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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)

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					
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)

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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)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document ID

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

**For the quarterly period ended** September 30, 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**

2<sup>nd</sup> 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 September 30, 2023)

Amount of Debt Outstanding – Php9,148,805,000 (As of September 30, 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 September 30, 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.

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.

In July 2023, President Marcos Jr. issued Proclamation No. 297 lifting the nationwide declaration of a public health emergency due to Covid-19. This follows the declaration in May 2023 of the World Health Organization (WHO) that Covid-19 is no longer a global health emergency.

#### *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.

In a speech delivered on the occasion of the listing of the stock rights offering (SRO) of Philex Mining with the Philippine Stock Exchange (PSE) on August 3, 2022, Finance Secretary Benjamin Diokno said that "the mining industry is a potential source of sustained economic growth" as he underscored the benefit of mobilizing investments for mine development.

According to Diokno, "the mining industry holds the greatest potential to be a key driver in our economic recovery and long-term growth, especially now that world metal prices are high. The

Philippines, after all, is one of the world's most richly endowed countries in terms of mineral resources."

President Marcos Jr. likewise instructed the Department of Environment and Natural Resources (DENR), through its Secretary Maria Antonia Yulo-Loyzaga, to strengthen its regulatory powers on small- and large-scale mining to ensure the safety of miners and to provide them with the assistance they need. The DENR had also said that it would look into existing mining laws and policies to ensure that mining standards are updated and in tune with the times.

In the same breath, the House of Representatives recently passed on third and final reading the proposed Act enhancing the fiscal regime for the local mining industry.

House Speaker Ferdinand Martin G. Romualdez said that "No less than the Chamber of Mines of the Philippines (of which Philex is an active and pioneering member) has expressed support for the measure as it went through the legislative process in the House. I agree with the chamber that the fiscal changes being introduced by this bill will help the country's post-pandemic economic 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 and Investment Corporation 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. Further, 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 from the East Portal started in May 2023 and has now reached 209 meters as of November 10, 2023. Meanwhile construction of the West Portal has also commenced and was completed in August 2023. A portion of the West decline will be driven to provide a secondary egress from the underground. The ventilation pad is now being excavated in preparation of the sinking of two ventilation shafts by the first quarter of 2024. Advanced mine dewatering continued this year from five existing dewatering wells. The drilling of 11 additional dewatering wells, one geotech hole to de-risk spiral decline location and additional 14 hydro monitoring holes drilling were completed in March 2023. The pumps are currently being purchased so that pumping could also be undertaken from all the wells by the first quarter of 2024. Pumping from the exploration decline commenced in November 9, 2023. The tendering process for the process plant and Tailings Storage Facility (TSF) construction are ongoing and will be awarded within the fourth quarter of 2023.

The Company, through BDO Capital and Investment Corporation, 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 5,224,527 tonnes for the nine months ended September 30, 2023 (9M2023), 6% lower than the tonnage of 5,554,056 tonnes in the nine months ended September 30, 2022 (9M2022) as the Company continues to address unscheduled breakdowns of ageing equipment at the mill plant and operational challenges at the underground conveyor system. Mining from higher grade ore sources remains as the Company's strategy to lessen the impact of low tonnage output. For the third quarter of 2023 (3Q2023), tonnage was at 1,693,354 tonnes, 10% lower than the 1,872,893 tonnes in the third quarter of 2022 (3Q2022).

Gold production of 29,136 ounces for 9M2023 was 22% lower compared with 37,357 ounces in 9M2022 mainly due to lower tonnage and lower gold grades that averaged at 0.239 grams per tonne (g/t) in 9M2023 against 0.275 g/t in 9M2022. Gold production was down due to the impact

of lower tonnage, gold grade as well as lower metal recovery of 72.6% in 9M2023 versus 75.9% for 9M2022. For 3Q2023, gold production was 8,775 ounces, 28% lower than the 12,144 ounces in 3Q2022 due mainly to lower tonnage, ore grades and metal recovery.

Copper production for 9M2023 decreased by 14% to 16,395,832 pounds compared with the production for the 9M2022 of 19,024,995 pounds. The decrease was due mainly to lower tonnage, as well as due to lower ore grades that averaged at 0.182% in 9M2023 versus 0.192% in 9M2022, and lower metal recovery. Metal recovery for copper for 9M2023 averaged at 78.2% compared to 80.7% in 9M2022. For 3Q2023, copper production also decreased to 5,222,528 pounds compared with 6,382,380 pounds in 3Q2022 from lower tonnage, ore grades and metal recovery.

## **Review of Financial Results**

Total operating revenues for 9M2023 amounted to Php6.605 billion, lower by Php1.072 billion or 14% compared with Php7.677 billion reported in 9M2022 due mainly to lower copper and gold output as well as the decline in copper prices, partially offset by favorable gold prices and foreign exchange rates (Forex) that averaged at Php55.69 compared with Php54.40 in 9M2022. Higher realized gold prices and favorable Forex continue to cushion the impact of declining copper prices in the Company's revenues. After smelting charges, the net revenues amounted to Php5.958 billion for 9M2023 as against Php7.058 billion in 9M2022.

Similarly, operating revenues for 3Q2023 were significantly lower by Php239 million or 11% at Php2.006 billion compared with Php2.245 billion in 3Q2022. The decrease in revenues was due to the lower metal production and Forex that averaged at Php56.70, 2% lower versus Php57.96 in 3Q2022. The impact of lower metal output and unfavorable Forex was mitigated by the higher copper and gold prices. After smelting charges, the net revenues amounted to Php1.802 billion for 3Q2023, compared with Php2.044 billion in 3Q2022.

Metal prices generally remained favorable for the 9M2023 even with the slight dip in copper prices in 3Q2023 which the Company expects to recover to mitigate the impact of lower metal production brought about by the mechanical challenges the Padcal Mine is currently experiencing.

### *Copper*

Copper production in 9M2023 decreased by 14% to 16,395,832 pounds compared with the production of 19,024,995 pounds in 9M2022, due mainly to the 6% decrease in tonnage, as well as lower ore grades and metal recovery. Realized copper prices for 9M2023 averaged at US\$3.83 per pound, 2% lower against US\$3.91 per pound in 9M2022. Forex that averaged higher by 2% for the period was not sufficient to offset the impact of lower copper production and copper price resulting to copper revenues lower at Php3.549 billion compared with Php4.022 billion in 9M2022. The favorable level of Forex has remained as Padcal's cushion against nonattainment of copper production targets and softening of copper prices. Copper accounted for 54% of total revenues for the period.

In 3Q2023, copper production was 18% lower at 5,222,528 pounds compared with 6,382,380 pounds for 3Q2022, due mainly to lower copper grades and reduced further due to lower tonnage and metal recovery, compared with the performance in 3Q2022. Copper prices which started strong in the first quarter of 2023 continued to decrease in 3Q2023 averaging US\$3.73 per pound compared with US\$4.00 per pound in 1Q2023 and US\$3.82 per pound in 2Q2023, but higher than the US\$3.61 per pound in 3Q2022. As a result of lower copper production but mitigated by

slightly higher copper prices in 3Q2023, copper revenues decreased by only 3% at Php1.066 billion from Php1.98 billion in 3Q2022.

#### *Gold*

Gold production in 9M2023 was 22% lower at 29,136 ounces compared with 37,357 ounces in 9M2022 from lower ore grade and metal recovery as well as tonnage. On the other hand, gold price averaged at US\$1,921 per ounce, higher than the US\$1,794 per ounce gold price realized in 9M2022. The strong gold price and Forex partially offset the impact of lower metal production resulting to gold revenues of Php3.002 billion, 16% lower compared with Php3.595 billion in 9M2022. Gold represented 45% of total revenues for the 9M2023.

For 3Q2023, gold production was at 8,775 ounces, lower by 28% than the gold production of 12,144 ounces for 3Q2022 due primarily to lower ore grades as well as lower tonnage and gold recovery. Consequently, gold revenues for 3Q2023 was lower by 18% at Php926 million from Php1.130 billion in 3Q2022 from lower gold output. Gold prices that averaged at US\$1,927 per ounce in 3Q2023 versus US\$1,889 per ounce in 1Q2023 and US\$1,937 per ounce in 2Q2023 and significantly higher than the US\$1,701 per ounce in 3Q2022, partially cushion the negative effect of low gold output and unfavorable Forex to the revenues.

#### *Silver*

Revenues from silver made up the remaining 1% of the Company's total revenues and amounted to Php54 million for 9M2023, lower by 10% against the Php60 million in 9M2022, mainly from lower production. For 3Q2023, revenues from silver amounted to Php16 million, 3% lower than the Php17 million in 3Q2022 caused by lower production.

#### *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 collar and put option hedging contracts 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.

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.

Based on a continuing assessment of exposure to price volatility, in June 2023, the Company entered into another gold collar contracts covering the period July to December 2023 at 1,605 ounces per month with strike price of US\$1,900 per ounce for the put option and US\$2,020 per ounce for the call option. Similarly for copper, the Company also entered into another copper put option contracts covering the period July to December 2023 at 950,193 pounds per month with strike price of US\$3.50 per pound. Total amount of premium to secure the put option contracts amounted to Php20 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	(1)
12/09/22	1,850	1,750	1,903	1,999	Apr. 2023	05/02/23	(10)
12/09/22	1,850	1,750	1,903	1,991	May 2023	06/02/23	(9)
12/09/22	1,850	1,750	1,903	1,943	June 2023	07/02/23	(4)
06/27/23	1,605	1,900	2,020	1,949	July 2023	08/08/23	-
06/27/23	1,605	1,900	2,020	1,921	Aug 2023	09/05/23	-
06/27/23	1,605	1,900	2,020	1,918	Sept 2023	10/03/23	-
06/27/23	1,605	1,900	2,020		Oct 2023		

06/27/23	1,605	1,900	2,020		Nov 2023		
06/27/23	1,605	1,900	2,020		Dec 2023		
						Total	(24)

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	4.00	Apr. 2023	05/02/23	(3)	-
01/20/23	450	992,079	3.75	3.74	May 2023	06/02/23	(3)	0.8
01/20/23	450	992,079	3.75	3.80	June 2023	07/02/23	(3)	-
06/27/23	431	950,193	3.50	3.83	July 2023	08/08/23	(3)	-
06/27/23	431	950,193	3.50	3.79	Aug 2023	09/05/23	(3)	-
06/27/23	431	950,193	3.50	3.75	Sept 2023	10/03/23	(3)	-
06/27/23	431	950,193	3.50		Oct 2023			
06/27/23	431	950,193	3.50		Nov 2023			
06/27/23	431	950,193	3.50		Dec 2023			
						Total	(28)	0.8

The Company recognized hedging losses of Php24 million on gold hedging contracts and hedging gain of Php828 thousand for copper. As of September 30, 2023, unrealized MTM loss on outstanding contracts amounted to Php15 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 (GAE), decreased to Php4.972 billion for 9M2023 from Php5.118 billion in 9M2022. The decrease in Opex was due to lower DDA on account of lower tonnage and due to the impact of mine life extension up to 2027, and lower revenue-related cost but was higher power rates that started in July 2022. 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 9M2022 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 Php403 million in 9M2023 from Php455 million in 9M2022.

Smelting Charges amounted to Php647 million for 9M2023, 5% higher than the Php619 million in 9M2022, due mainly to higher average treatment rates as well as higher freight charges for copper concentrate shipments, despite the lower copper concentrate production of 38,421 dry metric tons (DMT) in 9M2023 from 43,272 DMT in 9M2022. Higher Forex also contributed to the increase in Smelting Charges for the 9M2023.

For 3Q2023, total Opex decreased by 9% at Php1.634 billion from Php1.800 billion in 3Q2022 on account of lower Depletion, Depreciation and Amortization, and Excise Tax and Royalties despite the increased production cost due to higher power rate. Smelting Charges for 3Q2023, however, slightly increased by 2% at Php205 million from Php200 million due to lower production, despite the higher smelter rates and Forex.

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

Total production costs (including depletion, depreciation and amortization) on a per unit basis slightly increased to Php841 per tonne (based on total production costs of Php4.393 billion) for 9M2023 from Php807 per tonne (based on total production costs of Php4.481 billion) in 9M2022. 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.

Total operating costs (consisting of total production costs, smelting charges, excise taxes, and royalties) also increased to Php1,042 per tonne in 9M2023 from Php1,000 per tonne in 9M2022. The increase in cost per tonne was mainly attributable to higher production costs yet lower tonnage. Total operating costs for purposes of computing the break-even costs amounted to Php5.443 billion in 9M2023, higher compared with Php5.555 billion in 9M2022.

For 3Q2023, total production cost per tonne was higher at Php862 per tonne (based on total production cost of Php1.460 billion) as against Php860 per tonne (based on total production cost of Php1.611 billion). Similarly, operating cost per tonne was higher at Php1,052 per tonne (based on total operating costs of Php1.782 billion) from Php1,037 per tonne (based on total operating cost of Php1.943 billion) in 3Q2022. Higher cost per tonne was realized for the third quarter on account of higher cash production costs.

The operating cost per ounce of gold and per pound of copper for 9M2023 based on co-production method were US\$1,581 per ounce and US\$3.15 per pound, compared with US\$1,296 per ounce gold and US\$2.82 per pound copper in 9M2022, respectively. Breakeven costs per ounce and per pound increased in 9M2023 on account of lower metal output despite lower operating costs.

For 3Q2023, the operating cost per unit of gold increased to US\$1,664 per ounce (versus US\$1,305 per ounce in 3Q2022) on account of lower metal output. Similarly, unit per copper also increased to US\$3.22 per pound (versus US\$2.77 per pound).

## **Other Income (Charges)**

The Company recorded a Net Other Income of Php24 million in 9M2023 versus Php103 million in 9M2022. The Net Other Income in 9M2023 consisted mainly of interest income from the Company's short-term cash investments. Also included under Net Other Income were loss on foreign exchange transactions due to the weakening of US Dollar against the Philippine Peso and the Company's share in net losses of associates as well as various charges.

For 3Q2023, the Company reported a Net Other Charges of Php9 million mainly on account of loss from foreign exchange transactions offset by interest income, compared with a Net Other Income of Php51 million in 3Q2022 which substantially consisted of the gain from foreign exchange transactions and interest income.

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

The Company recorded a lower Provision for Income Tax of Php166 million for 9M2023, compared with Php404 million in 9M2022, on account of lower earnings in 9M2023. The provision for income tax pertaining to the 3Q2023 income amounted to Php19million, 66% lower than the Php56 million in 3Q2022, on account of lower revenues in 3Q2023.

## **Core and Reported Net Income**

For 9M2023, the Company recorded a Core Net Income and Net Income of Php864 million and Php844 million, respectively, compared with a Core Net Income of Php1.543 billion and Net Income of Php1.639 billion in 9M2022. The lower results in 9M2023 were primarily from lower revenues on account of the lower copper and gold output for the period. For 3Q2023, the Core Net Income amounted to Php163 million while Net Income was Php140 million, lower by 22% and 42%, respectively compared with the Core Net Income of Php210 million and Net Income of Php240 million in 3Q2022.

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 for the nine months and third quarter in both 2023 and 2022.

Similarly, EBITDA was also lower by 49% at Php1.525 billion in 9M2023 than the Php2.964 billion for 9M2022. 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. For 3Q2023, EBITDA was Php337 million, 45% lower than the Php611 million in 3Q2022.

## **FINANCIAL CONDITION REVIEW**

### **Current Assets**

The Company's Current Assets as of September 30, 2023 increased to Php8.008 billion from Php6.423 billion as of December 31, 2022. The increase of Php1.586 billion was mainly due to higher Cash and Cash Equivalent, Inventories and Other Current Assets on account of additional VAT receivable on Company purchases.

#### Cash and Cash Equivalents

The Cash and Cash Equivalents amounted to Php4.699 billion as of September 30, 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, cash generated from copper concentrates shipment proceeds valued at strong copper and gold prices and continuously favorable foreign exchange rates, and proceeds from the availment of a US\$25 million medium-term loan from a local bank. The Company continues to maintain cash reserves for programmed infusion in the Silangan Project.

#### Accounts Receivable

The Company's Accounts Receivable slightly decreased to Php404 million as of September 30, 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 September 30, 2023, Trade Receivables amounted to Php284 million while Other Receivables were Php120 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 September 30 2023 consisted of the remaining value of three shipments (versus five shipments also in the fourth quarter of 2022 as of December 31, 2022) awaiting final pricing, were with IXM S.A. with QP of 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 or equivalent to Php31 million, payable on demand and subject to an interest of 3.5% p.a. over LIBOR (6 months) that is payable quarterly. Total interests as of September 30, 2023 amounted to Php2.2 million.

### Inventories

Total Inventories, consisting of materials and supplies and mine products, amounted to Php1.772 billion as of September 30, 2023, an increase of 54% from Php1.151 billion as of December 31, 2022.

As of September 30, 2023, mine products inventory, which is valued at net realizable value, amounted to Php1.128 million or 64% of total inventory, while inventory for materials and supplies amounted to Php644 million or about 36% 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 increased by 59% due to higher value of mine products inventory corresponding to 7,704 DMT of copper concentrates, which included a one full concentrates shipment scheduled for loading on October 14, 2023 under Shipment No. 98-IXM, against 4,420 DMT as of December 31, 2022. On the other hand, materials and supplies increased by Php203 million 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.

### Derivative Assets

Derivative Assets amounted to Php25 million as of September 30, 2023 and nil as of December 31, 2022. This represents the unrealized marked-to-market gain on the Company's outstanding hedging contracts on gold and copper as of September 30, 2023 from the contracts entered into in June 2023.

### 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 Php1.109 billion as of September 30, 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 Php38.115 billion as of September 30, 2023 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 73% of total assets, signifying the capital intensive nature of the business.

### Deferred Exploration Costs

Deferred Exploration Costs increased to Php30.308 billion as of September 30, 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 Php27.893 billion or 92% of total deferred exploration costs. All expenditures related to early works program and land banking transactions for the Silangan Project were also included in the deferred exploration costs of the Project.

### Investment in Associates

Investment in Associates decreased to Php3.586 billion as of September 30, 2023 from Php3.606 billion as of December 31, 2022, mainly from the Company's share in the net losses of associates in 9M2023 of Php19 million.

### Property, Plant and Equipment

Property, Plant and Equipment ("PPE") slightly increased to Php3.180 billion as of September 30, 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 Php336 million as of September 30, 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 September 30, 2023 from December 31, 2022.

### Other Non-Current Assets

Other Non-Current Assets slightly increased to Php559 million as of September 30, 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 Php497 million.

## **Total Assets**

Total Assets of the Company increased to Php46.123 billion as of September 30, 2023 from Php43.259 billion as of December 31, 2022, primarily from the higher Deferred Exploration Costs, PPE, Inventories, Other Current Assets and cash balance.

## **Current Liabilities**

Current Liabilities slightly increased to Php5.388 billion as of September 30, 2023 from Php4.758 billion as of December 31, 2022, due mainly to the increase in Accounts Payable and Accrued Expenses, and Loans Payable.

### Loans Payable

Loans Payable increased to Php1.697 billion (or US\$30 million) as of September 30, 2023 from Php1.617 billion (or US\$29 million) as of December 31, 2022 due to the additional loan corresponding to the current portion of the medium-term loan availed in May 2023 from Philippine National Bank (“PNB”), partially offset by the impact of the restatement of the dollar denominated loans using a lower closing forex of Php56.575 as of September 30, 2023 versus Php55.755 as of December 31, 2022. Total outstanding loan of the Parent Company amounted to US\$23 million of short-term bank loans and US\$24 million with the long-term portion of US\$23 million reflected under Non-Current Liabilities while the loan of SMMCI amounted to US\$6 million. In August 2023, the Company made the first quarterly repayment of US\$1 million against the medium-term loan of US\$25 million with PNB.

### Accounts Payable and Accrued Liabilities

As of September 30, 2023, Accounts Payable and Accrued Liabilities increased to Php3.396 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. As of September 30, 2023, the Company also received US\$12 million as advance payment from IXM S.A. for Shipment No. 98-IXM that was shipped on October 14, 2023.

### Subscription Payable

Subscription Payable remained at Php2.8 million as of September 30, 2023 which consisted of outstanding payables to Philodrill Corporation and Kalayaan Copper Gold Resources, Inc.

### Income Tax Payable

As of September 30, 2023, Income Tax Payable amounted to Php36 million, which included the tax payable pertaining for 3Q2023 that is due on November 30, 2023, lower compared to Php124 million as of December 31, 2022.

### Dividends Payable

Dividends Payable decreased to Php256 million as of September 30, 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 September 30, 2023, Non-Current Liabilities amounted at Php9.120 billion, 20% higher than the Php7.631 billion as of December 31, 2022, comprising mainly of Loans and Bonds Payable, and Deferred Income Tax Liabilities.

### Loans and Bonds Payable

Loans and Bonds Payable amounted to Php7.452 billion as of September 30, 2023 from Php5.908 billion as of December 31, 2022, consisting of 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, and the proceeds of loan availed from PNB in May 2023, net of the current portion which was reflected under Current Liabilities. The payable amounts 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. Remaining carrying amount as of September 30, 2023 was Php6.150 billion.

The loans payable represents medium-term dollar-denominated loan from Philippine National Bank (PNB) obtained in May 2023. The principal amount of the loan is US\$25 million, payable on equal quarterly installment over three years and subject to a fixed interest of 6.67% p.a. accruing quarterly. Of the total principal amount, US\$1 million was reflected under Current Liabilities and US\$23 million or equivalent to Php1.301 billion under Non-current Liabilities as of September 30, 2023.

### 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 Php278 million mainly for accelerated deductions, decreased to Php1.691 billion as of September 30, 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 September 30, 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 September 30, 2023, Total Liabilities amounted to Php14.508 billion, 17% higher than the Php12.389 billion as of December 31, 2022, mainly due to higher current liabilities particularly accounts payable and accrued expenses, and the availment of the medium-term loan with PNB.

#### **Total Equity**

The Company's Total Equity as of September 30, 2023 increased to Php31.615 billion from Php30.869 billion as of December 31, 2022 on account mainly of the 9M2023 net income of Php844 million, net of the cash dividend declared in February 2023 of Php116 million.

Capital Stock and Additional Paid in Capital remained at Php5.782 billion and Php2.885 billion, respectively, as of September 30, 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 Php19.719 billion as of September 30, 2023, consisting of Php9.219 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 9M2023 Net Income of Php844 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 Php76 million as of September 30, 2023 from Php55 million as of December 31, 2022. These amounts were inclusive of gain related to the fair value of derivative instruments of Php15 million as of September 30, 2023 from a loss 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 September 30, 2023 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 Php46.123 billion as of September 30, 2023 from Php43.259 billion as of December 31, 2022 due mainly to the increase in Equity as a result of the

9M2023 net income of Php844 million and 17% increase in Total Liabilities from the bank loan availment.

### **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 Php1.173 billion for the nine months ended September 30, 2023 (9M2023), compared with Php2.979 billion in the nine months of 2022 (9M2022). 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, to partly finance the development of the Silangan Project, exploration initiatives of various mine sites, and for the repayment of existing loans when programmed. Fund raising through equity and/or debt financing are other sources of funds to augment the principal source of cash.

Net cash used in investing activities, principally for capital expenditures and deferred exploration costs, amounted to Php1.558 billion in 9M2023 as against Php1.342 billion in 9M2022. Capital expenditures mainly for Padcal were higher at Php961 million for 9M2023 compared with Php795 million in 9M2022. Similarly, expenditures on deferred exploration costs (DEC) were also higher at Php596 million 9M2023 compared with Php547 million in 9M2022, pertaining substantially to Silangan Project's development or construction program that started in late 2022. DEC also included capitalized interests on loans and convertible notes of Php78 million for 9M2023.

<i>(in Php Millions)</i>	<b>9M2023</b>	<b>9M2022</b>
Padcal		
Mine Development	363	336
Tailings Pond Structures	105	138
Machinery and Equipment	370	320
Total	838	794
Silangan Project		
Deferred Exploration Costs	499	544
Machinery and Equipment	124	1
Total	622	545
Mine Exploration Projects	97	3
Total	1,557	1,342
Consolidated		
Property, Plant and Equipment	961	795
Deferred Exploration Costs	596	547
Total	1,557	1,342

Total Padcal Capital Expenditures and Deferred Exploration Costs totalled to Php1.557 billion in 9M2023 and Php1.342 billion in 9M2022.

Padcal operations accounted for 54% of total expenditures at Php838 million in 9M2023 compared with Php794 million in 9M2022.

Silangan Project comprised of 40% of the total expenditures amounting to Php622 million in 9M2023, comprising mainly of Php420 million for development and construction works including additional land banking transactions, Php124 million for acquisition of initial equipment and Php78 million for capitalized interests on the bank loans and the CN, compared with Php545 million for 9M2022.

Other mining exploration projects constituted a total amount of Php97 million in 9M2023 compared with Php3 million only in 9M2022. These activities included expenditures related to scout drilling as well as confirmatory drilling works on various prospects, and expenses on complying with the regulatory requirements.

Net cash from financing activities amounted to Php1.158 billion in 9M2023 compared to Php2.309 billion in 9M2022. In May 2023, the Company availed Php1.383 billion or \$25 million medium-term loan from a local bank to finance capital expenditures of Padcal Mine in relation to the three-year extension of its mine life from 2024 to 2027. Last year's significant cash from financing activities came from the proceeds Stock Rights Offering (SRO) amounting to Php2.580 billion net of SRO expenses. The net cash used also included dividend payment of Php116 million in 9M2023 as compared with Php247 million in 9M2022. Loan repayment of Php55 million in 9M2023 pertains to the quarterly repayment schedule of the medium-term bank loan.

## **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 9M2023 and 9M2022, the Company recorded one Lost Time Accident-Fatal ("LTA-F"). Meanwhile, in terms of Lost Time Accident Non-Fatal events, there were eight recorded incidents 9M2023 compared with seven in 9M2022.

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 when necessary 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.

	9M2023	9M2022
Earnings Per Share	Php0.146	Php0.320
Weighted Average Number of Outstanding Shares	5,782,399,068	5,127,510,179
Total Outstanding Shares	5,782,399,068	5,782,399,068

### Tonnes Milled and Metals Produced

Tonnes milled and ore grade determine the volume of concentrates to be produced and sold. Tonnes milled were 5,224,527 tonnes in 9M2023, 6% lower compared with 5,554,056 tonnes in 9M2022.

Copper output reached 16,395,832 pounds in 9M2023, 14% lower compared with 19,024,995 pounds in 9M2022 due mainly to lower tonnage, ore grades and metal recovery. Gold production was 22% lower at 29,136 ounces in 9M2023, compared with 37,357 ounces in 9M2022, as a result of lower tonnage, ore grade and metal recovery.

### Break-even Production and Operating Cost Per Unit

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

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

In 9M2023, 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 Php841, with total production cost of Php4.393 billion over ore milled of 5,224,527 tonnes. This was 4% higher than the cost per tonne of Php807 from the total production cost of Php4.481 billion over ore milled of 5,554,056 tonnes in 9M2022. The higher cost per tonne in 9M2023 was primarily on account of higher non-variable costs despite lower tonnage.

The operating costs and expenses (all cost and expenses excluding GAE) per tonne of ore milled in 9M2023 was Php1.042 from the total operating cost and expenses of Php5.443 billion, 4% higher than the Php1,000 from the operating costs and expenses of Php5.555 billion in 9M2022. 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\$1,581 per ounce in 9M2023 compared with US\$1,296 per ounce in 9M2022, while operating cost applicable to copper produced amounted to US\$3.15 per pound in 9M2023 compared with US\$2.82 per pound in 9M2022. 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 9M2023, the amount spent on mining exploration, including that of Silangan Project amounted to Php596 million, comprising mainly of Php499 million for development and construction works of the Silangan Project including additional land banking transactions and Php97 million for other exploration projects and prospects, compared with Php547 million in 9M2022. As of September 30, 2023, total deferred exploration costs amounted to Php30.308 billion, comprising 66% 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 September 30, 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 Php3.729 billion as of September 30, 2023 and Php3.673 billion 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 Php6.150 billion and Php5.908 billion as of September 30, 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 exchange for 38,609 SMMCI shares.

In December 2022, PMC subscribed additional shares from SMECI consisting of 101,471 new shares with total subscription price of Php2.649 billion which proceeds was used by SMECI to settle its liabilities and additional subscription of 33,708 shares in SMMCI.

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 June 30, 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: November 13, 2023



PHILEX MINING CORPORATION  
AND SUBSIDIARIES

UNAUDITED  
CONSOLIDATED  
FINANCIAL STATEMENTS  
September 30, 2023

Pasig City, Philippines

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**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousands, except Par Value per Share)

	September 30 2023 (Unaudited)	December 31 2022 (Audited)
<b>Current Assets</b>		
Cash and cash equivalents	P 4,698,973	P 3,925,296
Accounts receivable - net	404,024	580,621
Inventories - net	1,772,054	1,151,089
Derivative assets	24,700	-
Other current assets - net	1,108,730	765,754
<b>Total Current Assets</b>	<b>8,008,481</b>	<b>6,422,760</b>
<b>Noncurrent Assets</b>		
Deferred exploration costs	30,308,078	29,491,920
Investment in associates - net	3,586,403	3,605,677
Property, plant and equipment - net	3,180,133	2,729,865
Pension asset - net	335,731	340,725
Financial assets measured at fair value through other comprehensive income (FVOCI)	145,207	145,207
Other non current assets	559,256	522,595
<b>Total Noncurrent Assets</b>	<b>38,114,808</b>	<b>36,835,989</b>
<b>TOTAL ASSETS</b>	<b>P 46,123,289</b>	<b>P 43,258,749</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable	P 1,697,250	P 1,616,895
Accounts payable and accrued liabilities	3,395,565	2,670,983
Subscription payable	2,767	2,767
Income tax payable	35,983	124,351
Dividends payable	256,236	343,346
<b>Total Current Liabilities</b>	<b>5,387,801</b>	<b>4,758,342</b>
<b>Noncurrent Liabilities</b>		
Loans and bonds payable	7,451,555	5,907,961
Deferred tax liabilities - net	1,666,373	1,720,847
Provision for losses and mine rehabilitation costs	2,342	2,342
<b>Total Noncurrent Liabilities</b>	<b>9,120,270</b>	<b>7,631,150</b>
<b>Total Liabilities</b>	<b>14,508,071</b>	<b>12,389,492</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital Stock - P1 par value	5,782,399	5,782,399
Additional paid-in capital	2,885,163	2,885,163
Retained Earnings		
Unappropriated	9,218,531	8,493,736
Appropriated	10,500,000	10,500,000
Net unrealized gain (loss) on financial assets measured at FVOCI and derivative	76,036	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
	31,615,510	30,869,549
Non-controlling Interests	(292)	(292)
<b>Total Equity</b>	<b>31,615,218</b>	<b>30,869,257</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>P 46,123,289</b>	<b>P 43,258,749</b>

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands, except Earnings Per Share)

	Nine Months ended			
	September 30			
	2023		2022	
<b>REVENUES (Note 5)</b>	<b>P</b>	<b>5,958,141</b>	<b>P</b>	<b>7,058,117</b>
<b>COSTS AND EXPENSES</b>				
Production costs		3,867,521		3,431,437
Depletion, depreciation and amortization		525,452		1,049,371
Excise taxes and royalties		402,508		455,388
General and administrative expenses		176,174		182,000
		<b>4,971,655</b>		<b>5,118,196</b>
<b>INCOME FROM OPERATIONS</b>		<b>986,486</b>		<b>1,939,921</b>
<b>OTHER (CHARGES) INCOME</b>				
Foreign exchange gains - net		(3,154)		127,995
Interest income		40,170		10,817
Share in net losses of associates		(19,274)		(13,974)
Others - net		5,799		(21,757)
		<b>23,541</b>		<b>103,082</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>1,010,027</b>		<b>2,043,002</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
Current		211,649		590,825
Deferred		(45,597)		(186,727)
		166,051		404,098
<b>NET INCOME</b>	<b>P</b>	<b>843,976</b>	<b>P</b>	<b>1,638,904</b>
<b>Net Income Attributable to:</b>				
Equity holders of the Parent Company		843,976		1,638,904
Non-controlling interests		-		-
	<b>P</b>	<b>843,976</b>	<b>P</b>	<b>1,638,904</b>
<b>BASIC/DILUTED EARNINGS PER SHARE</b>	<b>P</b>	<b>0.146</b>	<b>P</b>	<b>0.320</b>

**PHILEX MINING CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands, except Earnings Per share)

	<b>3rd Quarter ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>REVENUES</b>	<b>1,801,675</b>	<b>2,044,445</b>
<b>COSTS AND EXPENSES</b>		
Production costs	1,292,290	1,250,432
Depletion, depreciation and amortization	167,567	360,475
Excise taxes and royalties	117,216	131,601
General and administrative expenses	56,934	57,573
	1,634,007	1,800,081
<b>INCOME FROM OPERATIONS</b>	<b>167,668</b>	<b>244,364</b>
<b>OTHER (CHARGES) INCOME</b>		
Foreign exchange gains - net	(30,643)	39,792
Share in net losses of associates	(7,211)	(5,428)
Interest income	23,519	8,742
Reversal of Impairment - net	-	-
Others - net	5,819	8,262
	<b>(8,516)</b>	<b>51,368</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>159,152</b>	<b>295,732</b>
PROVISION (BENEFIT FROM) FOR INCOME TAX		
Current	36,052	155,730
Deferred	(16,740)	(99,666)
	19,312	56,065
<b>NET INCOME</b>	<b>P 139,840</b>	<b>P 239,669</b>
<b>Net Income Attributable to:</b>		
Equity holders of the Parent Company	139,840	239,669
Non-controlling interests	-	-
	<b>P 139,840</b>	<b>P 239,669</b>
<b>BASIC/DILUTED EARNINGS PER SHARE</b>	<b>P 0.024</b>	<b>P 0.041</b>

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

	<b>Nine Months ended</b>	
	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>NET INCOME</b>	<b>P 843,976</b>	<b>P 1,638,904</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Unrealized loss on fair value of hedging instruments	21,166	121,367
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement of pension obligation (net of tax) and others	(3,533)	(66,936)
	17,633	54,431
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P 861,608</b>	<b>P 1,693,335</b>
<b>Total Comprehensive Income Attributable to:</b>		
Equity holders of the Parent Company	861,608	1,693,335
Non-controlling interests	-	-
	<b>P 861,608</b>	<b>P 1,693,335</b>

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

	Nine Months ended			
	September 30			
	2023		2022	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	P	1,010,027	P	2,043,002
Adjustments for:				
Depletion, depreciation and amortization		545,126		1,057,243
Unrealized foreign exchange losses (gains) and others - net		53,960		221,154
Share in net losses of associates		19,273		13,974
Interest income		(40,170)		(10,817)
Operating income before working capital changes		1,588,216		3,324,556
Decrease (increase) in:				
Accounts receivable		176,597		43,982
Inventories		(620,965)		429,955
Other current assets		(353,000)		(215,099)
Other noncurrent assets		(36,362)		(19,221)
Increase (Decrease) in:				
Accounts payable and accrued liability		526,510		106,860
Non current liabilities		(48,538)		(267,904)
Cash generated from operations		1,232,458		3,403,129
Income taxes paid		(175,637)		(435,062)
Interest paid		116,451		10,817
Net cash flows generated from operating activities		1,173,273		2,978,884
CASHFLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment		(961,242)		(795,096)
Increase in deferred exploration costs and other noncurrent assets		(596,446)		(546,790)
Net cash flows used in investing activities		(1,557,688)		(1,341,886)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Stock Rights Offering - net				2,579,653
Proceeds from Long-Term Bank Loan		1,382,500		
Payments of:				
Capitalized interest expenses		(53,924)		(23,618)
Long-term bank loans		(54,880)		-
Dividends		(115,603)		(247,000)
Net cash flows from (used in) in financing activities		1,158,093		2,309,036
EFFECT OF EXCHANGE RATE CHANGES				
ON CASH AND CASH EQUIVALENTS				
NET DECREASE IN CASH AND CASH EQUIVALENTS		773,678		3,946,033
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		3,925,296		2,890,763
CASH AND CASH EQUIVALENTS AT END THE PERIOD	P	4,698,973	P	6,836,796

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

	Attributable to Equity Holders of the Parent Company										Non-controlling Interest	Total
	Capital Stock	Additional Paid-in Capital	Retained Earnings		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		
			Unappropriated	Appropriated								
<b>BALANCES AT DECEMBER 31, 2022</b>	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
<b>Net income</b>			843,976							843,976		843,976
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					21,166					21,166		21,166
<i>Items not to be reclassified to profit and loss in subsequent periods:</i>												
Remeasurement of pension obligation (net of tax) and others			(3,533)							(3,533)		(3,533)
Income tax effect on revaluation surplus			-					(0)		(0)		(0)
Total comprehensive income			840,443		21,166			(0)		861,608		861,608
Declaration of dividends			(115,648)							(115,648)		(115,648)
<b>BALANCES AT SEPTEMBER 30, 2023 (Unaudited)</b>	<b>5,782,399</b>	<b>2,885,163</b>	<b>9,218,531</b>	<b>10,500,000</b>	<b>76,036</b>	<b>857,863</b>	<b>367,655</b>	<b>1,849,971</b>	<b>77,892</b>	<b>31,615,509</b>	<b>(292)</b>	<b>31,615,218</b>
<b>BALANCES AT DECEMBER 31, 2021</b>	4,940,399	1,143,981	6,943,648	10,500,000	17,319	1,225,518	-	1,849,971	77,892	26,698,728	(288)	26,698,440
<b>Net income</b>			1,638,904							1,638,904		1,638,904
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					121,367					121,367		121,367
<i>Items not to be reclassified to profit and loss in subsequent periods:</i>												
Remeasurement of pension obligation (net of tax)			(66,936)							(66,936)		(66,936)
Total comprehensive income			1,571,968		121,367					1,693,335		1,693,335
Increase in capital stock due to Stock Rights Offering	842,000		-							842,000		842,000
Increase in additional paid-in capital due to Stock Rights Offering - net		1,755,925								1,755,925		1,755,925
Declaration of dividends			(247,000)							(247,000)		(247,000)
<b>BALANCES AT SEPTEMBER 30, 2022 (Unaudited)</b>	<b>5,782,399</b>	<b>2,899,906</b>	<b>8,268,616</b>	<b>10,500,000</b>	<b>138,686</b>	<b>1,225,518</b>	<b>-</b>	<b>1,849,971</b>	<b>77,892</b>	<b>30,742,988</b>	<b>(288)</b>	<b>30,742,701</b>

**PHILEX MINING CORPORATION AND SUBSIDIARIES FINANCIAL  
SOUNDNESS INDICATORS – UNAUDITED**

		Nine Months Ended September 30	
		2023	2022
Current Ratio	Current Assets over Current Liabilities	1.49	0.69
Debt-to-equity Ratio	Total Liabilities over Total Equity	0.46	0.50
Asset-to-equity Ratio	Total Assets over Equity	1.46	1.50
Net Income Ratio	Net Income over Net Revenue	0.14	0.23



**PHILEX MINING CORPORATION AND SUBSIDIARIES**

**SCHEDULE OF ACCOUNTS RECEIVABLE**

As of September 30, 2023

(In Thousands)

Accounts Receivable- Trade	P 284,424
Others	119,600
	<b>P 404,024</b>

**AGING OF ACCOUNTS RECEIVABLE - TRADE**

As of September 30, 2023

	<b>0-30 days</b>	<b>31-60 days</b>	<b>Total</b>
IXM S.A.	P 87,802	P 196,622	P 284,424
	<b>P 87,802</b>	<b>P 196,622</b>	<b>P 284,424</b>

**PHILEX MINING CORPORATION AND SUBSIDIARIES**

**SCHEDULE OF LOANS AND BONDS PAYABLE**

As of September 30, 2023

(In thousands)

Bonds Payable	P 6,150,330
Loans Payable:	
Banco de Oro	P 226,300
Philippine National Bank	1,697,250
Bank of the Philippine Islands	339,450
Security Bank	735,475
<b>Total</b>	<b>P 9,148,805</b>

**PHILEX MINING CORPORATION AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 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.

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## **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.

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### **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 September 30, 2023:

Cash and cash equivalents	
Cash with banks	₱ 1,262,740
Short-term deposits	3,431,282
Accounts receivable:	
Trade	284,424
Others	117,498
Financial assets measured at FVOCI	
Quoted equity investments	92,172
Unquoted equity investments	53,035
Derivative assets	24,700
	₱ 5,265,851

The table below summarizes the Group's exposure to credit risk for the components of the consolidated statements of financial position as of September 30, 2023.

	Neither Past Due nor Impaired		Past Due and Individually Impaired	Total
	High-Grade	Standard		
Cash and cash equivalents:				
Cash with banks	₱ 1,262,740	-	-	₱ 1,262,740
Short-term deposits	3,431,282	-	-	3,431,282
Accounts receivable:				
Trade	284,424	-	-	284,424
Others	117,498	-	-	117,498
Financial assets measured at FVOCI				
Quoted equity investments	92,172			92,172
Unquoted equity investments	53,035			53,035
Derivative assets	24,700			24,700
<b>Total</b>	<b>₱ 5,265,851</b>	<b>-</b>	<b>-</b>	<b>₱ 5,265,851</b>

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

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

#### Liquidity risk

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

The table below summarizes the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as of September 30, 2023:



	On Demand	Within 1 Year	More than 1 Year	Total
Other financial liabilities:				
Short-term bank loans				
Principal	₱	1,640,875		₱ 1,640,875
Interest		16,390		16,390
Loan and Bonds Payable				
Principal		56,375	6,336,625	6,393,000
Interest		2,475	637,688	640,163
Accounts payable and accrued liabilities		3,185,445	-	3,185,445
Dividends payable	256,236			256,236
<b>Total undiscounted financial liabilities</b>	<b>₱ 256,236</b>	<b>₱ 4,901,560</b>	<b>6,974,313</b>	<b>12,132,110</b>

	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	₱ 4,698,973			₱ 4,698,973
Accounts receivable:				
Trade		284,424		284,424
Others		117,498		117,498
Advances to related parties				-
Financial assets measured at FVOCI				
Quoted equity investments	92,172			92,172
Unquoted equity investments	53,035			53,035
<b>Total undiscounted financial assets</b>	<b>₱ 4,844,180</b>	<b>₱ 401,922</b>	<b>-</b>	<b>₱ 5,246,102</b>

### 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%	(₱85,871)
(6%)	85,871

#### *Equity Price Risk*

Equity price risk is the risk where the fair values of investments in quoted equity securities could increase or decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Management monitors the movement of the share prices

pertaining to the Group's investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as financial assets measured at FVOCI.

The effect on equity, as a result of a possible change in the fair value of the Group's quoted equity instruments held as financial assets measured at FVOCI as at September 30, 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 September 30, 2023:

Change in Metal Prices		Effect on Income before Income Tax
<b>Gold:</b>		
Increase by 15%	15%	₱450,381
Decrease by 15%		(450,381)
<b>Copper:</b>		
Increase by 28%	28%	₱993,717
Decrease by 28%		(993,717)

#### **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 nine months ended September 30, 2023 and 2022 amounted to ₱1,525,426 and ₱2,963,976, respectively.

The following table shows the Group's reconciliation of core net income to the consolidated net income for the nine months ended September 30, 2023 and 2022.

	YTD September 30	
	2023	2022
Core Net Income	₱864,340	₱1,542,908
Non-Recurring gains (losses) :		
Foreign exchange gains (losses)	(3,154)	127,995
Provision for losses	(18,000)	-
Net tax effect on foreign exchange losses	789	(31,999)
Net income attributable to parent company	843,976	1,638,904
Net income attributable to non-controlling interests	-	-
Net income	₱843,976	₱1,638,904

Core net income per share is computed as follows:

	2023	2022
Core net income	₱864,340	₱1,542,908
Divided by weighted average number of common shares outstanding	5,782,399,068	5,127,510,179
Core net income per share	₱0.149	₱0.301

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## 5. Revenues

Adoption of PFRS 15 using modified retrospective approach as of September 30, 2023 and September 30, 2022:

	2023		
	Revenue from contracts with customers	Provisional pricing adjustments	Total Revenue
Gold	₱ 2,830,409	(122,079)	₱ 2,708,330
Copper	3,151,479	49,755	3,201,233
Silver	49,556	(978)	48,578
Total			<b>₱ 5,958,141</b>

	2022		
	Revenue from contracts with customers	Provisional pricing adjustments	Total Revenue
Gold	₱ 3,384,967	(79,767)	₱ 3,305,200
Copper	3,941,523	(243,391)	3,698,132
Silver	59,246	(4,461)	54,785
Total			<b>₱ 7,058,117</b>

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

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## 6. Long-Term Loan Payable

The long-term loans payable represents the proceeds of the dollar-denominated loan from Philippine National Bank (PNB) in May 2023. The principal amount of the loan is US\$25 million, payable on equal quarterly installment over three years and subject to a fixed interest of 6.67% p.a. accruing quarterly. Of the total principal amount, US\$1 million was reflected under Current Liabilities and US\$23 million or equivalent to Php1.301 billion under Non-current liabilities as of September 30, 2023.

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## 7. Basic/Diluted Earnings Per Share

Basic and diluted earnings per share as of September 30, 2023 and 2022 are computed as follows:

	2023	2022
Net income attributable to equity holders of the Parent Company	₱ 843,976	₱ 1,638,904
Divided by weighted average number of common shares outstanding during year	5,782,399,068	5,127,510,179
Basic earnings per share	<b>₱0.146</b>	<b>₱0.320</b>

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.

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**8. 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.