV of materials and supplies inventories amounted to P441,335 and P662,706, respectively.

Provision for inventory losses amounting to P84,000 and P33,000 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 P107,135 and P51,168 as at December 31, 2022 and December 31, 2021, respectively.

Materials and supplies recognized as expense amounted to P1,787,617 and P1,730,166 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	P646,280	P269,442
Prepaid expenses and others	45,190	104,524
	P691,470	P373,966

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	P17,059,944	P562,748	P5,143,397	P113,443	P374,895	P23,254,419
Additions	458,418	-	327,904	2,163	217,144	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	115,696	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	₱3,342,850

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 P585 were recorded in 2022 and 2021, respectively.

The Parent Company's provision for mine rehabilitation costs amounted to nil and P15,154 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	P92,172	P72,177
Investment in unquoted shares	53,035	53,035
	P145,207	P125,212

The cumulative change in value of financial assets measured at FVOCI amounted to a P61,362 and P41,367 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	P41,367	P31,859
Increase (decrease) in fair value of financial assets measured at FVOCI	19,995	9,508
December 31	P61,362	P41,367

Investments in Subsidiaries - net

Investments in shares of stock of subsidiaries, which are accounted for under the cost method amounted to P17,633,091 and P12,396,164 as at December 31, 2022 and 2021, respectively, net of accumulated impairment losses amounting to P2,152,407 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 P2,579,638. 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 P2,494,078.



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	P1,878,921	P2,103,767
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	P5,013,273	P5,487,844

*Balances are based on unaudited September 30, 2022 interim financial statements submitted by Lepanto to PSE.

	2022	2021
Revenue	P1,290,748	P1,180,435
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	(P377,240)	(P298,289)
Total comprehensive loss	P377,240	P298,289
Parent Company's share of loss for the year (annualized)	P16,425	P12,997

*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 P3,081,000 and P4,029,000, respectively.

On December 27, 2018, PMC paid the 25% downpayment of P770,250 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 P2,310,750 is included in the subscription payable of the Parent Company totaling P2,312,981 as at December 31, 2018.

On January 7, 2019, DHC paid an initial downpayment of P40,290, 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 P1,386,450 and P740,000 on February 11, 2019 and December 31, 2019, respectively. The balance of subscription payable in relation to the subscription agreement with PXP amounted to P184,300 as at December 31, 2019.

In 2020, PMC paid subscription payable to PXP amounting to P19,700, P21,864, and P21,622 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 P121,114 as at December 31, 2020.

In 2021, PMC paid the remaining subscription receivable to PXP amounting P14,440, P9,627 and P97,047 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	P139,132	P280,937
Non-current assets	3,162,108	2,202
Current liabilities	(146,700)	(18,787)
Non-current liabilities	(454,776)	(111,831)
Equity	P2,699,764	P152,521
Revenue	P74,100	P8,938
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	(P30,482)	(1,385,737)
Total comprehensive loss	P282,766	(P1,385,737)
Parent Company's share of loss for the year	P10,379	P515,851

11. Deferred Exploration Costs and Other Noncurrent Assets

Deferred exploration costs and other noncurrent assets consist of:

	2022	2021
Deferred exploration costs	P4,060,199	P4,046,805
Less allowance for impairment losses	1,922,575	1,922,575
	2,137,624	2,124,230
Others	6,545	6,545
	P2,144,169	P2,130,775

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 P6,094.

12. Short-term Loans

Short-term loans consist of:

	2022	2021
Bank loans		
Security Bank	P724,815	P—
Bank of the Philippine Islands	334,530	305,992
Banco de Oro (BDO)	223,020	203,994
Philippine National Bank	—	662,991
	P1,282,365	P1,172,977

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 P49,615 and P49,462 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	P705,279	P847,891
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
	P2,577,218	P2,505,000

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	P4,578,319	P122,964	P4,701,283	P4,771,088	(P14,292)	P4,756,796
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
			P9,261,576			P9,796,531

*net of smelting charges amounting to P825,991 and P691,336 in 2022 and 2021, respectively.

*Includes realized net loss from put and gold collar amounting to P11,952 and P28,898 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 P26,350 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)	P1,787,617	P1,730,166
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
	P4,864,929	P4,488,273
Depletion, amortization and depreciation (Notes 8 and 17)		
Depletion and amortization	P825,453	P663,242
Depreciation	587,797	554,494
	P1,413,250	P1,217,736
Excise taxes and royalties		
Excise taxes	P363,479	P392,938
Royalties	228,426	246,343
	P591,905	P639,281



	2022	2021
General and administrative expenses		
Personnel (Note 16)	P149,534	P158,502
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
	P249,640	P252,931

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	P642,620	P643,936
Employee benefits	346,552	321,014
Retirement costs (Note 18)	11,381	24,396
	P1,000,553	989,346
General and administrative expenses (Note 15)		
Salaries and wages	P98,582	P104,708
Employee benefits	48,354	49,822
Retirement costs (Note 18)	2,598	3,972
	149,534	158,502
	P1,152,532	P1,147,847

The Parent Company recognized retirement costs amounting to P13,234 and P28,368 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)	P1,413,250	P1,217,736
General and administrative (Note 15)	14,950	14,796
	P1,428,200	P1,232,532



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									
Net benefit cost is charged to Parent Company 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	Contribution by employer December 31, 2022
Present value of defined benefit obligation	₱31,094	₱16,579	₱-	₱71,694	(₱68,388)	₱-	(₱12,923)	(₱27,538)	₱-
Fair value of plan assets	-	(34,439)	-	(1,115,663)	68,388	39,074	-	-	₱62,845
	₱31,094	(₱17,860)	₱-	(₱543,969)	₱-	(₱39,074)	(₱12,923)	(₱27,538)	(1,008,201)
									₱-
									(₱145,356)

2021									
Net benefit cost is charged to Parent Company 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	Contribution by employer December 31, 2021
Present value of defined benefit obligation	₱33,755	₱12,173	₱-	₱635,715	(₱54,711)	₱-	(₱36,229)	(₱20,754)	₱-
Fair value of plan assets	-	(17,560)	-	(1,172,389)	54,711	(13,546)	-	-	₱724,021
	₱33,755	(₱5,387)	₱-	(₱286,674)	-	(₱13,546)	(₱36,229)	(₱20,754)	(1,081,224)
									₱-
									(₱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	P28,360	P41,261
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
	P1,008,198	P1,081,221

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% (1.00%)	(P19,279) 20,274
Future salary increases	1.00% (1.00%)	P21,914 (21,234)

Shown below is the maturity analysis of the Parent Company's undiscounted benefit payments:

	Expected benefit payments
Less than one year	P179,834
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 P442,884 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			Total
	On Demand	Within 1 Year	More than 1 Year	
Short-term loans				
Principal	P-	P1,282,365	P-	P1,282,365
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	P343,346	P3,587,995	P-	P3,931,341
Cash and cash equivalents	P1,355,972	P-	P-	P1,355,972
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	P5,174,042	P570,707	P-	P5,744,749

	December 31, 2021			Total
	On Demand	Within 1 Year	More than 1 Year	
Short-term loans				
Principal	P-	P1,172,977	P-	P1,172,977
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	P452,413	P3,349,908	P-	P3,802,321
Cash and cash equivalents	P2,786,966	P-	P-	P2,786,966
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	P5,439,222	P460,850	P-	P5,900,072



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	Effect on Equity
Peso	Increase by 1%	₱27.47
	Decrease by 1%	(27.47)



December 31, 2021		
	Change in Quoted Prices of Investments Carried at Fair Value	Effect on Equity
Currency		
Peso	Increase by 3%	P82.42
	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%	P693,719
Decrease by 15%	(693,719)
Copper	
Increase by 28%	P1,507,228
Decrease by 28%	(1,507,228)

December 31, 2021	
Change in Metal Prices	Effect on Income before Income Tax
Gold	
Increase by 13%	P635,090
Decrease by 13%	(635,090)
Copper	
Increase by 25%	P1,378,923
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 per 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	P5,782,399	P4,940,399
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
	P29,384,115	P25,306,170

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	P711,434	\$17,822	P908,895
Trade receivables	7,940	442,704	7,531	384,068
	\$20,700	P1,154,138	\$25,353	P1,292,963
Liabilities				
Bank loan	23,000	1,282,365	23,000	1,172,977
Net Liabilities	(\$2,300)	(P128,227)	\$2,353	P119,986

The exchange rates of Peso to US dollar were P55.755 and P50.999 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
<i>Advances to related parties</i>				
PXP				
2022	P-	P-	Collectible in cash and on demand, noninterest-bearing	Refer to note "a" below
2021	P-	P-		
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	P3,397,003	P3,672,863		
2021, Total	P199,909	P2,527,044		

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 P1,312,243 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 P3,081,000 and P4,029,000, respectively.

Each share is valued at P11.85, 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 P770,250 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 P781,262 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 P1,312,243 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 P40,290, 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 P1,386,450 and P740,000 on February 11, 2019 and December 31, 2019, respectively. The balance of subscription payable in relation to the subscription agreement with PXP amounted to P184,300 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 P737,815. 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 P19,700, P21,864, and P21,622 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 P121,114 as at December 31, 2020.

In 2021, the Parent Company paid the remaining subscription receivable to PXP amounting P14,440, P9,627 and P97,047 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 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.

In December 2022, portion of the advances to SMECI and SMMCI amounted to P792,238 and P1,458,946, respectively, were settled.

Compensations of Key Management Personnel

Compensations of the members of key management personnel follow:

	2022	2021
Short-term employee benefits	P74,705	P70,049
Retirement costs	835	6,052
	P75,540	P76,101



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	P79,646	P75,280
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	(P192,454)	(P331,790)
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	(P7,275)	(P7,275)
Total deferred tax liabilities	(350,982)	(557,223)
Net deferred tax liabilities	(P188,852)	(P406,853)

- b. The provision for current income tax amounted to P715,141 and P559,479 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 P124,351 and P181,243 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	P554,947	P696,206
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	P496,793	P355,948

- 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			103,258,378
1964	December 16, 1993	90,000,000*	65,339,520
1965	March 6, 1964	220,000,000	61,546,755
1966	September 22, 1969	600,000,000	60,959,182
1969			182,878,280
1970			274,317,420
1971			411,476,131
1973	August 20, 1971	1,000,000,000	2,623,160,332
1974	August 4, 1981	5,000,000,000	1,543,035,476
1978			540,062,420
1981			1,485,171,655
1983			742,006,977
1985	August 14, 1987	9,000,000,000	815,707,473
1986			3,923,841,215
1987			3,867,787,326
1989			5,028,123,524
1990	July 11, 1989	20,000,000,000	(20,549,744,536)
1991	June 27, 1990	(38,000,000,000)**	375,852,233
1992	May 23, 1997	3,000,000,000	162,869,258
1993			179,156,183
1995			403,849
1997			985,928,483
1999	May 22, 2009	3,000,000,000	-
2007			10,781,250
2008			912,279,662
2009			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 P0.10 to P0.05.

**This is the result of the change in par value from P0.05 to P1.00.

***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 P3.15 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	P10,205,625	P8,658,894
Cumulative actuarial gains	1,041	68,652
Total unappropriated	10,204,584	8,727,546
Appropriated	10,500,000	10,500,000
Ending balance	P20,704,584	P19,227,546

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 P500,000 of the unappropriated retained earnings for purposes of mine and development and construction of the Silangan Project thereby increasing total appropriation to P10,500,000.

On February 27, 2018, the BOD of the Parent Company approved the declaration of cash dividend of P0.04 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 P0.035 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 P0.01 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 P0.059 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 P10,989,263 and P9,278,760 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 P0.05 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 P343,346 and P452,413, 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 2020	Weighted Average Exercise Price 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 P353,170.

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 P1,071,521. 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 P100 and the deferred exploration cost at P1,071,421.

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	Liang and Barobo, Surigao del Sur	PGPI
MPSA No. 063-97-IX	Sibutad, Dapitan City and Rizal,	PGPI
MPSA No. 096-97-VI	Zamboanga del Norte	PGPI
	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	P1,172,977	P-	P-	P-	P109,388	P1,282,365
Dividend	452,413	247,000	-	(356,067)	-	343,346
	P1,625,390	P247,000	P-	(P356,067)	P109,388	P1,625,711

	January 1, 2021	Dividend Declaration	Availment (Write-off)	Payments	Effect of changes in foreign currency exchange rates	December 31, 2021
Current Liabilities:						
Bank loans	P1,488,713	P-	P-	(P387,180)	P71,444	P1,172,977
Dividend	553,610	291,483	-	(392,680)	-	452,413
	P2,042,323	P291,483	P-	(P779,860)	P71,444	P1,625,390

31. Events After the Reporting Period

On February 23, 2023, the BOD of the Parent Company approved the declaration of cash dividend of P0.02 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 P7,739 for the year based on gross sales/ receipts of P64,492.

The Parent Company has export sales amounting to P9,876,830 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	P160,231
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	P493,649

c. Information on the Parent Company's importations for 2022

The landed cost of the Parent Company's importations amounted to P679,070 for the year, with paid/ accrued amount of P7,088 as customs duties and wharfage fees.

d. Excise Taxes

The amount of excise taxes are as follows:

Product Category	Excise Taxes Paid/ Accrued	
	Locally Produced	Imported
Minerals	P363,479	P-

e. Documentary Stamp Tax

Documentary stamp tax paid for year 2022 amounted to P24,069.

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	P12,488
License and permit fees	22,316
Total included in cost of sales	34,804

Included in Operating Expenses:

(i) *Local*

Real property taxes	P1,056
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	P3,213



g. Withholding Taxes

The amount of withholding taxes paid/accrued for the year amounted to:

	Total
Withholding taxes on compensation and benefits	P115,836
Final withholding taxes	71,232
Expanded withholding taxes	64,576
	<u>P251,644</u>

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.



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.



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

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SEC Registration Number

P	H	I	L	E	X					M	I	N	I	N	G					C	O	R	P	O	R	A	T	I	O	N					

(Company's Full Name)

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c	o	r	n	e	r		S	h	e	r	i	d	a	n		S	t	r	e	e	t	s	,											
M	a	n	d	a	l	u	y	o	n	g		C	i	t	y	,		M	e	t	r	o		M	a	n	i	l	a					

(Business Address: No. Street City/Town/Province)

ROMEO B. BACHOCO

(Contact Person)

(632) 8631-13-81

(Company Telephone Number)

1	2	3	1
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Month Day
(Calendar Year)

1	7	-	Q	
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(Form Type)

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Month Day
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

For the quarterly period ended March 31, 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 ☒ No ☐

has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Unaudited Consolidated Financial Statements for the period ended 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 in 1Q2022. The lower results in 1Q2023 were primarily from lower revenues on account of the lower copper and gold output for the quarter.

As income attributable to non-controlling interest was nil, the Net Income Attributable to the Equity Holders was the same as the Reported Net Income of Php390 million, 44% lower than Php690 million in 1Q2022.

Similarly, EBITDA was also lower by 46% at Php635 million than the Php1.182 billion for 1Q2022. The Company's core net income and EBITDA exclude non-recurring transactions to clearly reflect and provide results based on the normal operating parameters of the business.

FINANCIAL CONDITION REVIEW

Current Assets

The Company's Current Assets as of March 31, 2023 increased to Php6.675 billion from Php6.423 billion as of December 31, 2022. The increase of Php252 million was mainly due to higher other current assets on account of additional VAT receivable on Company purchases .

Cash and Cash Equivalents

The Cash and Cash Equivalents amounted to Php4.047 billion as of March 31, 2023 from Php3.925 billion as of December 31, 2022. The consolidated cash balance included the remaining SRO proceeds that was invested in SMMCI for the development of the Silangan Project and cash generated from copper concentrates shipment proceeds valued at strong copper and gold prices and continuously favorable foreign exchange rates. The Company continues to maintain cash reserves for programmed infusion in the Silangan Project.

Accounts Receivable

The Company's Accounts Receivable slightly increased to Php660 million as of March 31, 2023 from Php581 million as of December 31, 2022. This account consisted of Trade Receivables from sales of the Company's copper concentrates or bullion and Other Receivables that include loan to an associate and advances to employees for conduct of transactions in the ordinary course of

business. As of March 31, 2023, Trade Receivables amounted to Php524 million and Other Receivables of Php136 million.

Under the existing sales agreement with the Company's Customers ("Offtakers"), the Company receives 90% of the total US\$ value of the copper concentrates within 3-4 days after presentation of sales and shipping documents, with the balance payable upon final pricing determination based on agreed quotational period ("QP"). QP is determined either Prior Month of Shipment Schedule ("MOSS") or Month After Month of Arrival ("MAMA") in destination.

The Trade Receivables as of March 31, 2023 consisted of the remaining value of five shipments (versus five shipments also in the fourth quarter of 2022 as of December 31, 2022) awaiting final pricing, were with IXM S.A. and Trafigura Pte. Ltd. The QP for both offtakers is MOSS for copper and gold.

In March 2022, the Company granted loans to its associate, PXP Energy Corporation, where Philex owns 30.4% interest, through the issuance of the later of covering Promissory Notes (PNs). Under the PNs, total loans to PXP Energy amounted to US\$600,000, payable on demand and subject to an interest of 3.5% p.a. over LIBOR (6 months) that is payable quarterly. Total interests received as of March 31, 2023 amounted to Php654 thousand.

Inventories

Total Inventories, consisting of materials and supplies and mine products, amounted to Php1.023 billion as of March 31, 2023, a decrease of 11% from Php1.151 billion as of December 31, 2022.

As of March 31, 2023, mine products inventory, which is valued at net realizable value, amounted to Php391 million or 38% of total inventory, while inventory for materials and supplies amounted to Php632 million or about 62% of total inventory. On the other hand, mine products inventory amounted to Php710 million, while materials and supplies inventory was Php441 million as of December 31, 2022. Mine products inventory decreased by 45% due to lower value of mine products inventory corresponding to 2,158 DMT of copper concentrates against 4,420 DMT as of December 31, 2022. On the other hand, materials and supplies slightly increased due to the build-up of critical and insurance inventories to ensure availability of parts for ageing equipment given the extended life of Padcal for another three years to December 2027.

Other Current Assets

Other Current Assets, composed primarily of input Value-Added Tax ("VAT") claims for refund on purchases of materials, supplies and equipment, increased to Php932 million as of March 31, 2023 from Php766 million as of December 31, 2022, due mainly to additional VAT receivable on Company purchases. Based on the recently issued guidelines on VAT zero-rating which retroacts to December 10, 2021, all purchases of goods and services by Philex Mining shall be subject to 12% VAT but can still be refunded to Philex, being an exporter, by the Bureau of Internal Revenue for VAT on local purchases and by Bureau of Customs for VAT on importations.

Non-Current Assets

Non-Current Assets of Php37.064 billion as of March 31, 2023 slightly increased from Php36.836 billion as of December 31, 2022. This comprised mainly of Deferred Exploration Costs, Investment in Associates, and Property, Plant and Equipment. Deferred Exploration Costs and Property,

Plant and Equipment represent 74% of total assets, signifying the capital intensive nature of the business.

Deferred Exploration Costs

Deferred Exploration Costs increased to Php29.705 billion as of March 31, 2023 from Php29.492 billion as of December 31, 2022, on account of the pre-development and initial development expenditures related to Silangan Project with cumulative amount of Php27.335 billion or 92% of total deferred exploration costs. Initial expenditures on early works program for the Silangan Project were also included in the deferred exploration costs of the Project.

Investment in Associates

Investment in Associates decreased to Php3.600 billion as of March 31, 2023 from Php3.606 billion as of December 31, 2022, mainly from the Company's share in the net losses of associates in 1Q2023 of Php5 million.

Property, Plant and Equipment

Property, Plant and Equipment ("PPE") slightly increased to Php2.742 billion as of March 31, 2023 from Php2.730 billion as of December 31, 2022 due to regular additions to PPE which were the actual expenditures on Padcal's mine development activities and acquisition of mine equipment, net of amount of depreciation, depletion and amortization for the period. The depreciation, depletion and amortization already considered the impact of the further extension of mine life of Padcal of up to December 2027.

Pension Asset

Pension Asset slightly increased to Php343 million as of March 31, 2023 from Php341 million as of December 31, 2022, which represents the excess of the fair value of plan assets against the present value of defined benefit obligations under the Company's retirement plan, net of SMMCI pension obligation.

Financial Assets Measured at FVOCI

Financial Assets Measured at FVOCI, consisting mainly of shares in gold and country clubs, remained at Php145 million as of March 31, 2023 from December 31, 2022.

Other Non-Current Assets

Other Non-Current Assets slightly increased to Php528 million as of March 31, 2023 from Php523 million as of December 31, 2022. This consisted mainly of the non-current portion of SMMCI Input Value-Added Tax amounting to Php467 million.

Total Assets

Total Assets of the Company increased to Php43.739 billion as of March 31, 2023 from Php43.259 billion as of December 31, 2022, primarily from the higher deferred exploration costs, other current assets and cash balance.

Current Liabilities

Current Liabilities slightly increased to Php4.942 billion as of March 31, 2023 from Php4.758 billion as of December 31, 2022, due mainly to the increase in accounts payable and accrued expenses, and income tax payable.

Loans Payable

Loans Payable decreased to Php1.576 billion as of March 31, 2023 from Php1.617 billion as of December 31, 2022 due to the lower Peso value of the dollar denominated short-term bank loans of US\$29 million, restated at lower closing forex of Php54.360 as of March 31, 2023 versus Php55.755 as of December 31, 2022. Total outstanding loan of the Parent Company amounted to US\$23 million while SMMCI amounted to US\$6 million.

Accounts Payable and Accrued Liabilities

As of March 31, 2023, Accounts Payable and Accrued Liabilities slightly increased to Php2.775 billion from Php2.671 billion as of December 31, 2022. This composed primarily of payables to suppliers and contractors of which no material amount has been left unpaid within terms acceptable and agreed upon with suppliers and contractors.

Subscription Payable

Subscription Payable remained at Php2.8 million as of March 31, 2023 which consisted of outstanding payables to Philodrill Corporation and Kalayaan Copper Gold Resources, Inc.

Income Tax Payable

As of March 31, 2023, Income Tax Payable amounted to Php246 million, which included the tax payable pertaining for 1Q2023 that is due on May 30, 2023, higher compared to Php124 million as of December 31, 2022.

Dividends Payable

Dividends Payable decreased to Php342 million as of March 31, 2023 from Php343 million as of December 31, 2022. The Philex Board of Directors approved on February 23, 2023 the declaration of regular cash dividend of two centavos to shareholders on record date of March 13, 2023, payable on March 24, 2023, which represented 7% of Core Net Income.

Non-Current Liabilities

As of March 31, 2023, Non-Current Liabilities amounted at Php7.675 billion, slightly higher than the Php7.631 billion as of December 31, 2022, comprising mainly of Bonds Payable and Deferred Income Tax Liabilities.

Bonds Payable

Bonds Payable increased to Php5.980 billion as of March 31, 2023 from Php5.908 billion as of December 31, 2022, both numbers reflecting the Convertible Note (CN) issued by SMECI to Asia

Link B.V. that was extended for another three years from the expiry of its original maturity date of December 18, 2022, with the sole option of SMECI to extend further for another three years at 1.5 years interval. The balances included the changes in the amounts corresponding to the amortization of deferred transaction costs, accretion of interest from the discounting of the face value of the Convertible Note (CN) and accrual of the 3% redemption premium.

The bonds payable pertains to the 8-year convertible bonds issued by SMECI, with Philex Mining as the co-issuer, on December 18, 2014, with a face value of Php7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at Php18,000 per share 12 months after the issue date ("Standstill Period"). On the last day of Standstill Period, the Issuer shall have a one-time right to redeem the bonds from the holders in whole or in part. After the Standstill Period, the noteholders may exercise the conversion right, in whole but not in parts, at any time but no later than the maturity date. At redemption/maturity date, the bonds can be redeemed together with the principal or face value of the bonds at a premium, payable at a rate of 3% per annum compounded semi-annually based on the face value of the bonds and unpaid accrued interest (if there be any). The proceeds of the bonds were used to repay the SMECI's advances from Philex Mining and fund the exploration works of SMMCI. The bonds original maturity date was December 18, 2022. Upon original maturity, the CN issued to SSS was settled at Php2.741 billion representing the face value and the corresponding premium.

Deferred Income Tax Liabilities

Deferred Income Tax Liabilities, mainly consisting of Php1.388 billion arising from the acquisition of Anglo's 50% stake in the Silangan companies and Php305 million mainly for accelerated deductions, decreased to Php1.693 billion as of March 31, 2023 from Php1.721 billion as of December 31, 2022 which considered the impact of the CREATE Law that reduced corporate income tax rate to 25% from 30% effective July 2020.

Provision for Losses and Mine Rehabilitation Costs

Provision for Losses and Mine Rehabilitation Costs was maintained at Php2 million as of March 31, 2023 from December 31, 2022. The amount of Php137 million that is required under the Company's MGB-approved Final Mine Rehabilitation and Development Program has been fully funded.

Total Liabilities

As of March 31, 2023, Total Liabilities amounted to Php12.617 billion, higher than the Php12.389 billion as of December 31, 2022, mainly due to higher current liabilities particularly income tax and accounts payable and accrued expenses.

Total Equity

The Company's Total Equity as of March 31, 2023 increased to Php31.122 billion from Php30.869 billion as of December 31, 2022 on account mainly of the 1Q2023 net income of Php390 million, net of the cash dividend declared in February 2023.

Capital Stock and Additional Paid in Capital remained at Php5.782 billion and Php2.885 billion, respectively, as of March 31, 2023 from December 31, 2022, which reflected the issuance of new

Philex shares under the Stock Rights Offer (“SRO”) that was completed on August 3, 2022. Retained Earnings increased to Php19.264 billion as of March 31, 2023, consisting of Php8.764 billion unappropriated amount and Php10.500 billion appropriated of which Php10.000 billion and Php500 million were approved for appropriation by the Board of Directors on December 13, 2013 and February 28, 2017, respectively, for the development and construction of the Silangan Project which appropriated amount remained the same compared with the Dec. 31, 2022 balance. Total Retained Earnings increased from Php18.994 billion as of December 31, 2022. The unappropriated amount is inclusive of the 1Q2023 Net Income of Php390 million and net of cash dividend declared on February 23, 2023.

The Company recorded Net Unrealized Gain on Financial Assets Measured at FVOCI and derivative of Php37 million as of March 31, 2023 from Php55 million as of December 31, 2022. These amounts were inclusive of gain related to the fair value of derivative instruments of Php24 million as of March 31, 2023 from a gain of Php6 million as of December 31, 2022.

There were no changes on the balances of Equity Conversion Options, Equity Reserves, Net Revaluation Surplus and Effect of Transactions with Non-controlling Interests as of June 30, 2022 from their December 31, 2022 balances at Php858 million, Php368 million, Php1.850 billion and Php78 million, respectively. Equity Conversion Options corresponded to the value of the conversion options of the 8-year convertible bonds issued by SMECI, with Philex Mining as the co-issuer, in December 2014 with a face value of Php7.200 billion, which was reduced from Php1.226 billion to Php858 million with the amount recorded as Equity Reserves following the redemption of the CN issued to SSS in December 2022. Net Revaluation Surplus related to the step acquisition of the Silangan Project companies in 2009.

Total Liabilities and Equity amounted to Php43.739 billion as of March 31, 2023 from Php43.259 billion as of December 31, 2022 due mainly to the increase in Equity as a result of the 1Q2023 net income of Php390 million and 3% increase in Current Assets.

Liquidity and Capital Resources

The Company’s existing liquidity position and capital resources are primarily used for the funding of its existing operations and exploratory drilling works within and around the Sto. Tomas ore body with the aim to further extend the mine life of Padcal and for pre-development works of the Silangan Project. Despite the risks inherent in the business associated with metal prices, foreign exchange rates, regulatory environment, and the changing economic and market conditions as well as the global impact of the COVID-19 pandemic for the past three years, the Company’s net cash generated in operating activities amounted to Php587 million for the three months ended March 31, 2023 (1Q2023), compared with Php1.104 billion in the three months of 2022 (1Q2022). This allowed the Company to have sufficient liquidity to meet working capital needs, finance any strategic supply chain activities in anticipation of global supply chain disruptions and any unscheduled operating disruptions.

Internally generated funds remain as the Company’s principal source of cash to finance the capital expenditures of the Padcal Mine, the development of the Silangan Project, exploration initiatives of various mine sites, and for the repayment of existing loans when programmed.

Net cash used in investing activities, principally for capital expenditures and deferred exploration costs, amounted to Php335 million in 1Q2023 as against Php413 million in 1Q2022. Capital expenditures mainly for Padcal were lower at Php180 million 1Q2023 compared with Php340

million in 1Q2022. On the other hand, expenditures on deferred exploration costs were higher at Php153 million 1Q2023 compared with Php73 million in 1Q2022, pertaining substantially to Silangan Project primarily activities to start the pre-development of Silangan project and capitalized interests on loans and convertible notes.

<i>(in Php Millions)</i>	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

Safety Performance

Personnel health and safety is of paramount concern and regarded with utmost priority. In 1Q2023, the Company recorded one Lost Time Accident-Fatal (“LTA-F”) compared with zero in

1Q2022. In terms of Lost Time Accident Non-Fatal events, there were three recorded in 1Q2023 compared with five in 1Q2022.

Though it is a difficult task to maintain a “zero-harm” record due to the presence of uncertainties that could contribute to the level of risk in terms of health and safety, the Company is constantly reviewing safety policies and procedures. Various initiatives are being reassessed based on the present situation and implemented to minimize the occurrence of accidents and injuries in the workplace. Third-party experts are likewise engaged to assess existing safety performance and identify risk areas.

Earnings Per Share

Earnings Per Share (“EPS”) represents the net income attributable to equity holders of the Company, expressed in the amount per share of the Company’s weighted average number of shares outstanding. Assuming a constant outstanding number of shares, the earnings per share correspondingly rises as the Company’s earnings increase. The EPS ultimately reflects the Company’s financial and operational growth as a result of its performance in cost management, technical efficiency and productivity.

	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 cyclicity in its business operation that would have material effect on the Company's financial condition or results of operation. There were no other significant elements of income or loss that did not arise from the Company's continuing operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period. There are no line items in the Company's financial statements not already explained for causes either above or in the Notes to the Consolidated Financial Statements other than due to the usual period-to-period fluctuations in amounts natural in every business operations.


PART II - OTHER INFORMATION

There are no other information for this interim period not previously reported in a report on SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHILEX MINING CORPORATION
(Issuer)



EULALIO B. AUSTIN, JR.
President and CEO

ROMEO B. BACHOCO
Chief Finance Officer

PARALUMAN M. NAVARRO
Assistant Vice President
Corporate Finance

Date: 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 comprehensive 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)		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Unrealized loss on fair value of hedging instruments	(17,622)	(95,157)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
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 liability		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

	Attributable to Equity Holders of the Parent Company											
	Capital Stock	Additional Paid-in Capital	<u>Retained Earnings</u>		Unrealized Gain (Loss) on financial 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
			Unappropriated	Appropriated								
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): <i>Items to be reclassified to profit and loss in subsequent periods:</i>												
Net Unrealized Gain on financial assets measured at FVOCI and Derivative					(17,622)					(17,622)		(17,622)
<i>Items not to be reclassified to profit and loss in subsequent periods:</i>												
Remeasurement of pension obligation (net of tax) and others	-	-	(3,888)		-	-	-	(0)	-	(3,888)	-	(3,888)
Income tax effect on revaluation surplus	-	-	-		-	-	-	(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): <i>Items to be reclassified to profit and loss in subsequent periods:</i>												
Net Unrealized Gain on financial assets measured at FVOCI and Derivative					(95,157)					(95,157)		(95,157)
<i>Items not to be reclassified to profit and loss in subsequent periods:</i>												
Remeasurement of pension obligation (net of tax)	-	-	(66,936)		(95,157)	-	-	-	-	(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

PHILEX MINING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

(Amounts in Thousands, Except Amounts Per Unit and Number of Shares)

1. Basis of Preparation, Statement of Compliance, Changes in Accounting Policies and Disclosures and Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation

The unaudited consolidated financial statements of the Group have been prepared using the historical cost basis, except for mine products inventories that are measured at net realizable value (NRV), and for financial assets measured at fair value through other comprehensive income (FVOCI) and derivative financial instruments that are measured at fair value through profit or loss (FVTPL). The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency, rounded off to the nearest thousands, except when otherwise indicated.

Statement of Compliance

The unaudited consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines. The Group prepared its consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRSs), except for the Parent Company's mine product inventories that are measured at NRV which was permitted by the Philippine SEC. The significant accounting policies followed by the Group are disclosed below.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements as at and for the year ended December 31, 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 is the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from sales in currencies other than its functional currency. All of the Parent Company's sales are denominated in US Dollar. Also, the Parent Company is exposed to foreign exchange risk arising from its US Dollar-denominated cash and cash equivalents and trade receivables and loans payable.

As the need arises, the Group enters into structured currency derivatives to cushion the effect of foreign currency fluctuations.

The following table summarizes the impact on the unaudited consolidated income before income tax of reasonable possible changes in the exchange rates of US Dollar against the Peso:

US\$ Appreciate (Depreciate)	Effect on Consolidated Income before Income Tax
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 to 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.