COVER SHEET

1 0 0 4 4

SEC Registration Number

P H I L E X   M I N I N G   C O R P O R A T I O N   A N D
S U B S I D I A R I E S

(Company's Full Name)

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

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

ROMEO B. BACHOCO

(Contact Person)

(632) 8631-13-81

(Company Telephone Number)

1 2   3 1

Month *Day*

(Calendar Year)

1 7 - A

(Form Type)

0 6   2 8

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

43,945

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

S.E.C. Number 10044
File Number______

PHILEX MINING CORPORATION
(Company's Full Name)

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

631-1381 to 88
(Telephone Numbers)

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

SEC FORM 17-A
Form Type

____
Amendment Delegation (If applicable)

December 31, 2021
Period Ended Date

____
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2021**
2. SEC Identification Number **10044**
3. BIR Tax Identification No. **000-283-731-000**
4. Exact name of issuer as specified in its charter: **PHILEX MINING CORPORATION**
5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization
6. [ ] (SEC Use Only) Industry Classification Code:
7. **2nd Floor LaunchPad, Reliance Street corner Sheridan Street, Mandaluyong City, Metro Manila**
   Address of principal office Postal Code **1550**
8. **(632) 631-1381 to 88**
   Issuer's telephone number, including area code
9. ______________________
   Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 & 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares, P1 par value (as of Dec. 31, 2021)	**4,940,399,068**
Debt Outstanding (as of December 31, 2021)	**P10.131 Billion**

11. Are any or all of these securities listed on a Stock Exchange?

    Yes [x] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange **Common Shares**

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a) – 1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the issuer was required to file such reports).

    Yes [x] No [ ]

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

    Yes [x] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: Php26.135 billion based on closing price at the Philippine Stock Exchange on April 7, 2022.

PART 1 - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Company Overview

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

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

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

Business

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

On June 25, 2021, the Padcal Mine life has been extended for another 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.

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

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

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

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

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

The approved DMPF for underground sub-level cave mining method includes the approved Three Year Development and/or Utilization Work Program (3YD/UWP), the Environmental Protection and Enhancement Program (EPEP), Final Mine Rehabilitation and Decommissioning Plan (FMRDP) and Social Development and Management Program (SDMP). A revised 3YD/UWP covering three years was submitted to the MGB Central Office in December 2020.

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

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

In January 2022, the Company completed the In-Phase Mine Plan feasibility study and updated the mineable reserve estimate for the Boyongan deposit in accordance with the 2012 Philippine Mineral Reporting Code ("PMRC"). Under the In-Phase Mine Plan, Silangan is expected to commence operation with a starter sub-level cave mine using copper and gold leaching processes with ore production of 2,000 tonnes per day or 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.

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

Corporate Objectives

2022 to 2024
Relentless Review of the Padcal LOM to Add Value and Further Prolong Mine Life • Further streamlining of costs • Mineable resource beneath 745 ML (Ore Conveyor Level) • Mineral resource at Bumolo Project

Realization of Silangan Project • Project execution plan • Development readiness
Business Continuity, and Industry and Company Image Enhancement • Mergers and acquisitions • Present mining tenements value creation • TSM requirements completion and biodiversity study implementation • Industry and company image improvement through regular media releases
Others • May 2022 national and local elections considerations

Product, Distribution and Customers

For the past 64 years, the Company has operated the Sto. Tomas II ore deposit at Padcal, Tuba, Benguet Province – the first underground block cave mining operation in the Far East.

The Company's Padcal Mine produces copper concentrates, containing copper, gold and silver. Total ore extracted and processed from start of operation to 2021 aggregated to 441.69 million tonnes, producing 2.383 billion pounds of copper, 6.409 million ounces of gold, and 6.980 million ounces of silver.

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

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

The remaining copper concentrate production outside the Pan Pacific agreement is under contract with IXM S.A. (formerly Louis Dreyfuss Commodities Metals Suisse S.A.) through a negotiated contract from 2005 to 2018. For the contract period covering April 2018 to March 2019, shipments outside the Pan Pacific contract were awarded to Transmine S.A. after a bidding conducted in February 2018. From April 2019 to March 2020, the remaining shipments were given to IXM S.A. through a negotiated contract. For the next two contract years, April 2020 to March, 2021 and April 2021 to March 2022, IXM S.A. consecutively won the bidding and was awarded the shipments outside of the PPC agreement.

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

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

The breakdown of gross revenues per metal are as follows:

	2021		2020		2019		2018	
(in Php Millions)	Amount	%	Amount	%	Amount	%	Amount	%
Gold	4,885	46%	4,794	57%	3,740	50%	4,200	50%
Copper	5,116	53%	3,579	42%	3,592	49%	4,051	49%
Silver	87	1%	77	1%	67	1%	63	1%
Total	10,488	100%	8,450	100%	7,399	100%	8,314	100%

Competition

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

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

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

Sources and Availability of Raw Materials and Supplies

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

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

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

Electrical power to run the Padcal Mine is currently sourced from TeAM (Philippines) Energy Corporation, effective December 26, 2020 for a period of two (2) years up to December 25, 2022. The National Grid Corporation of the Philippines provides the transmission lines for the delivery of power to the mine. Diesel fuel is used mostly for the Load-Haul-Dump (“LHDs”) equipment and Low Profile Trucks (“LPTs”). This equipment, mostly acquired from Sandvik, Epiroc, and Qingdoa Fambition Heavy Machinery Co, LTD are utilized underground for the mine’s hauling and miscellaneous activities.

The maintenance of the Padcal Mine’s cable-haul conveyor system to transport the ore from underground to the mill is backed with a maintenance consultancy and parts supply contract with Prince ACE Corporation, a Philippine company that works closely with NEPEAN Conveyors of Australia.

Coffey International Pty Ltd (Coffey) was hired by the Company in 2018 to provide geotechnical services for the design of the TSF3 Embankment Raising from 635mRL to 640mRL. Coffey completed the TSF3 geotechnical analysis in November 2019 and recommended that additional buttresses be built, the OSD and OSDE embankments be raised, and several geotechnical apparatuses be installed to protect the structures of TSF3 from potential damages caused by liquefaction. Philex hired Delta Earthmoving Inc. to build the additional buttress and raise the offset dike over three years beginning in June 2020, according to Coffey's specifications. The same company was also engaged for Subsidence Earthmoving Works beginning in October 2018 until December 2022.

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

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

Our supply transactions are generally covered by a transaction specific purchase order valid for a certain period of time and for specific quantity. In the case of power supply, our supply agreement is for a period of 24 months, up to December 25, 2022.

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

Employees

The Company's total manpower headcount, including those of subsidiaries, is at 1,910 as of December 31, 2021, 1,927 in 2020 and 1,881 in 2019. For the Parent Company, headcount is 1,881 as of December 31, 2021 and 1,894 and 1,845 in 2020 and 2019, respectively.

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

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

The overall average tenure of employees is 13 years, with an average age of 41 years old. Employee gender distribution was at 92% male and 8% female and this is attributed to the nature of the job being an underground mine. The Company anticipates no material change in the number and type of employees within the ensuing twelve months.

Padcal-based employees belong to two collective bargaining agents: the Philex Mines Independent Labor Union (PMILU) for rank-and-file employees and the Philex Mining Supervisory Employees Union-Association of Professional Supervisory Office Technical Employees Union (Trade Union Congress of the Philippines) [PMSEU] for supervisors.

On December 27, 2021, PMILU submitted with the Department of Labor and Employment - National Conciliation and Mediation Board, Regional Conciliation Mediation Branch- Cordillera Administrative Region the results of its strike vote referendum, voting yes to go on strike on the alleged ground of bargaining deadlock in the negotiation of the Collective Bargaining Agreement (CBA). However, this matter has been resolved and settled, culminating in the February 19, 2022 signing by the Company and PMILU of a CBA with the term of January 2, 2020 to January 1, 2025.

On the other hand, PMSEU entered into a CBA with the Company with a term of May 1, 2020 to April 30, 2025.

The head-office rank-and-file employees are members of the Philex Pasig Metro Manila Employees Union (PPMMEU). On November 18, 2021, the Company and PPMMEU signed a CBA with a term of September 1, 2021 to August 31, 2026.

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

Mining Properties and Royalty Agreements

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

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

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

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

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

Padcal Mine Mineral Resources
As of December 31, 2021

	Classification	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained	
					Copper (M lbs.)	Gold (ozs.)
782ML	Measured + Indicated	3.800	0.22	0.33	19.0	41,000
798ML	Measured + Indicated	27.000	0.20	0.27	120.0	230,000
	Inferred	11.000	0.17	0.26	43.0	92,000
Subtotal	**Measured + Indicated**	**31.000**	**0.21**	**0.28**	**140.0**	**270,000**
Subtotal	**Measured + Indicated + Inferred**	**42.000**	**0.20**	**0.27**	**180.0**	**360,000**
800-630ML	Measured + Indicated	140.000	0.18	0.32	550.0	1,400,000
Total	**Measured + Indicated**	**170.000**	**0.18**	**0.31**	**690.0**	**1,700,000**
Total	**Measured + Indicated+Inferred**	**180.000**	**0.18**	**0.31**	**730.0**	**1,800,000**

Notes:

1. Cut-off grade = 0.274%CuEq
   %CuEq = %Cu + 0.602 x g/tAu

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

   Metal prices = US$ 3.75/lb Cu and US$1,650/oz Au
   Metal Recoveries = 80% for Cu and 75% for Au
   Forex (Php to USD) = 50.00 Php
   Operating Cost per Tonne= 905.00 Php

2. The decrease in the grade cut-off and the increase in the areas with reasonable prospects of economic extraction resulted in a corresponding 49% increase from the previous year in the total tonnage of the measured and indicated remaining mineral resource.

3. Majority of the reported tonnage is within 800-630ML, which is currently undergoing studies for economic ore extraction.

4. Drilling is to be conducted within the reported Inferred Resource area, from 798ML, to improve the confidence level in the estimates.

5. The Mineral Resource reported is based on the November 2020 Resource block model prepared by Philex, incorporating data from development sampling and additional holes drilled in 2020. The estimation methodology has been detailed in the technical report, 'November 2020 Mineral Resource Estimation Update, Sto, Tomas II Porphyry Cu-Au deposit of Padcal Mine', authored by the undersigned ACP-Geologist.

6. The resource block model was generated using Leapfrog ARANZTM and Geovia GemsTM.

7. Mineral Resource Estimates followed the terminology and guidelines set forth in the Philippine Mineral Reporting Code ("PMRC").

8. Total resources include Proved Reserves.

9. All tonnage information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences in the totals.

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

Padcal Mine Proved Reserves
As of December 31, 2021

PROVED RESERVES As of December 31, 2021					
Ore Sources	**Tonnes (Mt)**	**Copper (%)**	**Gold (g/t)**	**Recoverable**	
				Copper (M lbs.)	**Gold (Ozs.)**
798-ML	22.200	0.18	0.22	70.4	116,000
782-ML	1.300	0.20	0.22	4.5	7,000
760-ML	1.400	0.15	0.39	3.9	13,000
Total Reserves	**24.900**	**0.18**	**0.23**	**78.8**	**136,000**

Notes:

1. This Mineral Reserve Estimate was based on the *Summary of Remaining Mineral Resource Estimate (MRE) for Padcal Mine as of December 31, 2021* memo dated March 10, 2022 by Noel C. Oliveros, a Competent Person for Exploration and Mineral Resource Estimation.
2. Geovia GEMS^{TM} and PCBC^{TM} software were used in the above reserve estimate with the following parameters:

Metal Prices:	Cu:	3.75 US$/lb
	Au:	1,650 US$/oz
Metal Recoveries:	Cu:	80%
	Au:	75%
Forex (Php to US$):		PhP 50.00

Conversion Factor for Gold grade to CuEq:	0.602
Operating Cost per Tonne:	PhP 905.00
Break-even Grade (%CuEq):	0.274

3. The cost per tonne of PhP905 is the budgeted operating cost of the Company for year 2022.
4. Metal prices of $3.75/lb copper and $1,650/oz gold, and Forex of PhP50.0/US$ are the projections of the Company up to year 2024.

This estimate was prepared by Engr. Julius A. Bayogan (BSEM) who is the current Manager of the Mine Engineering and Draw Control Department of Philex Mining Corporation, Padcal Operations. Engr. Bayogan is a Competent Person under the definition of the Philippine Mineral Reporting Code (PMRC) and has 11 years of experience as to the type of deposit and style of mining. He is a licensed mining engineer with Professional Regulation Commission (PRC) registration number 0002566 and accreditation number EM-ACP-152-0002566. He has given his consent to the Public Reporting of this statement concerning Mineral Reserve Estimation.

In June 2021, the Company declared the life extension of the Padcal Mine from 2022 to up to December 31, 2024. The decision to extend the life of the mine was reached after the completion of confirmatory drilling and related technical studies on the mining methodology and TSF No. 3 which identified additional mineable reserves in the Padcal Mine that can be mined over two years. This is the sixth extension of the life of the Padcal Mine, following the last extension in 2015 where the life of the mine was extended to 2022.

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

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

Patents, Trademarks and Licenses

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

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

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

No.	Domain Address	Host / Provider	Registration Date	Expiration Date	Status
1	www.philexmining.com.ph	DotPh	September 11, 2012	September 11, 2024	Active
2	www.silanganmining.com.ph	DotPh	August 10, 1998	January 11, 2032	Active

The Company believes that its trademarks and other intellectual property rights have significant value and are important to the marketing of the brand. The Company's business, however, is not brand sensitive; thus, it does not depend and does not expect to depend on its intellectual property. To protect its intellectual property, the Company ensures that its trademark and logo are duly registered with the Intellectual Property Office of the Philippines.

Government Approvals

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

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

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

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

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

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

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

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

Government Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EO 79 issued on July 6, 2012

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

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

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

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

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

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

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

RA 10963: Tax Reform for Acceleration and Inclusion (TRAIN) approved on December 19, 2017
Republic Act No. 10963 increased the excise tax on gold, copper and other metallic minerals from 2% (under the National Internal Revenue Code) to 4% based on the actual market value of the minerals gross output.

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

Corporate Recovery and Tax Incentives for Enterprises Act was proposed and signed into law to introduce reforms to the corporate income tax and incentives systems based on industry and location tiers that aims to attract more investments and maintain fiscal prudence and stability.
RA 11534, among others, will reduce corporate income tax from 30% to 25% for large corporations and to 20% for small businesses. This is retroactive from July 1, 2020.

EO 130 issued on April 14, 2021

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

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

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

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

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

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

Exploration and Development

Exploration and development (the equivalent of research and development for a mining company) are currently undertaken by the Company's in-house team, with or assisted by consultants and other service providers, like engineering and/or drilling contractors. Expenses related to exploration and development for 2021, 2020, 2019 and 2018 amounted to Php228 million, Php245 million, Php673 million and Php589 million, respectively.

For 2021, the Exploration Division conducted technical evaluation of various external projects for possible partnerships or acquisitions as well as internal technical review of Philex-controlled tenements as part of its rationalization efforts. Assistance on Life-of-Mine Extension Studies for Padcal and monitoring of available resource for TSF-1 was continuously implemented. No other ground exploration activities were conducted in MPSAs-156 & 157 during the year.

Padcal Projects in Benguet

Padcal Sto. Tomas II

Several areas along the edges of the orebody were identified as additional resources for possible conversion to reserve, potentially extending the Life of Mine ("LOM") of Padcal. These areas were found to have sparse drilling data and required several validation drill holes to confirm the estimated block grades. There were seven (7) drill holes completed within the identified LOM extension blocks. Validation drilling commenced on September 6, 2020 and was completed on October 23, 2020. A subsequent update of the Padcal Mine Mineral Resource Estimate ("MRE") incorporating these new drilling results was completed on November 2, 2020. The resulting resource estimate within the validated area is 18M tonnes at 0.22% Cu and 0.27g/t Au at a cut-off of 0.349% CuEq. The resource estimate results were utilized in feasibility studies which led to the eventual approval for the extension of the life of mine from December 2022 to December 2024.

Studies for the extension of life-of-mine beyond December 2024 of the Sto. Tomas II continued for the year 2021. For the second quarter of 2021, generation of detailed resource estimate for subdivided mining clusters in 782ML-A and 798ML-C was completed. Two areas were identified in the Northeastern and South part of the orebody are analyzed which contains relatively continuous columns of blocks above cut-off from 790-1020ML.

Tailings Storage Facility 1

Philex has been keen in exploring the mineability of spillages and tails in TSF-1 since 1980s. In 2020, a project to recover gold and copper from TSF-1 was launched. A prospective better grade area adjacent to the Mill Plant thickeners was identified as top priority (called Phase 1) on the basis of historical data. Confirmatory and resource drilling program commenced in Phase 1 in January 2020. The program resulted to the viability of hauling and processing of the spillage and tails into copper concentrates. For the year 2021, the hauling and processing of spillage and tails continues and computation of remaining resource was continuously updated after hauling activities. Computations were done by deduction of reported hauled tonnage from the total estimated resource and through depletion of resource model blocks above the surveyed excavation surface.

Tailings Storage Facility 2

There has been a renewed interest in tailings deposit in light of better metal grades and prices. In 2020, exploration target in TSF-2 is the subsurface extension of magnetite and other heavy mineral accumulations and as well as possible Cu and Au similar to TSF-1. Initial ground activities for magnetite studies on TSF-2 started on April 2020. A 40x40m grid was laid out covering the entire TSF-2 area. Grab samples collected from the grid location points were analyzed for magnetic susceptibility, multi-element analysis using Niton tabletop XRF and submitted to Padcal Assay Laboratory for Au, Cu and Fe content. Scout drilling operations were carried out from July to September 2020, with a total of five (5) drill holes completed for the year equivalent to 249.7m drilled. Laboratory studies show that magnetite recovery is very low, ranging from 1-15% only, which indicates that separation using density separation is inefficient. Low magnetite recoveries are attributed mainly to the limitations of the separation method, particle size effects and feed capacity that resulted to long processing times. Minimizing the effects of these limitations entail additional time and energy costs in processing. Fe ore quality was assessed by its %Fe content and the amount of impurities present in the concentrate. The results for the shaking table concentrates qualify it as low (<58% Fe) to medium (62-64% Fe) grade Fe as magnetite concentrates. The average values of the contaminants are within acceptable limits for SiO2 and outside the prescribed range for Al2O3 for commercial magnetite specifications for these trace elements. Thus, these could affect the marketability and consequently the profitability of the magnetite ore.

Support to Operations

In 2021, Mine Geology and Exploration Department actively pursued underground mapping and sampling as part of the geological data gathering of all newly developed openings. An aggregate survey length of 1,824m was completed collecting 608 bags of rock samples. Active underground workings comprised the bulk of the mapping and sampling in levels 798ML Production Level, 802ML Undercut Level and 814ML Undercut Level.

The team also continues to extend technical support to mill operations through petrographic analyses of mill-stream samples, such as main flotation feed, filter cake, and final flotation tails samples, to monitor mineralogical changes. For the year 2021, a total of 436 polished mould samples were prepared and analyzed. Total copper for main flotation feed and filter cake composite samples has an average of 2.6%wt and 88.5%wt, respectively. Average degree of copper liberation for the year is 95.8% while degree of gold liberation is 80.0%. In addition, average free gold size in filter cake samples for the year 2021 is 35 microns, with free gold grains observed to be dominantly finer in the 1st and 4th quarter of the year. Apart from monthly monitoring, the Mill Department also regularly submitted special samples for monitoring of gold losses in the WEMCO flotation banks and for studies in optimization of gold recovery.

Mine cluster samples coming from different underground ore sources were also received by the petrography laboratory on a quarterly basis. In 2021, a total of 92 polished moulds from various ore sources in underground levels 908ML, 798ML, 782ML and 760ML were prepared and analyzed for total copper and gold occurrence.

Other technical works done by the department was the annual geo-hazard mapping and assessment of the Sto. Tomas II Subsidence Area to determine the effect and extent of the underground operations on the surface. The activities involved are the collection of quantitative and qualitative data from the current physical and structural conditions of the grounds. Notable geological hazards and ground disturbances are mostly in the form of cracks, slide debris, slumps, creeps, rock falls, soil erosion, and slope failures which data from the yearly monitoring are compared to detect progression of the observed disturbances. For 2021, the geo-hazard mapping was conducted from January 11, 2021 to March 20, 2021 accomplishing an aggregated survey length of 8,699.90 meters traversing the pit floor, northeast crest line, sliding wedges, pit wall benches, access roads, and workshops. However, due to the refusal of the landowners on portions of the subsidence and buffer zone, these were not assessed thus excluded in the annual assessment. The geo-hazard monitoring team continuously assessed and monitored the ground condition of all mine camps and facilities focusing on detecting potential ground movements and formulating possible mitigating measures. Due to mobility restrictions related to COVID-19, geo-hazard monitoring and assessment activities along Philex Kias Road and neighbouring communities were minimal.

Geotecnica Corporation ("Geotecnica") is continuously engaged by Philex Mining to monitor the stability of TSF 1, 2 & 3. The Company requires them to conduct a site visit followed by the creation of a geotechnical report, every two (2) months but because of the pandemic. TSF technical team just send the geotechnical data gathered to Geotecnica for their analysis and stability report of TSF 1, 2 & 3.

Philex Mining is committed to completing the buttress construction under the suggested parameters assigned by Coffey International Pty Ltd. There are three phases in the overall construction of the buttress. The first phase started in September 2020 and was completed in May 2021. The second phase started last June 2021 and is estimated to be completed mid of May 2022. The whole buttress is estimated to be completed in December 2022. Installed geotechnical instruments are constantly monitored, geotechnical data gathered is sent to Coffey every week for their stability analysis of TSF3.

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

The global pandemic caused by the spread of COVID-19 has generally interfered in the smooth implementation of operating programs and the achievement of interim targets. To counter any adverse impact of such situation in the Company's operations, the Padcal Mine continues to operate under the strictest health protocols to maintain a safe working environment for its employees, and adopted and implemented regular surveillance and contact tracing activities as well as implemented stricter entry and exit controls in the mine camp. While keeping the employees in a safe workplace and community, the Company continues to calibrate operating processes and activities to ensure a profitable business for all its stakeholders.

Since the start of the COVID-19 pandemic in March 2020, the Philippine government has issued several health and safety guidelines and has placed local government units under different community quarantine classification depending on the severity of COVID-19 transmission. Philex, as an export-oriented company, was allowed to continue its operation subject to full compliance to Inter-Agency Task Force for the Management of Emerging Infectious Diseases of the Department of Health ("IATF-DOH") guidelines particularly in relation to work arrangements for employees, both in the head office and in Padcal Mine. Despite the early challenges in its supply chain particularly in the procurement of critical materials and supplies, the Company was able to maintain sufficient inventory levels for the continued operation of Padcal Mine. As a result, Philex had fulfilled its commitment on copper concentrate shipments to its customers that ensured payment of its obligations to its lenders, suppliers, contractors and most importantly to its employees.

From August 2020 to present, National Capital Region (where Philex head office is situated) and Benguet (the province covering the Padcal Mine) have transitioned to various community quarantine classification with specific applicable guidelines. This did not affect the operations of the Company and the work arrangements of the workforce given that mining is allowed to operate under any of the quarantine classifications subject to applicable health protocols as mandated by IATF-DOH. In fact, the entire workforce strives to overcome those challenges as can be seen in the excellent first half 2021 performance, a testament to the resiliency of the Company workforce in operating under the pressure of a very challenging environment brought about by the pandemic.

The Company also responded to the call for concerted efforts by MGB of the DENR directive allowing mining companies to support the Bayanihan Heal as One Act mandated by the Republic of the Philippines on March 23, 2020.

In April 2021, the issuance of Executive Order No. 130 has given a positive outlook to the mining in the country. Executive Order No. 130 was issued by President Rodrigo Duterte lifting the moratorium on new mineral agreements which had been in effect since EO 79 in 2012. The government may now enter into new mineral agreements in accordance with existing laws.The Company believes that E.O. 130 which aims to strengthen the implementing programs in mining, environmental protection and responsible mining and the recent government pronouncements would increase the level of interest and confidence of investors, both local and foreign, and lenders to mining industry and would benefit the Company as it prepare for the launch of its Silangan Project.

Silangan Project

The Silangan Project, situated in Surigao del Norte, consists of the following deposits – Boyongan, Bayugo-Silangan and Bayugo-Kalayaan, with the latter representing a joint venture with Manila Mining Corporation. Individual deposit areas and proposed sites for waste and storage facilities will be built within tenement scopes covered by MPSA 149-99-XIII and EP 000013-XIII. All mineral rights held by SMMCI with respect to the Silangan Project area are valid and subsisting.

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

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

The initial capital cost to commission the in-phase mine plan is estimated to be US$ 224 Million, which will be spent within the 2.5 years development period. This will be raised in a number of ways including public offering, debt and infusion from internal funds.

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

SMMCI secured the ISO 14001:2004 Environmental Management System (EMS) issued by Certification International Philippines Inc. (CIPI) in June 2016 and successfully transitioned to ISO 14001:2015 EMS in June 2018 that was later re-certified in June 2019. SMMCI's EMS certification will be valid through May 31, 2022.

In July 2016, MPSA-149-99-XIII was reduced to 2,308 hectares after relinquishing 677 hectares that are outside the existing mine development and maintenance plan. It also relinquished 6,934 hectares from its EP-XIII-013 as part of government prescribed requirement for exploration permit renewal. EP-XIII-013 is now reduced to 5,000 hectares from the previous 11,934 hectares.

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

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

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

Tenements	Operator / Contractor	Area (in Hectares)	MPSA Date of Expiration
MPSA-149-99-XIII	SMMCI	2,308	December 29, 2049
EP-XIII-013 Lot-A&B	SMMCI	5,000	n/a
EPA-XIII-012	SMMCI	2,330	n/a
EPA-000039-XIII	SMMCI	6,683	n/a
Total		**16,321**	

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

	Tonnes (Mt)	Copper (%)	Gold (g/t)	Contained	
				Copper (M lbs.)	Gold (M ozs.)
BOYONGAN					
Measured	160	0.58	0.86	2,039	4.43
Indicated	119	0.44	0.48	1,151	1.84
Measured + Indicated	279	0.52	0.70	3,190	6.27
Inferred	218	0.36	0.49	1,735	3.42
Sub-Total BOYONGAN	**497**	**0.45**	**0.61**	**4,925**	**9.69**
BAYUGO-SILANGAN					
Measured	161	0.60	0.61	2,113	3.17
Indicated	12	0.29	0.39	73	0.15
Measured + Indicated	172	0.57	0.60	2,186	3.31
Inferred	4	0.27	0.42	22	0.05
Sub-Total BAYUGO-SILANGAN	**176**	**0.57**	**0.59**	**2,208**	**3.36,**
BAYUGO-KALAYAAN					
Measured	118	0.43	0.47	1124	1.79
Indicated	3	0.64	0.37	37	0.03
Measured + Indicated	120	0.44	0.47	1160	1.82
Inferred	2	0.81	0.40	28	0.02
Sub-Total BAYUGO-KALAYAAN	**122**	**0.44**	**0.47**	**1,189**	**1.84**
BOYONGAN AND BAYUGO					
Measured	438	0.55	0.67	5,276	9.39
Indicated	133	0.43	0.47	1260	2.01
Measured + Indicated	571	0.52	0.62	6,536	11.40
Inferred	224	0.36	0.48	1,786	3.49
Total BOYONGAN AND BAYUGO	**795**	**0.47**	**0.58**	**8,322**	**14.9**

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

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

PROBABLE RESERVES					
	Tonnes (Mt)	Copper (%)	Gold (g/t)	Recoverable	
				Copper (M lbs.)	Gold (M ozs.)
East Cave	37.449	0.73	1.33	494.960	1.524

West Cave	37.417	0.63	0.98	426.983	1.126
Deeps Cave	6.578	0.57	0.80	70.884	0.162
Total Reserves	**81.444**	**0.67**	**1.13**	**992.828**	**2.813**

Notes:

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

Metal Prices:	Cu:	3.2 US$/lb
	Au:	1,342 US$/oz
Metal Recoveries:	Cu:	83%
	Au:	96%
Forex (Php to US$):		Php 53.00

Conversion Factor for Gold grade to CuEq:	0.700
Operating Cost per Tonne:	US$ 31
Break-even Grade (%CuEq):	0.548

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

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

To date, the site is on pre-mine development under slow down operations phase undertaking care and maintenance activities to ensure that all legal, environmental, social and technical compliance measures are maintained. Participative community relations and responsible environmental programs are being undertaken on a regular basis. On the fourth quarter of 2021 and after the approval of the in-phase mine development plan, the company resumed its land banking and Front End Engineering and Design activities.

Permits

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

The total expenditure related to the project as of December 31, 2021 amounted to Php18.717 billion, including the Php1.438 billion incurred prior to 2009, when the project was under Anglo. The figure does not include the fair value adjustment amounting to Php5.552 billion.

Kalayaan Project

In May 2011, PMC executed a Farm-In Agreement with Manila Mining Corporation (MMC), which involved the purchase of a 5% equity interest in Kalayaan Gold-Copper Resources Inc. (KGCRI), a subsidiary of MMC that assigns the right to explore the Kalayaan properties covering 286 hectares under EP-XIII-014B. This tenement is adjacent to the north of EP-XIII-013 and is containing part of the mineralized lithologies of the Bayugo deposit.

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

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

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

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

Other Significant Projects

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

Compliance with Environmental and Social Laws

The Company's Padcal mine was first ISO14001 certified in 2002. In July 2021, the mine's Integrated Management System was upgraded with the certification on the International Standard on Occupational Health and Safety, ISO 45001:2018. Audited by TUV Rheinland, the certificates are valid until May 31, 2023. Similarly, Silangan Mindanao Mining Corporation (SMMCI), was certified ISO 14001:2004 in June 1, 2016. It maintained the International Environmental Management System Standard and successfully transitioned to ISO14001:15 in June 4, 2018. SMMCI was re-certified by Certification International Philippines Inc. (CIPI) on June 01, 2019 and valid until May 31, 2022.

With the Company's commitment to the conservation and enhancement of its environment, it has spent Php261 million in 2021, bringing the Company's expenditures from 1967 to date to Php6.314 billion.

The Company and its subsidiaries have been consistent winners in national environmental programs and contests. Recent awards include: Padcal mine, 2018 to 2021 Best Mining Forest – Exploration Category, 2020 3rd runner up in the Metallic Mine Category and 2018 1st Runner up Best Mining Forest- Operating Mine Category, adding to its 10 best mining forest awards received in 2012, 2008, 2007, 2004, 2002, 2001, 2000, 1994 and 1991.SMMCI on the other hand was first runner-up in 2011 and 2015, second runner-up in 2014 and 2013, and third runner-up in 2010 on Best Mining Forest Contest (Exploration Category).

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

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

Total Disturbed Areas Reforested and Maintained:

Name of Project	Area disturbed (hectares)	Project Status	Area reforested (hectares)	Type of reforestation	Type of species planted
PMC Padcal Mine	580	MPSA-276 Operation	3,235	Forest Plantation Agro-forestry	Ipil-ipil Antsoan dilau Benguet Pine Tibig Oak Tree/Palayen Banaba Acacia/Rain Tree Butterfly tree Tuel Narra Sagat/Molave Alnus Calliandra Acapulco Mangiums CelenteaCoffee, Mango, Pomelo, Guyabano, Papaya, Tamarind, Guava, Calamansi, Longgan, Chisa, Santol, Star Apple, Atis, Rambutan, Jackfruit, Marang, Avocado, Cacao, Duhat, Lychee, Orange, Dragon Fruit, Asuete, Banana

PGPI-Bulawan	146	MLC-MRD510 under Care & Maintenance	837.06*	Forest Plantation Agro-forestry	Mangium, Auri, Mahogany, Gmelina, Rain tree Coffee
PGPI-Sibutad	38	MPSA-063 under Care & Maintenance	192.35 39.16	Forest Plantation Mangrove Plantation	Mangium and Auri, falcata, coffee, cacao, bamboo Bakauan ((Rhizophora Mucrunata)
PMC-LMC Surigao	37	MPSA-148-Exploration	10	Forest and Agro-forestry	Falcata, narra, mangium, coffee, mahogany, fruit trees
SMMCI Surigao	24.91	MPSA-149	190.24	Agro-forestry	Mahogany, Mangium, Falcata, Narra, Cacao, Coffee, Palawan Cherry, Lanzones, Marang, Rambutan, etc.
Kalayaan, Surigao	14		9	Agro-forestry	Falcata, coffee

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

Environmental Compliance to DENR Regulations

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

The Company consistently meets the requirements of these environmental laws:

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

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

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

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

Name of Project	Registration/Permit No.	Permit Type	Date Issued
PMC-Padcal Mine	ECC-CO-1612-0025 (Amended)	Raising of Tailings Storage Facility No. 3 (TSF-3) From640 MASL TO 647 MASL	December 13, 2021
	CAR-0702-014-213	ECC for the Sanitary Landfill Facility-Category 1	March 09, 2007
	CAR-0411-107-120	ECC for the Tailings Storage Facility 3 Open Spillway	November 16, 2004
	CAR-0202-011-120	ECC for Alang Cut Silt Pond	April 02, 2002
	CAR-0108-053-208	ECC for the Access Road from the Cyclone Area to the Main Dam Embankment of Tailings Storage Facility 3	August 29, 2001
	CAR-0108-51-302	ECC for Quarry “G” for Tailings Storage Facility 3	August 29, 2001
	ECC-9901-002-120	ECC for Fuel and Lubrication Station	September 22, 2000
	CAR-1408-0127	ECC for New Banget Sludge and Used Oil Impounding Facility	August 26, 2014
	RIC-8604-012-301C	ECC for Nevada Group of mineral claims and other adjoining mineral claims	November 09, 1987
Padcal Mine Discharge Permits	Discharge Permit No. DP-CAR-22-01626	Spillway of the Tailings Storage Facility -3 Discharge Permit	March 2, 2022
	OLOL-TR-CAR-11-000542000542	Treatment Storage and Disposal Registration Registration Certificate	May 24, 2021
	2007-DP-G-141112-079 / CNC CAR 1310-0010	Oil Water Separator at Compressed Air Plant	September 11, 2017
	2007-DP-D-141112-043 / CNC-CAR-1310-0006	Oil Water Separator at 1015ML UG Equipment Wash Bay Area	April 25, 2016
	2007-DP-D-141112-039 / CNC-CAR-1310-0007	Oil Water Separator at Motor Pool Area	April 25, 2016
	2007-DP-D-141112-040 / CNC-CAR-1310-0009	Oil Water Separator at the Oil Yard of Banget Sludge Pond Area	April 25, 2016
	2015-DP-G-141112-081 / ECC CAR 1408-0127	One (1) Unit Oil Water Separator at the Sludge Pond / Used Oil Impounding Facility	June 29, 2017
RA6969 – Chemical	CCO-2010-003-CAR	CCO for PCB	September 23, 2010

Control Order (CCO)	CCO-2010-001-CAR	CCO for Asbestos	May 28, 2010
	CCO-99-0002-M	CCO for Mercury	July 26, 1999
	CCO-2014-045Pb	CCO for Lead	May 12, 2016
	CCOr-CAR-Cn-2016-0001	CCO for Sodium Cyanide	March 28, 2016
	OL-GR-CAR-11-00629100091	Hazwaste Generator DENR Registry ID	December 9, 2020
RA8749-Permit to Operate	PTO-OL-CAR-2021-08255-R	PERMIT TO OPERATE Air Pollution Source and Control Installations (Philex - Old Mill Pond)	October 11, 2021
	PTO-OL-CAR-2020-00187	PERMIT TO OPERATE Air Pollution Source and Control Installations (TSF No. 3 Fuel Station)	July 20, 2020
	PTO-OL-CAR-2020-00128-R	PERMIT TO OPERATE Air Pollution Source and Control Installations (Banget Storage Area)	July 11, 2020
	2020-POA-D-141112-1133	PERMIT TO OPERATE Air Pollution Source and Control Installations (Cumper-Perkins Generator Set)	April 24, 2020
	2020-POA-B-141112-1105	PERMIT TO OPERATE Air Pollution Source and Control Installations (216kW and 8kW Generator Sets)	February 10, 2020
	2005-POA-D-141112-077	PERMIT TO OPERATE Air Pollution Source and Control Installations (Furnice and Swirlaway Fume Scrubber)	April 24, 2020
	2005-POA-D-141112-056	PERMIT TO OPERATE Air Pollution Source and Control Installations (Cupola Furnice and Crucible Furnace)	April 24, 2020
	2005-POA-D-141112-052	PERMIT TO OPERATE Air Pollution Source and Control Installations (Diesel Storage Tanks-Bumolo)	April 24, 2020
	2015-POA-I-141112-147	PERMIT TO OPERATE (Standby) Diesel Engine Generator Set	October 29, 2018
	2016-POA-H-141112-433	PERMIT TO OPERATE Air Pollution Source and Control Installations (Exploration Laboratory)	August 22, 2017
	2016-POA-G-141112-398	PERMIT TO OPERATE Air Pollution Source and Control Installations (Assay Crusher and Dust Collector)	July 04, 2017
Poro Point	ECC Philex Poro Installation	ECC for Philex Poro Installation	August 10, 1994

PMC-LMC	DENR I.D No. 16-67-0092	Hazwaste Generator DENR Registry ID	December 10, 2013
SMMCI	2020- WDP-R13-20-01502	Wastewater Discharge Permit	March 13, 2020
	2020-POA-C-1367-058-R	Permit to Operate Genset	March 4, 2020
	ECC-CO-1905-0013	ECC for Underground Sub-level Caving Mining	July 23, 2019
	GR-R13-67-00008 Old -16-67-0079	Hazwaste Generator DENR Registry ID	May 17, 2016
	CCO-PCB-R13-SIL-49	CCO for PCB	June 19, 2015
	2015-POA-C-1367-058-R	Permit to Operate Air Equipment	March 04, 2020
PMC-Kalayaan	DENR I.D No. 16-67-0084	Hazwaste Generator DENR Registry ID	February 13, 2013
PGPI-Bulawan	06-45-0014	Hazwaste Generator DENR Registry ID	January 29, 1999
PGPI-Sibutad	DENR ID. # 09-72-0003	Hazwaste Generator DENR Registry ID	January 04, 1999

DAO No. 2010-21 mandates the implementation of the Annual Environmental Protection and Enhancement Program (EPEP) which provides the link between mineral resource utilization and environmental protection and enhancement commitments. Pursuant to the R.A. 7942, the minimum required budget for the Annual EPEP ranges from 3-5% of the Direct Mining and Milling Costs of the company. In 2021, the Company spent 7.43% of the direct mining and milling costs as follows.

2021 Annual Environmental Protection and Enhancement Program (EPEP)	
	Amount *(in Php Millions)*
Land Resource Management	75.46
Water Resources Management	165.40
Hazardous and Toxic Waste Management	18.72
Air Quality Management	0.27
Conservation Values	0.12
MRFC Meetings and MMT Monitoring Activities	1.28
Total	261.28

The Company also invests heavily on the ongoing environmental management programs at the Silangan, Bulawan, and Sibutad project sites. These investments cover the costs for ambient air and water monitoring, soil erosion control and prevention, the establishment of new tree plantations, as well as the maintenance and protection of established reforestation areas within the project sites. The environmental care and maintenance programs of these projects are submitted, approved, and monitored by the Mines and Geosciences Bureau (MGB) of the DENR.

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

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

- The amount of SDMP should be equivalent to at least 1.5% of a mining company's total operating costs, with allocation on development of host and neighbouring communities (DHNC) Information Education Communication (IEC) and Development of Mining Technology and Geo-Sciences (DMTG)

- The SDMP shall be, in consultation and in partnership with the host and neighbouring communities, actively promoting and covering all social development plans, projects, and activities of the Contractor/Permit Holder/Lessee towards enhancing the development of the host and neighboring communities.

In 2021, the Company spent Php102.5M for its mandated SDMP as shown in the table below.

2021 Social and Development Management Program (SDMP)	
	Amount *(in Php Millions)*
Human Resources and Capacity Development	0.7
Health	6.0
Education	32.5
Livelihood	9.2
Public Infrastructure	23.9
Socio-Cultural Development	1.6
Contingency Fund	4.1
Information, Education, Communication (IEC)	16.2
Development of Mining Technology & Geosciences (DMTG)	8.3
Total	102.5*

** Including carry-over project expenses from 2020.*

Philex-Padcal Mine's SDMP Implementation in 2021:

Philex's 2021 Social Development Management Program ("SDMP") has helped its host and neighbouring communities through its Health, Education, Livelihood, Public Infrastructure, and Socio-cultural programs or "HELPS". Our interventions brought quality health services closer to our host and neighbouring communities. The educational program significantly lessened expenditures in every household. The Philex scholars continue to be role models in their own communities. Livelihood projects and assistance led to better agroforestry production resulting to increase in income. Infrastructure development and the provision of various equipment lowered farm inputs resulting to increased savings at the household levels. The development and improvement of water systems on the other hand, ensured availability of water for the community's household, and farm needs.

Health and sanitation

343 patients from our host and neighbouring communities were treated at Padcal Mine's Sto. Niño Hospital and 241 individuals mostly with chronic illnesses received financial assistance to defray their medical expenses outside the company's hospital. 28 indigent residents enjoyed Philhealth benefits. There are also 432 beneficiaries of our medical and dental mission while 944 benefited from distribution of maintenance medicines.

Education

72 scholars finished their college education for the school year 2020-2021. Families of these scholars have potentially increased their economic capacity due to employability of the graduates. 747 college scholars, 3 technical vocational scholars, 608 senior high school and 625 junior high school scholars received educational assistance for the year. 652 pupils from

Philex Mines Elementary School and St. Louis High School-Philex enjoy subsidized education in these private schools. Philex shares the firm belief with our host and neighbouring communities that education can help them transform their lives. The communities claim that even if Philex is long gone, the benefits and impacts of educated and employed community members will bring economic and social progress.

Livelihood and skills development

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

Public infrastructure support

29 households received power line connections this year enabling them to enjoy social activities and engage in economic endeavours. 1,930.50 meters of dirt road were concreted, thus providing safer access to more than 4,500 residents and giving approximately 2,000 farmers faster and cheaper means to transport their produce. Moreover, development of 3 water systems for domestic and agricultural uses benefitted the community. We were also able to construct/improve 10 multi-purpose buildings for the communities.

Covid-19 Response

Padcal Mines

Philex, through its Social Development and Management Program, and with its host and neighbouring communities was able to helped poorest of the poor members of the community. Assistance were given in the form of rice, food packs, and personal protective health equipment (PPHEs). More than 300 families in Barangay Ampucao benefitted from the assistance amounting to Php1.1 million. Likewise, we provided medical assistance to the Covid-19 affected communities amounting to 550 thousand pesos with 60 beneficiaries from barangays Camp 3 and Ampucao.

Philex is committed to continuously comply with all government safety and health protocols. The company is still doing the expanded testing, contact tracing, and isolation of employees, their dependents and mine camp residents. The program provided for all medical needs including food and other basic requirements. Philex Community COVID-19 Task Force (PCCTF) brought together village leaders, cooperatives and vendors' association, local transport group, teachers, religious groups, the local government units, police and the company. The company's actions focused on protecting the employees at the industrial areas. PCCTF focus on protecting employees, their family and mine camp residents.

Silangan Project

Silangan Mindanao Mining Co., Inc. (SMMCI) – commits itself to develop the host and neighboring communities through the implementation of its Social Development and Management Program (SDMP). Notwithstanding the limited resources under its current pre-mine development status, the company implemented the programs for 2021.

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

Information, Education, Communication

SMMCI continuously conducts extensive and comprehensive information, education and communication (IEC) program within its host and neighbouring communities and other stakeholders. The company participates in various stakeholders' activities such as: launching of eco-tourism and civil service commemoration in the municipality of Placer, river clean-ups in the municipality of Tubod, and all other regular community engagements.

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

Health

With the guidance of the DENR-MGB Regional Office (MGB-RO), SMMCI secured the consent and endorsement from the Representatives of Host and Neighbouring Communities (RHNCs) allowing the Company to consider as advances to the approved SDMP the costs incurred for the assistance extended to the communities during the COVID-19 pandemic. As such, SMMCI was able to provide financial assistance to 11 host communities and 4 host municipalities in support to their COVID-19 recovery efforts.

Education

SMMCI, continues to implement the Silangan ng Karunungan Program. In 2021, the company provided school supplies and learning materials within our host barangays that benefited some 5,000 students.

Livelihood

SMMCI continues to engage local people's organizations to manage the Coconut Demo Farm Project in Sison, Surigao del Norte, a 13-hectare coconut plantation that was cross planted with over 6,000 cacao seedlings and 3,000 kilograms of turmeric. It serves as a pilot farm for future agricultural livelihood projects. The proceeds generated from these agricultural engagements are shared as dividends among active members. SMMCI also outsourced the supply of endemic tree seedlings for the nursery production. Seedlings were planted in the newly established and existing plantation areas at SMMCI's properties located within the MPSA contract area in compliance with the approved Annual Environmental Protection and Enhancement Program (AEPEP). The company also taps local organizations to handle the maintenance and catering services in SMMCI's site office. More activities and engagements with other people's organizations (PO) will be expanded as the Silangan project progresses.

Promotion of socio-cultural awareness

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

Land Resource Management

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

Under the **Silangan R**ice **I**nitiative thru **C**ommunity **E**ngagements (**RICE**) **Project**, the religious group Seventh Day Adventist, continues to sustain its rice production within SMMCI's two (2) hectare property in Brgy. San Pedro, Municipality of Sison. In 2021, the partner organization developed vegetable gardening project as expansion to maximize the areas and potentially increase their income.

Related Party Transactions

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

Major Business Risks

The current global threat of Covid-19 on human life and business that started in early 2020 posed as a major risk that could create significant negative impact to the operation of Philex. Exposure of Philex employees to Covid-19 would result to the slowing down of operations, delay in the performance of works and non-attainment of production targets that would put at risk the sustainability of cash flows. Other associated risks related to suppliers and business partners affected by Covid-19 were also identified. These are related to Philex ability to fulfil the shipment of copper concentrates to foreign buyers and the ability of our suppliers to deliver the needed materials, supplies and spare parts of equipment used in mine and mill operations. The occurrence of these risks would translate to additional costs to Philex and would lead to delay or inefficient production process. Considering the evolving nature of this pandemic, Philex cannot determine at this time the impact to its financial position, performance and cash flows. But as an initial and immediate response to the declaration made by the Philippine government on March 16, 2020, through the issuance of Presidential Proclamation No. 929, putting the entire area where the Philex workforce and business are located under Enhanced Community Quarantine, Philex did more than what was required by the Department of Health. It has imposed guidelines and preventive measures against its employees' exposure to Covid-19 and programs to mitigate the other risks of Covid-19 to Philex operations. Mass testing of Padcal employees was also conducted in October 2020 to further prevent the spread of the virus within the community and confined areas of work. The Company prepared isolation facilities for employees, their dependents and mine camp residents, provided for all medical including food and other basic requirements. The Company regularly and strictly re-evaluates existing policies and programs aligning to changes in government heath protocols and developments in the current situation amidst the fight against the Covid-19 virus.

Quarantine protocols and restrictions due to Covid-19 have eased up from 2021 to early 2022. Businesses were given approval by the government to go on full operation and with full manpower complement onsite. This has allowed an almost back to normal setup of operation for Philex Mining and its employees.

<u>Regulatory</u>

Regulatory risks are changes in regulations, policies, and law that will affect the mining industry and Company in particular. The local mining industry is undergoing a transformation under the current regime and several policy directions dictate the behaviour of mining operations and investments into the sector.

- Under the present administration, the Department of Environment and Natural Resources (DENR) ordered the audit of all operating mines in the country in August 2016. PMC's Padcal Mine was one of the companies not recommended for suspension. However, other standing orders from the DENR continue to pose risks such as the issuance of DENR show cause order for the cancellation of 75 MPSAs. In addition to the closure order on 23 operating mines, the DENR also issued a show cause order for the cancellation of 75 MPSAs across the country, which includes those that were awarded to PMC and its subsidiaries. As of this writing, the DENR has yet to respond to PMC's reply to the show cause letter dated 24 February 2017, stating the validity of the Company's MPSAs.

- The Corporate Recovery and Tax Incentives for Enterprises "CREATE" Act ("CREATE Law") under Republic Act 11534 was approved on March 26, 2021 which, among others, reduces corporate income tax from 30% to 25% for large corporations retroacting to July 1, 2020. Despite the passing of the CREATE Law there are still pending mining Bills in the Philippine Congress that could result to the imposition of new taxes in the mining industry, which can adversely impact the financial viability of upcoming new projects like Silangan project.

- The opportunity for expansion was hampered by the overall impact of the issuance of EO 79 in 2012. On April 14, 2021, Executive Order No. 130 (EO 130) was issued by President Rodrigo Duterte lifting the moratorium on new mineral agreements which had been in effect since EO 79 in 2012. The government may now enter into new mineral agreements in accordance with existing laws. The current risks related to the issuance of EO 130 are in the formulation of the terms and conditions in the new mineral agreements intended to maximize government revenues and shares from production, and the possibility of declaring areas as mineral reservations. These may adversely impact the financial viability of the Company's prospects or may possibly result to aborted or failed expansion plans.

Strategic

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

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

- Failure to further extend Padcal's life of mine beyond December 2024. Studies for possible extension is progressing.

- Delay in the launching of the Silangan project
  - due to the lukewarm investors' sentiment over the mining industry in the Philippines under the current regulatory environment
  - due to difficulty in sourcing funds as an effect of existing standard procedures and protocols of government agencies as well as the banking sector

Financial

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

- Ability of the Company to achieve both production and financial targets due to the volatility of metal prices, higher operating costs and operational and technical challenges related to Padcal's ageing equipment and facilities.

- The delay in the completion of the fund raising activities due to the lukewarm investors' sentiment over the mining industry. The Company have engaged the services of a reputable financial advisor for the on going fund raising activities to fund the initial capital for the Silangan project under the In-Phase Mine Plan. The Company is constantly engaging concerned parties and educating the public on the real benefits of mining. Likewise, the Chamber of Mines of the Philippines, through the initial steps taken by Philex, has formally signed an agreement with the Mining Association of Canada to adopt the Towards Sustainable Mining (TSM) Initiative in the local setting. Any further delay in the completion of the fund raising exercise may call for the reassessment of the prioritization of Padcal cash reserves allocated for capital expenditures versus the need to allocate funds to jump start the Silangan Project.

- Possible write-off of mine and mining assets. The Company maintains critical mining equipment spare parts and supplies that may not be totally used at the end of mine life. In addition, the Company has a number of mining tenements in various areas nationwide. These assets are the subject of provisions, which can have material impact on the Company's financial position. PMC is constantly exploring joint ventures or farm-in/out agreements, with interested parties, to reflect their fair value in the balance sheet.

Operational

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

- Declining ore-grade situation and tonnage due to the mature state of the Padcal ore body continue to be a risk that will have a material impact on the ability of the Company to produce the metal targets. Marginal ore grades are inherent within the fringes of the mineral body contributing to lower overall metal output. Less valuable mineral concentrations are typically encountered when extracting ore away from the core of the deposit.

- Acts of insurgency threats. An incident of insurgency transpired in 2017, which affected the transport of copper concentrates from the Padcal mine site to the Poro Port installation for shipment. The Company has since increased vigilance among residents within the camp and coordinated with various groups to identify and deter possible threats.

- Adverse underground conditions at Padcal mine. The unpredictable ground conditions inherent in an underground operation, coupled with the presence of bouldery ore and risks of mud rush events, have impacted operations, resulting in lower tonnage and metal output in the past that were recently addressed with the installation of new equipment and commissioning of other sub-mining levels.

- The risk of operations stoppage can happen due to the failure of the ageing critical mine and mill equipment that may have no available replacements or spare parts more so with the challenges brought about by the Covid-19 pandemic on supply chain activities. The Company is continuously implementing and adhering to strict operating and maintenance procedures to ensure the efficient operations of the equipment.

Environmental, Natural and Social

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

- Environmental incidents. To manage the risk, the Company puts a great amount of effort and invests a substantial amount of resources into environmental protection and rehabilitation through its Environmental Protection and Enhancement Program. This is in addition to ensuring compliance with all applicable environmental laws and regulations. As a manifestation of its commitment to responsible and sustainable mineral resource development, the Company has adopted an environmental policy statement, which is consistent with ISO 14001 Certification on Environmental Management Systems. The Company maintains annual pollution liability insurance coverage to address environmental pollution-related events.

- Natural calamities. In addition, natural disasters, such as earthquakes, floods and landslides, could also hamper Company operations. Such natural disasters could damage Company's assets, among other things, Tailings Storage Facilities ("TSF"), damage Company facilities and surrounding infrastructure, block access to its mining assets, injure personnel and result in a suspension of its operations for an undeterminable period of time. All of these events could materially and adversely affect the Company's business, financial condition, results of operations and prospects. The Company is covered by a comprehensive insurance policy, including business interruption coverage, to respond to such eventualities and disruptions.

- Social License to Operate. The Company ensures strict compliance with all the applicable social laws, rules, and regulations covering it as a mining company. In addition, the Company strongly adheres to its Social Development Management Program, and oftentimes exceeds the requirements set by the government, through the provision of health, educational, livelihood, and public infrastructure services to its host and neighbouring communities, to constantly secure community endorsement and public approval for its operations. The Company adheres to the principles of ISO 26000:2010 Guidance on Social Responsibility, an international guideline, to assess and address sustainability concerns and effectively strengthen its social license to operate.

Item 2. Properties

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

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

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

The Company does not lease any significant real property nor has the intention at present to acquire any significant real property other than necessary for corporate purposes in the next 12 months. Machinery and equipment are routinely acquired month to month as part of routine operations either through direct purchase or through letters of credit, if imported, under supplier's or bank's credit terms.

The Padcal Mine's property, plant, machinery and equipment have an appraised value of Php2.3 billion, while the property, plant, machinery and equipment of PGPI have an appraised value of Php453 million. SMMCI's machinery and equipment have an appraised value of Php180 million.

Item 3. Legal Proceedings

A table that identifies material legal proceedings as of December 31, 2021 involving the Company, including its subsidiaries, is set out below:

	CASE TITLE / SUBJECT MATTER	VENUE	NATURE	AMOUNT INVOLVED	STATUS
1	Butan Mining Exploration Company v. Philex Mining Corporation	Mines Adjudication Board (MAB)	Claim for rental fees for the 745 ML tunnel traversing Butan claims	Php375 million	Company's appeal from MGB Panel of Arbitrators' Decision pending resolution
2	Heirs of Bucal Gavino v. Philex Mining Corporation	MAB	Opposition to Company's Application for Mineral Production Sharing	Php19.5 million	Claim denied by MAB. Awaiting claimants' petition for review with the Court of Appeals.

			Agreement No. (APSA) 28 (now Mineral Production Sharing Agreement No. (MPSA) 156; Claim for alleged damaged improvements		
3	Heirs of Antonio Nicolas v. Philex Mining Corporation, et al.	MAB	Overlapping of mining claims	Php14 million	Denial of claim sustained by the Supreme Court. Awaiting action on Company's motion to lift garnishment.
4	Philex Mining Corporation v. The Province of Benguet & Provincial Treasurer	La Trinidad, Benguet Regional Trial Court (RTC)	Assessment of sand and gravel taxes	Php14.2 million	Company's Petition against the assessment pending resolution
5	Rosita Bargaso of Kankanaey Tribe, et al. V. Philex Mining Corporation, et al.	Baguio City RTC	Petition for mandamus to direct Mines and Geosciences Bureau (MGB) and National Commission of Indigenous Peoples (NCIP) to require Company to obtain separate Free Prior and Informed Consent (FPIC) of indigenous peoples in Itogon, Benguet, and make royalty payments from the time it started operations and at least 10 years backwards from the first demand of the petitioners to be paid the same royalty fee	N/A	Company and the Office of the Solicitor General (for MGB and NCIP) filed their respective answers/comments assailing the petitioners' entitlement to royalty and praying for the dismissal of the petition
6	Labor Dispute at Philex Mining Corporation	Regional Conciliation and Mediation Branch – Cordillera Autonomous	Notice of strike filed by Philex Mines Independent Labor Union (PMILU) due	N/A	Parties reached an amicable settlement during the January 5,2022 mediation-conciliation conference before the RCMB-CAR

		Region (RCMB-CAR)	to bargaining deadlock		
7	NAMAWU v. Philex Mining Corporation	National Conciliation and Mediation Board (NCMB)	Payment of separation differential	Php216,015.80 per complainant employee	Company's Motion for Reconsideration of Voluntary Arbitrator's Decision pending resolution
8	Sales Alipio, et al. v. Philex Mining Corporation	NCIP En Banc	Injunction against construction of access roads	N/A	Company's appeal from Resolution sustaining Writ of Preliminary Injunction pending resolution
9	Heirs of Jose Marino v. Philex Mining Corporation	NCIP – Cordillera Administrative Region (NCIP-CAR)	Claim for enforcement of alleged ancestral rights, damages with prayer for injunction	N/A	Archived
10	Heirs of Aritao v. Philex Mining Corporation	NCIP – CAR	Damages	Php60 / per square meter (Php600,000 up); injunction against the construction of the spillway	Archived
11	Basilio, et al. v. Philex Mining Corporation, et al.	NCIP – CAR	Damages	Php36 million	Archived
12	In Re: Joint Assessment Visit of Philex Mining Corporation, etc.	DOLE Bureau of Working Conditions	Declaration that Work Appreciation Program trainees, project employees, and personnel of two (2) contractors are regular employees of Philex	N/A	Company's appeal from DOLE-CAR Order pending resolution
13	In Re: OSH Investigation of Death of Employees During a Fire Incident at Banawel, Ampucao, Itogon on February 20 2019	DOLE Bureau of Working Conditions	Violation of occupational safety and health rules and regulations	Php1.03 million	Company's appeal from DOLE-CAR Order pending resolution
14	In Re: OSH Investigation of the Death of Marcelo V. Marra, Jr. at Philex Mines, Padcal, Tuba, Benguet on	DOLE Bureau of Working Conditions	Violation of occupational safety and health rules and regulations	Php700,000.00	Company's appeal from DOLE-CAR Order pending resolution

	August 8, 2019				
15	In Re: Complaint Inspection conducted at Philex MIning Corporation, Padcal, Tuba, Benguet	Dole Bureau of Working Conditions	Illegal deduction from salaries of employees	Php385,749.92	Company's appeal from DOLE-CAR Order pending resolution
16	Philex Mining Corporation v. Heirs of Pilando Fernandez	Court of Appeals	Enforcement of contract	Php618,306.55	Company's appeal from Decision of the La Trinidad, Benguet RTC pending resolution
17	Gerald D, Biala, et al. v. Philex Mining Corporation, et al.	Court of Appeals	Illegal dismissal	Php2.6 million	Complainants' appeal from National Labor Relations Commission's (NLRC) granting of Company's appeal and denial of complaint pending resolution
18	Raleigh B. Laggui and Virgilio B. Sequenza v. NLRC and Philex Mining Corporation	Court of Appeals	Illegal dismissal	Less than Php1 million	Complainants' appeal from NLRC's affirmation of dismissal of complaint pending resolution
19	Cecilia Agbanlog, et al. v. Philex Mining Corporation	Supreme Court	Declaration that complainants as school teachers are regular employees of Company	N/A	Supreme Court declared case closed and terminated on January 26, 2021 due to failure of petitioners to timely file a petition for review on certiorari
20	Philippine Health Insurance Corporation (Philhealth) v. Sto. Niño Hospital	Philhealth	Three (3) cases for alleged violations of the Revised Implementing Rules and Regulations of R.A. No. 7875 by the Company-run Sto. Niño Hospital.	N/A	Two cases pending resolution, one case ongoing proceedings
21	Emmanuel P. Deloso v. PGPI, et al.	MAB	APSA overlapping with PGPI's APSA 22 (now MPSA 344)	N/A	Pending resolution
22	Indigenous Cultural Communities Indigenous Peoples represented by Jose Romel	Makati RTC	Nuisance case for enforcement of alleged ancestral rights over the entire	N/A	Proceedings ongoing

	Agustin Murio aka Datu Kasaligan vs. PGPI, et al.		Philippines against all mining contractors and real estate developers		
23	PGPI v. Elwray G. Palasuelo, et al.	Supreme Court	Illegal dismissal	Php11 million	Parties already reached ana micable settlement and filed Joint Motions for Dismissal of Case. Court of Appeals denied the joint motion since it already issued decision denying PGPI's petition for certiorari. Petition for Review before Supreme Court pending resolution.
24	Various civil and labor cases	Various	Various civil and labor cases in the ordinary course of business	N/A	Pending. Company is a party to a number of cases in the ordinary course of business involving small amounts of claims which are disputed by the Company on various grounds

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

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

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

There were no matters submitted to security holders for a vote in the 4th quarter of 2020 covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

<u>Market Information</u>

The registrant's common equity is traded in the Philippine Stock Exchange under the ticker symbol "PX". The Company's public float as of December 31, 2021 is 33.58%.

The average quarterly stock prices for the Company's common shares for the last three fiscal years and the first quarter of 2022 are as follows:

Year	Period	Php per Share	
		High	Low
2022	1Q 2022	6.86	5.04
2021	1Q 2021	5.80	4.18
	2Q 2021	7.50	4.50
	3Q 2021	6.99	4.98
	4Q 2021	5.68	4.63
2020	1Q 2020	3.31	1.85
	2Q 2020	2.72	1.97
	3Q 2020	4.34	2.52
	4Q 2020	6.50	3.92
2019	1Q 2019	4.46	3.15
	2Q 2019	3.84	2.86
	3Q 2019	4.22	3.38
	4Q 2019	3.76	2.65
2018	1Q 2018	7.21	5.81
	2Q 2018	6.16	4.48
	3Q 2018	4.99	3.32
	4Q 2018	3.75	2.50

Holders

The Company has 43,945 shareholders as of December 31, 2021, with total issued and outstanding shares at 4,940,399,068 of which 38.06% are held by foreign nationals and entities.

The Top 20 shareholders of the Company as of December 31, 2021 are listed below:

	Name	Nationality	No. of Shares Held	Ownership
1	Asia Link B.V.	Dutch	1,023,275,990	20.71%
2	Social Security System	Filipino	992,679,659	20.09%
3	PCD Nominee Corporation	Filipino	895,691,985	18.13%
4	Two Rivers Pacific Holdings Corp.	Filipino	738,871,510	14.96%
5	Maxella Limited	British	239,479,900	4.85%
6	PCD Nominee Corporation	Non-Filipino	195,030,023	3.95%
7	Kirtman Limited	British	192,011,062	3.89%
8	Artino Limited	British	37,822,400	0.77%
9	The First National Investment Co. Inc.	Filipino	12,195,042	0.25%
10	Makati Supermarket Corp.	Filipino	8,353,226	0.17%
11	Estate of Eudaldo Boix	American	5,025,422	0.10%
12	Philippine Remnants Co., Inc.	Filipino	4,875,000	0.10%
13	Manuel V. Pangilinan	Filipino	4,655,000	0.09%
14	CHS Capital Holding Corp	Filipino	4,500,000	0.09%
15	Pao Frank	Foreign	3,639,260	0.07%

16	Estate of Edualdo Boix and Petra Hernando	American	3,093,203	0.06%
17	De Ugarte &/Or Elena E. De Ugarte Paulino	Filipino	3,068,143	0.06%
18	Berck Y. Cheng or Alvin Y. Cheng or Diana Y. Cheng or Cheryl Y.Cheng	Foreign	3,047,500	0.06%
19	Reif Carol Joan	American	2,974,086	0.06%
20	Pettyfer Robin John	Canadian	2,644,747	0.05%

Dividends

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

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

Below shows the Company's dividend payout history since 2018:

Declaration Date	Record Date	Payment Date	Amount Per Share
February 27, 2018	March 13, 2018	March 26, 2018	Php0.04
July 25, 2018	August 08, 2018	August 24, 2018	Php0.035
February 27, 2020	March 13, 2020	March 27, 2020	Php0.01
February 24, 2021	March 12, 2021	March 26, 2021	Php0.059
March 4, 2022	March 21, 2022	April 3, 2022	Php0.05

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

Recent Sales of Unregistered Securities

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

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

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

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

For the Years Ended December 31, 2021, 2020, 2019 and 2018

Information on the Company's results of operations and financial condition presented in the 2021 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements are incorporated herein by reference.

Operations Overview

	2021	2020	2019	2018	2021 vs 2020 (%)	2020 vs 2019 (%)	2019 vs 2018 (%)
Tonnes Milled	7,945,879	7,837,536	8,112,791	8,516,915	1	(3)	(5)
Copper Concentrates	58,679	58,101	55,962	57,779	1	4	(3)
Gold:							
Ounces	55,149	56,000	53,064	61,977	(2)	6	(14)
Head Grade (g/t)	0.285	0.283	0.264	0.298	0.4	7	(11)
Recovery	76%	78%	77%	76%	(3)	1	1
Copper:							
Pounds	26,200,259	26,378,914	25,737,207	26,574,686	(1)	2	(3)
Head Grade (%)	0.186	0.188	0.177	0.181	(1)	6	(2)
Recovery	81%	81%	81%	78%	(1)	-	4

The four (4) years comparative overall performance of the Padcal Mine was the result of a sustained production performance despite the recurring challenges characteristic of a mine that has existed over 64 years. Tonnage milled and metal output fluctuations were caused by unforeseen operating problems such as unscheduled power interruption, temporary suspension of underground operations for several days to prevent the spread of Covid-19 among employees, for the safety of the underground mining personnel due to the water ponding in the subsidence area brought about by the heavy rainfall and clogged water spillway, unanticipated major mill equipment repairs and recurring repairs and maintenance of existing equipment. The continued focus of the Management in the prevention of recurrence equipment breakdown as well as investing in new LHDs and improvement in the execution of the mining plan, mitigated the negative impact to metal output of these problems. The continuous review and alignment of the execution of the mining plan helped in the attainment and sustaining of the blended ore grades resulting to a decent level of metal outputs relative to the tonnage milled. The Company milled a total of 7,945,879 tonnes in 2021, slightly higher than the 7,837,536 tonnes in 2020 while 2020 tonnage was 3% lower than the 8,112,791 tonnes in 2019. Tonnage in 2019 was also lower by 5% than that of 2018 at 8,516,915 tonnes.

As a continuing strategy, the Company focuses on the continued calibration and refinement of the implementation of the mining plan to ensure the extraction of the high grade ores and preventing further dilution in order to have the highest blended ore grades to ensure the production of higher metal output. These efforts minimized the decline in metal production and resulted to only a 2% and 1% short in gold and copper, respectively, in 2021 versus 2020. This was from a higher metal output in 2020 over 2019, with an increase of 6% for gold and 2% for copper (2019 metal production lower by 14% for gold and 3% for copper against 2018). Overall, the Padcal Mine was able to overcome internal and external factors that may have compromised the achievement of the targeted production outputs.

Review of Financial Results

(in Php Millions except for metrics, units, prices and forex)	2021	2020	2019	2018	2021 vs 2020 (%)	2020 vs 2019 (%)	2019 vs 2018 (%)
Gold:							
Revenues	4,885	4,794	3,740	4,200	2	28	(11)
Ounces Produced	55,149	56,000	53,064	61,977	(2)	6	(14)
Realized Price	$1,785	$1,757	$1,388	$1,294	2	27	7
Copper:							
Revenues	5,516	3,579	3,592	4,051	54	(0.4)	(11)
Pounds Produced	26,200,259	26,378,914	25,737,207	26,574,686	(1)	2	(3)
Realized Price	$4.24	$2.87	$2.72	$2.92	48	6	(7)

Silver Revenues	87	77	67	63	13	15	7
Foreign Exchange Rate	Php49.87	Php49.12	Php51.49	Php53.03	2	(5)	(3)
Gross Revenues	10,488	8,450	7,399	8,314	24	14	(11)
Net Revenues	9,797	7,834	6,790	7,640	25	15	(11)

Gross Revenues generated in 2021 amounted to Php10.488 billion, 24% higher than revenues in 2020 of Php8.450 billion which was 14% higher than revenues of Php7.399 billion in 2019. The 2019 revenues were, however, 11% lower than the Php8.314 billion revenues in 2018. The significant increase in revenues in 2021 was brought about by the increasing trend of both gold and copper prices. Copper increased by 48% in 2021 from its 2020 level. Gross Revenues consisted of 46.6% from the sale of gold, 52.6% from the sale of copper and the remaining 0.8% from silver.

Gold revenues amounting to Php4.885 billion increased by 2% from the Php4.794 billion in 2020 which was significantly higher than revenues of Php3.740 billion in 2019 and of Php4.200 billion in 2018 (2019 was 11% lower than 2018). The increase in gold revenues was mainly attributable to the 2% rise of gold prices that averaged at US$1,785 per ounce compared with the realized gold prices for the years 2020, 2019 and 2018 of US$1,757, US$1,388 and US$1,294, respectively. Gold production, however, decreased by 2% to 55,149 ounces from 56,000 ounces in 2020. Gold production in 2020, on the other hand, increased from 53,064 ounces in 2019 (2019 was 14% lower than 2018). Overall, better average ore grades for 2021 contributed to the higher gold output in 2021.

Copper revenues amounted to Php5.516 billion in 2021, 54% higher than Php3.579 billion in 2020 that was slightly lower than the Php3.592 billion in 2019 (2019 was 11% lower than the Php4.051 billion in 2018). Copper production was at 26,200,259 pounds in 2021, slightly lower than the copper production of 26,378,914 pounds in 2020, that was higher than the 25,737,207 pounds copper production in 2019 (2019 was slightly lower than the 26,574,686 pounds in 2018). On the other hand, copper price recorded significantly higher levels in 2021 averaging US$4.24 per pound, 48% higher than the US$2.87 per pound in 2020 that was also higher than the US$2.72 per pound in 2019 (2019 was lower than the US$2.92 per pound in 2018). Consequent to higher copper prices, copper revenues increased by 54% in 2021 despite lower copper production. The favorable foreign exchange rate (Forex) in 2021 that averaged Php49.87, slightly higher compared to 2020 Forex of Php49.12 that was lower versus Php51.49 in 2019 (2019 was also lower compared to the high of Php53.03 in 2018).

Revenues from silver amounted to Php87 million in 2021 making the remaining 1% of the gross revenue in 2021, higher compared to Php77 million in 2020 due to the 17% increase in metal price. 2020 silver revenues were higher than Php67 million in 2019 (2019 was also slightly higher than Php63 million in 2018).

In 2021, Revenues, net of smelting charges, increased by 25% to Php9.797 billion from Php7.834 billion in 2020, Php6.790 billion in 2019 and Php7.640 billion in 2018 as a result mainly from favorable metal prices with copper increasing by 54% in 2021.

As part of the risk management strategy, the Company regularly monitors the prices of gold and copper in the world market as a basis of assessing the need to enter into hedging contracts to mitigate the risk of the potential impact of fluctuations of the metal prices to the Company's revenues. Based on the Company's outlook of the movement of gold and copper prices, the Company entered into various collar hedging contracts in 2021 as follows:

2021 Gold Collar Hedge							
Deal Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain (Loss) (in Php Millions)
		Put	Call	Settlement			
01/04/21	1,900	1,830	2,050	1,868	Jan. 2021	02/02/21	-
01/04/21	1,900	1,830	2,050	1,811	Feb. 2021	03/02/21	2
01/04/21	1,900	1,830	2,050	1,720	Mar. 2021	04/06/21	10

03/10/21	1,900	1,680	1,733	1,760	Apr. 2021	05/05/21	(3)
03/10/21	1,900	1,680	1,733	1,850	May 2021	06/02/21	(11)
03/10/21	1,900	1,680	1,733	1,835	June 2021	07/02/21	(9)
03/10/21	1,900	1,680	1,733	1,806	July 2021	08/03/21	(7)
03/10/21	1,900	1,680	1,733	1,784	Aug. 2021	09/02/21	(5)
03/10/21	1,900	1,680	1,733	1,779	Sept. 2021	10/04/21	(4)
10/01/21	1,900	1,700	1,800	1,776	Oct. 2021	11/02/21	-
10/01/21	1,900	1,700	1,800	1,820	Nov. 2021	12/02/21	(2)
10/01/21	1,900	1,700	1,800	1,788	Dec. 2021	01/05/22	-
						Total	(29)

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

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

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

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

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

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

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

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

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

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

2020 Gold Collar Hedge							
Deal Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Loss *(in Php Millions)*
		Put	Call	Settlement			
05/15/20	1,900	1,650	1,855	1,842	July 2020	08/04/20	-
05/15/20	1,900	1,650	1,855	1,970	Aug. 2020	09/02/20	(11)
05/15/20	1,900	1,650	1,855	1,923	Sept. 2020	10/02/20	(6)
05/15/20	1,900	1,650	1,855	1,901	Oct. 2020	11/03/20	(4)
05/15/20	1,900	1,650	1,855	1,867	Nov. 2020	12/02/20	(1)
05/15/20	1,900	1,650	1,855	1,829	Dec. 2020	01/05/21	(0.04)
						Total	(22)

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

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

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

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

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

For 2018, the Company entered into gold and copper hedges are as follows:

2018 Gold Collar Hedge							
Date	Quantity (Ounces)	Gold Prices (US$ Per Ounce)			Period Covered	Settlement Date	Realized Gain *(in Php Millions)*
		Put	Call	Settlement			
01/10/18	2,200	1,300	1,349.50	1,332	Jan. 2018	02/02/18	-
01/10/18	2,200	1,300	1,349.50	1,333	Feb.2018	03/02/18	-
01/10/18	2,200	1,300	1,349.50	1,325	Mar. 2018	04/02/18	-
01/10/18	2,200	1,300	1,349.50	1,335	Apr. 2018	05/02/18	-
01/10/18	2,200	1,300	1,349.50	1,303	May 2018	06/02/18	-
01/10/18	2,200	1,300	1,349.50	1,282	June 2018	07/03/18	2
04/19/18	3,000	1,330	1,400	1,238	July 2018	08/02/18	15
04/19/18	3,000	1,330	1,400	1,202	Aug. 2018	09/02/18	21
04/19/18	3,000	1,330	1,400	1,199	Sep. 2018	10/02/18	21
							59

2018 Copper Collar Hedge							
Date	Quantity (Pounds)	Copper Prices (US$ Per Pound)			Period Covered	Settlement Date	Realized Gain *(in Php Millions)*
		Put	Call	Settlement			
01/08/18	793,663	3.00	3.40	3.18	Jan. 2018	02/02/18	-
01/08/18	793,663	3.00	3.40	3.08	Feb. 2018	03/02/18	-
01/08/18	793,663	3.00	3.40	3.10	Mar. 2018	04/02/18	-
01/08/18	793,663	3.00	3.40	3.09	May. 2018	06/04/18	-
01/08/18	793,663	3.00	3.40	3.15	June 2018	07/03/18	-
01/08/18	793,663	3.00	3.40	2.83	July 2018	08/02/18	7
							7

The Company recognized a gain of Php59 million in 2018 on its gold hedges and Php7 million on its copper hedges that matured within the period. No contracts remained outstanding as of December 31, 2018, thus nil unrealized MTM gain or loss.

Operating Costs and Expenses

Operating cost and expenses ("Opex"), which included Production Costs, Excise Tax and Royalties, and Depletion, Depreciation and Amortization, and General and Administrative Expenses (G&A), were at Php6.598 billion in 2021, 5% higher than the Php6.298 billion in 2020 that was significantly lower than the Php6.917 billion in 2019 (2019 was slightly higher than the Php6.821 billion in 2018). The 5% increase in Opex was mainly due to higher Production Costs and Excise Tax and Royalties on account of the 25% increase in net revenue in 2021 with partial offsetting from the decrease in Depletion, Depreciation and Amortization as well as G&A. For the 2020 Opex, the decrease against 2019 was brought about by the lower Production Costs, and Depletion, Depreciation and Amortization. This was partially offset by higher Excise Taxes and Royalties on account of significantly higher revenues, the basis in computing taxes and royalties. In 2019, Opex increased compared to 2018 on account of higher non-cash charges related to asset depreciation in the first quarter. Costs beginning the second quarter bear the impact of lower tonnage and the continuous implementation of cost saving programs which included manpower rationalization both at head office and at the Padcal Mine.

Production Costs increased in 2021 to Php4.488 billion from Php4.216 billion in 2020 due mainly to higher power costs on account of higher power rate under the new power contract, materials and supplies following higher consumption for equipment parts in addition to the slightly elevated purchase costs of materials and suppliers, increasing lubes and fuel prices, and labor costs based on the recently concluded renewal of the Collective Bargaining Agreements at the Padcal Mine. For 2020, the production costs decreased from Php4.388 billion in 2019 (2019 decreased from Php4.408 billion in 2018), attributed to the continued implementation of efficient operating practices and prudent cost management reducing consumption of materials and supplies in 2020 in addition to the benefit from lower contracted power rates. While in 2019, the reduction was attributable mainly to lower power costs and the manpower rationalization program the full impact of which was felt mid-2019.

Depletion, Depreciation and Amortization (DDA) slightly decreased to Php1.218 billion in 2021 against 2020 despite the impact of the reversal of the 2019 impairment provision and additional depreciation for new acquisitions and amortization for additional costs related to the tailings storage facility. While for 2020, DDA has significantly gone down to Php1.252 billion from Php1.814 billion in 2019 as a result mainly of the recognition of the impairment provision against mine and mining assets in 2019 that reduced the rate per tonne for the depletion and block amortization expenses, net of additional depreciation, and amortization on account new acquisitions and TSF costs, respectively, in 2020 (2019 was higher compared to Php1.601 billion in 2018).

G&A decreased by 12% to Php253 million versus Php287 million in 2020 due to lower salaries and wages on account of lower manpower, while the 2020 G&A was maintained at Php287 million in 2020 after a continuous reduction for the past three years as a result of the conscientious spending for Head Office administrative activities. In 2019, G&A decreased further to Php287 million from Php306 million in 2018.

Excise Taxes and Royalties, on the other hand, significantly increased to Php639 million in 2021 from Php543 million in 2020 on account of the 25% increase in net revenues. Similarly in 2020, these costs increased by 27% compared to Php427 million in 2019 (2019 was lower than the Php506 million in 2018), attributable to lower net revenues in 2019.

Smelting Charges increased by 12% to Php691 million in 2021 compared with 2020 due to higher value of unit deductions as a result of the high level of metal prices, and higher freight charges despite slightly lower treatment charges and refining charges ("TCRC") on concentrate shipments in 2021. This is following a slight increase in 2020 to Php616 million from Php610 million in 2019 primarily from higher metal production in 2020 (2019 was lower than Php674 million in 2018 due mainly to lower negotiated rates for TCRC as well as lower copper concentrates and metal production in 2019).

Break-even Production and Operating Cost per Unit

(in Php Millions except for unit costs)	**2021**	**2020**	**2019**	**2018**	**2021 vs 2020 (%)**	**2020 vs 2019 (%)**	**2019 vs 2018 (%)**	**2018 vs 2017 (%)**
Production Cost	4,488	4,216	4,388	4,408	6	(4)	(0.5)	0.1
Depletion, Amortization and Depreciation*	1,218	1,252	1,814	1,601	(3)	(31)	13	3
Total Production Cost	5,706	5,468	6,202	6,009	4	(12)	3	1
Excise Tax and Royalties	639	543	427	506	18	27	(16)	12
Smelting Charges	691	616	610	674	12	1	(9)	(20)
Total Operating Cost	7,036	6,627	7,239	7,189	6	(8)	1	(1)
Breakeven Costs:								
Production Cost Per Tonne	Php718	Php698	Php724	Php705	3	(4)	3	3
Operating Cost Per Tonne	Php886	Php846	Php852	Php844	5	(1)	1	1
Operating Cost Per Ounce of Gold	US$1,202	US$1,362	US$1,296	US$1,112	(12)	5	17	20
Operating Cost Per Pound of Copper	US$2.85	US$2.22	US$2.54	US$2.50	28	(13)	2	16

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

Production cost per tonne, consisting of cash and non-cash (consisting of depletion, depreciation and amortization), increased to Php718 in 2021 compared with Php698 in 2020 due mainly to higher costs on power, materials and supplies and labor. For 2020, the production cost per tonne decreased from Php724 in 2019 on account of lower materials and supplies and power costs (2019 increased from Php705 in 2018, despite lower total production cost of Php5.873 billion (excluding asset impairment of Php329 million) in 2019 compared with Php6.009 billion in 2018 caused by higher non-variable components of costs).

Following higher production cost per tonne coupled with the increase in the other components of operating costs relative to higher net revenues, the Operating Cost per Tonne increased to Php886 from Php846 in 2020 which was slightly lower than the Php852 in 2019 (2019 was higher against Php844 per tonne in 2018).

Break-even Operating Cost (using a co-production method) per ounce of gold and per pound of copper were higher at US$1,202 per ounce and US$2.85 per pound compared with US$1,362 per ounce and US$2.22 per pound in 2020, respectively. Costs allocation to gold and copper was based on their revenue contribution. Gold revenue in 2021 was lower compared at 46% of total revenues compared to 57% in 2020 thus a lower allocation in operating costs, while copper contributed 53% in total revenues in 2021 as against 42% only in 2020. This resulted in the lower cost per ounce gold and higher cost per pound copper. On the other hand for 2020, on the basis of gold's and copper's contributions to revenue, cost per ounce gold was higher while cost per pound copper was higher compared with US$1,296 per ounce gold and US$2.54 per pound copper in 2019, respectively. In 2019, breakeven operating costs were higher compared with US$1,112 per ounce and US$2.50 per pound in 2018 primarily due to lower metal output in 2019 of 14% in gold and 3% in copper brought about mainly by declining ore grades. The higher breakeven costs reflect that producing gold and copper in 2019 was more expensive than in the previous year.

Net Other Income (Charges)

(in Php Millions)	**2021**	**2020**	**2019**	**2018**
Share in Net Losses of Associates	(529)	(47)	(118)	(41)
Reversal of (provisions for) Impairment Losses – net of other provisions and reversals	272	(2)	(849)	(67)

Foreign Exchange Gain (Losses) – Net	(46)	99	93	(121)
Interest Income	2	1	2	2
Others	(98)	(56)	(4)	91
Total	(399)	(5)	(877)	(136)

In 2021, the Company recorded share in the net losses of its associates, PXP Energy and Lepanto Consolidated Mining Company, amounting to Php529 million, significantly higher than the Php47 million in 2020 due to PXP Energy's impairment provision of the carrying value of its oil and gas assets related to Peru Block Z-38. For 2020, the Company's share in net losses of associates was lower compared with Php118 million in 2019 (2019 was higher than the Php41 million in 2018 primarily from additional impairment provision taken up by PXP Energy).

The Company regularly assesses the viability of its continued operation of the mine, recoverability of costs on existing mine exploration projects and other investments on a regular basis using an acceptable financial model. As a result of this exercise, the Company determined in 2020 and also in 2021 that the recorded impairment reserve was greater than what it should be. As a result, the Company recorded a reversal equivalent to the excess impairment provision in 2020 and 2021. This reversal is a portion of the 2019 impairment provisions on mining assets mainly coming from the impact of higher metal prices on the life-of-mine financial projections of the Company as well as the extension in 2021 of the Padcal mine life for another two years to end 2024. The 2021 and 2020 reversals were, however, offset by various provisions which include additional provisions on inventory items at the Padcal Mine that were assessed to be obsolete due either to change in technology or phasing out of the main equipment. In 2019, the recorded Net Provisions for Impairment Losses of Php849 million consisted mainly of the non-cash impairment provisions of Php1.457 billion on mining assets and Php129 million on investment, with partial offset from recording a non-recurring gain from the reversal of Php738 million in receivables previously written-off (2019 was higher compared with the Php67 million in 2018 which consisted of a Php1.379 billion provision for impairment losses on mining assets and deferred exploration costs, and a Php1.312 billion gain on the reversal of Provision for Expected Credit Losses on PXP Energy advances).

In 2021, the Company recorded a net foreign exchange (forex) loss on short-term loans of Php46 million, compared with a forex gain of Php99 million in 2020 following the depreciation of Philippine Peso against US Dollar in 2021. In 2020, forex appreciated thus the gain of Php99 million recorded by the Company. Similarly, the Philippine Peso appreciated in 2019 resulting to a gain of Php93 million as against a net forex loss of Php121 million in 2018.

The overall Net Other Charges amounted to Php399 million in 2021, significantly higher than the Php5 million in 2020, compared to Php877 million in 2019 and Php136 million in 2018.

Core and Reported Net Income

Favorable and sustained higher level of gold and copper prices allowed the Company to post a core net income of Php2.533 billion, 118% above the Php1.162 billion in 2020, which excludes extra-ordinary and non-recurring transactions and reflects the Company's operational performance. This was the result of the 25% increase in revenues, coupled with the steady management of operating costs. The 2020 core net income was also substantially higher than the core net income of Php156 million in 2019. The 2020 results benefited from higher gold and copper production from sustained better ore grades and from favorable realized gold and copper prices as copper started to soar in the third quarter of 2020. In 2019, the core net income was lower than previous years' numbers of Php600 million in 2018. The overall profitability of the Company in 2019 was significantly affected by the impact of lower tonnage and ore grades that was partially cushioned by favorable gold prices.

EBITDA also significantly increased by 60% to Php4.317 billion from Php2.703 billion in 2020. The healthy cash generation of the Company as a result of favorable metal prices provided sufficient funds to finance additional capital expenditures for continued operation of the Padcal Mine. For 2020, EBITDA also increased from Php1.664 billion in 2019 (2019 was lower compared with Php2.493 billion in 2018). The Company's core net income and EBITDA exclude non-recurring transactions to clearly reflect and provide results based on the normal operating parameters of the business. Non-core items consisted mainly of forex gain and net provisions for impairment of assets in 2020. While forex gain, net provisions for impairment of assets, gain on the reversal of receivable previously written off, write off of fixed assets and manpower rationalization costs comprised the non-core items.

With excellent operating performance in 2021, the Company posted a Reported Net Income (the same as the Net Income Attributable to the Equity Holders as income attributable to non-controlling interest was nil) of Php2.431 billion from Php1.228 billion in 2020 and a loss of Php648 million in 2019. In 2019, the net loss after recording the non-cash net impairment provisions of Php849 million amounted to Php648 million, compared to a Net Income of Php608 million in 2018. After the production challenges experienced at Padcal Mine in 2019, the Company intensified its production improvement measures to boost production and simultaneously take advantage of the favorable metal prices raising the Company's profitability level in 2021.

Reconciliation of Core Net Income to Consolidated Net Income

(in Php Millions)	**2021**	**2020**	**2019**	**2018**
Core Net Income	2,533	1,162	156	600
Non-Recurring Gains (Losses):				
Foreign Exchange Gain (Losses)	(46)	99	93	(121)
Write-off of Fixed Assets		-	(329)	-
Net Provisions for Impairment of Assets	272	(2)	(849)	93
Effect of CREATE Law	335	-	-	-
Share in Provision for Impairment in PXP assets	(674)	(2)	(80)	-
Net Tax Effect of Aforementioned Adjustments	11	(29)	361	36
Net Income (Loss) Attributable to Equity Holders	2431	1,228	(648)	608
Net Income Attributable to Non-Controlling Interest	-	-	-	-
Consolidated Net Income	2,431	1,228	(648)	608

Other Comprehensive Income

The Company's Other Comprehensive Income included unrealized gains or losses related to financial assets and hedging instruments as well as the income tax effect of other financial transactions as a result of the effectivity of CREATE law reducing the income tax rate from 30% to 25%. For 2021, the Company recorded remeasurement gains on pension obligation plans of Php72 million, compared with Php120 million in 2020, Php10 million in 2018 and losses of Php121 million in 2019. The corresponding income tax effect on remeasurement gains and losses on pension obligation plans were Php2 million in 2021, Php36 million in 2020, Php36 million in 2019 and Php3 million in 2018 (inclusive in the total 2018 income tax effect of Php9 million). The Company also recorded Php278 million income tax effect on net revaluation surplus, versus nil in the past three years.

Similarly, unrealized loss on fair value of derivatives outstanding as of December 31, 2021 amounted to Php24 million versus nil in the past three years. Unrealized gain on financial assets measured at FVOCI recognized in 2021 was Php10 million, compared with Php2 million in 2019, Php41 million in 2018 and a loss of Php6 million in 2020.

Total Other Comprehensive Income for 2021 amounted to Php332 million compared with Php78 million for 2020, Php42 million for 2018 and a loss of Php82 million for 2019. This resulted to a Total Comprehensive Income of Php2.764 billion for 2021, significantly higher that the Php1.307 billion for 2020, due to the reported net income of Php2.341 billion that was twice the reported net income of Php1.228 billion for 2020. For 2020, the total comprehensive income was a turn-around from the loss of Php730 million in 2019 versus an income of Php650 million in 2018.

FINANCIAL CONDITION REVIEW

Financial Condition Summary

(in Php Millions except ratios)	**2021**	**2020**	**2019**	**2018**
Cash and Cash Equivalents	2,891	1,191	796	871
Non-Current Assets	36,134	35,495	34,977	36,258
Total Assets	41,856	38,939	37,899	40,712
Loans and Bonds Payable	10,131	1,777	2,532	2,156
Non-Current Liabilities	13,324	10,492	10,001	10,202
Equity Attributable to Equity Holders of Parent Company	26,699	24,227	22,969	23,699
Non-Controlling Interests	(0.3)	(0.3)	(0.3)	(0.3)
Total Equity	26,698	24,226	22,969	23,699
Liquidity Ratios:				
Current Ratio	0.43	0.82	0.59	0.65
Quick Ratio	0.25	0.37	0.25	0.17
Solvency and Debt to Equity Ratios:				
Debt-to-Equity Ratio	0.57	0.61	0.65	0.72
Solvency Ratio	0.24	0.17	0.08	0.13
Financial Leverage Ratios:				
Asset-to-Equity Ratio	1.57	1.61	1.65	1.72
Profitability Ratios:				
Return on Assets	6.02%	3.20%	(1.65%)	1.51%
Return on Equity	9.55%	5.21%	(2.78%)	2.51%
Net Profit Margin	24.82%	15.68%	(9.54%)	7.96%

Current Assets

As of December 31, 2021, Current Assets amounted to Php5.722 billion, 66% higher than the Php3.445 billion in 2020 on account of higher cash and cash equivalents, accounts receivable and inventories covering availability of copper concentrates scheduled for shipment in early 2022. Similarly in 2020, the current assets were higher than the Php2.921 billion in 2019 that was significantly lower compared with Php4.453 billion in 2018 mainly due to the collection of remaining advances from PXP Energy and subsequent payment of subscription payable to PXP Energy for the additional subscription of shares of stock that brought Philex's ownership interest in PXP Energy from 19.8% to 30.4%.

Cash and Cash Equivalents

The Cash and Cash Equivalents amounted to Php2.891 billion as of December 31, 2021, 143% higher than the Php1.191 billion as of December 31, 2020, compared with Php796 million in 2019, and Php871 million in 2018. The monthly main source of cash is dependent on the timing of shipments of the copper concentrates to the Company's customers overseas. Cash generated from operations was primarily used for the day to day operating expenses and capital expenditures for the mine development and mill operations as well as for the loan reduction program and advances to Silangan to finance its pre-development expenditures. Cash requirement for the Silangan Project in 2019 was from the excess cash generated by the Company while expenditures in 2020 were covered by loan availment.

Accounts Receivable

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

Under the existing sales agreement with the two major Company's Customers, the Company receives 90% of the total US$ value of the copper concentrates within a few days after the shipment date, with the balance payable upon final pricing determination based on agreed QP. QP is determined either MOSS or MAMA in destination.

The outstanding receivables from copper concentrates as of December 31, 2021, consisted of the remaining value of four shipments in the fourth quarter of 2021 awaiting final pricing which were all with IXM S.A. The QP terms for IXM S.A. are MOSS for copper and MOSS or 3MAMA for gold.

For 2020, the trade receivables consisted mainly of the remaining value of four shipments in the fourth quarter of 2020 awaiting final pricing, of which three were with IXM S.A., and the one with Pan Pacific. The QP for the Pan Pacific shipments is 3MAMA for copper and 1MAMA for gold, while for IXM S.A., the QP is MOSS for copper and MOSS or 3MAMA for gold. While for 2019 , the trade receivable balance represented uncollected 10% of four outstanding shipments, while for end-2018: equivalent to 10% of the value of six shipments, for end-2017: 100% of the value of one shipment to IXM SA and the remaining 10% of four other shipments in 2017.

Inventories

Total Inventories, comprising of M&S and mine products, amounted to Php1.926 billion as of December 31, 2021, 43% higher than the Php1.343 billion as of December 31, 2020, compared with Php1.044 billion in 2019. The increase was due to the higher Mine Products inventory as a result of the delayed shipment of one full ship load of copper concentrates originally planned to be shipped before December 31,2021 but was shipped only in early January 2022. In 2021, mine products represented about 66% of total inventories while M&S represented the remaining 34%, compared with M&S at 55% and mine products at 45% in 2020. Meanwhile in 2019, M&S represented 88% while mine products represented 12% of the total inventories. Total Inventories in 2018 amounted to Php1.138 billion.

In 2021, mine products inventory amount to Php1.264 billion while M&S supplies amounted to Php663 million. Mine Products inventory which is valued at net realizable value includes one full ship load of copper concentrate scheduled for shipment before December 2021, a significant increase from Php611 million in 2020, Php129 million in 2019, and Php56 million in 2018. On the other hand, M&S supplies decreased in 2021 from Php733 million in 2020, Php915 million in 2019, and Php1.082 billion in 2018. Also in 2020, the Company recorded an allowance for inventory obsolescence of Php105 million to cover inventory items no longer useful during the life of mine which has gone down to Php51 million in 2021.

Other Current Assets

Other Current Assets, composed primarily of input VAT claims on purchases of materials, supplies and equipment, decreased further to Php438 million in 2021 from Php540 million in 2020, Php666 million in 2019 and Php757 million in 2018. The continuing annual decrease is on account of receipt of actual refund of VAT claims from the BIR in the form of either cash or TCC. In 2021, a total of Php91 million VAT receivable was refunded to the Company in 2021 while a total of Php178 million, Php93 million and Php127 million in 2020, 2019 and 2018, respectively. TCCs previously received were utilized by the Company to partially pay its income tax obligations. As of December 31, 2021, all TCCs were fully utilized.

Advances to a Related Party

Full settlement of the Advances to a Related Party was received in 2019 thus nil amount since 2019.These advances represented non-interest bearing advances to affiliate, PXP Energy Corporation.

Non-Current Assets

Non-Current Assets was increased to Php36.134 billion as of December 31, 2021 from Php35.495 billion as at end 2020, slightly above the Php34.977 billion in 2019 from Php36.258 billion in 2018. Non-Current Assets comprised mainly of Deferred Exploration Costs ("DEC"), Investment in Associates and Property, Plant and Equipment ("PPE"). DEC and PPE represent 87% of total non-current assets, signifying the capital-intensive nature of the business.

Deferred Exploration Costs

Deferred Exploration Costs ("DEC") increased further to Php28.100 billion as of December 31, 2021 from Php27.365 billion as at end 2020 from Php26.616 billion in 2019 (from Php25.448 billion in 2018) on account of the pre-development expenditures related to Silangan Project with cumulative amount of Php25.794 billion or 92% of total DEC. Initial expenditures on early works program and land banking transactions for the Silangan Project in 2021 and 2020 were also included in the DEC of the Project.

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

(in Php Millions)	**2021**	**2020**	**2019**	**2018**
Silangan Project	25,794	25,066	24,349	23,212
Kalayaan Project	2,753	2,752	2,746	2,743
Bulawan and Vista Alegre Projects	633	698	633	633
Lascogon Project	289	289	289	289
Sibutad Project	236	236	235	235
Bumolo Project	210	210	210	210
Clifton Project	135	135	135	135
Southwest Project	110	110	110	109
Sanfran/Tambis Project	92	92	92	92
Tapsan Project	149	149	148	143
Other Exploration Costs	1,524	1,453	1,495	1,472
Total	31,925	31,190	30,442	29,273
Less: Impairment Provisions	(3,825)	(3,825)	(3,825)	(3,825)
Total Deferred Exploration Costs-Net	28,100	27,365	26,616	25,448

Investment in Associates

Investment in Associates amounted to Php3.632 billion as of December 31, 2021, decrease from Php4.161 billion as of December 31, 2020 from Php4.208 billion as of December 31, 2019 (from Php4.456 billion in 2018). The annual decrease in amount was mainly from the Company's share in the net losses of associates in 2021, 2020 and 2019 which included impairment provisions. For 2021, the significant decrease in the investment in associates was due to impairment provision recorded by PXP Energy of the carrying value of its oil and gas assets related to Peru Block Z-38. For 2018, the significant increase was from the additional equity subscription by the Company in PXP Energy. This transaction increased the Company's stake in PXP Energy from 19.8% to 30.4% as of December 31, 2019.

Property, Plant and Equipment

Property, Plant and Equipment increased to Php3.429 billion as of December 31, 2021 from the Php3.043 billion as of December 31, 2020 which decreased from Php3.185 billion in 2019 and Php5.404 billion in 2018. The increase in PPE in 2021 was mainly due to the reversal of 2019 impairment provision amounting to Php699 million on top of the Php103 million reversal in 2020. The 2019 impairment provision amounting to Php1.457 billion was on top of the impairment of Php1.332 billion in 2018. The annual impairments recorded in the financial statements are attributable to Padcal Mine and mining properties as it is nearing the end of mine life and the impact of financial assumptions particularly gold and copper prices and foreign exchange rates on financial projections. While for 2020, the decrease in PPE was due to the higher amount of total Depletion, Depreciation and Amortization of Php1.294 billion compared to Php1.048 billion spent for the additional capital expenditures for Padcal's Mine development activities and mine equipment acquisition.

Pension Asset

Pension Asset increased to Php353 million as of December 31, 2021 based on the latest actuarial report from Php310 million as of December 31, 2020, Php224 million in 2019 (from Php360 million in 2018). Pension Asset represents the excess of the fair value of plan assets against the present value of defined benefit obligations under the Company's retirement plan, net of SMMCI pension obligation.

Financial Assets Measured at FVOCI

Financial Assets Measured at FVOCI, consisting mainly of shares in gold and country clubs, amounted to Php125 million as of December 31, 2021 from Php114 million as of December 31, 2020, Php121 million as at end 2019 and Php118 million as at end of 2018. In accordance with PFRS 9, *Financial Instruments* which was adopted beginning January 1, 2018, the Company's financial assets amounting to Php118 million were reclassified to Financial Assets Measured at FVOCI from Available-for-Sale ("AFS") Financial Assets in the previous years. The AFS Financial Assets in 2017 amounted to Php76 million.

Other Non-Current Assets

Other Non-Current Assets decreased to Php495 million as of December 31, 2021 from Php501 million as of December 31, 2020, Php623 million in 2019 (from Php473 million in 2018). This included SMMCI's input Value-Added Tax amounting to Php435 million in 2021, Php434 million in 2020 from Php433 million in 2019 and Php410 million in 2018.

Total Assets

As of December 31, 2021, Total Assets of the Company amounted to Php41.856 billion compared with Php38.939 billion as at end 2020 mainly from cash and cash equivalents, Php37.899 billion in 2019 that was slightly lower than the Php40.712 billion in 2018, primarily from the collection of PXP Energy advances and additional impairment provisions on mining assets in 2019.

Current Liabilities

Current Liabilities significantly increased to Php13.324 billion as of December 31, 2021 from Php4.221 billion as of December 31, 2020 mainly from the reclassification of the bonds payable to current liabilities on account of its maturity in December 18, 2022, net of bank loan repayments. The 2020 current liabilities decreased from Php4.929 billion in 2019 (from Php6.811 billion in 2018) primarily due to reduction of loans payable and due to the additional payment of subscription payable to PXP Energy for the additional subscription of shares of stock in 2018 that brought Philex's ownership interest in PXP Energy from 19.8% to 30.4%.

Loans and Bonds Payable

Following the reclassification of the bonds payable to current, the balance of Loans and Bonds Payable under the Current Liabilities section increased to Php10.131 billion as of December 31, 2021, consisting of Php8.652 billion for bonds payable and Php1.479 billion for loans payable. The loan balances at year-end were Php1.479 billion or US$29 million in 2021, Php1.777 billion or US$37 million in 2020, Php2.532 billion or US$50 million in 2019 and Php2.156 billion or US$41 million in 2018. Of the 2021 US$29 million loan balance, US$23 million was directly under Philex and US$6 million was under SMMCI which loans were used for the cash requirement of SMMCI.

Debt reduction program was started at the early part of 2020 and continued to 2021. However, at the onset of COVID-19, Philex re-availed a short term loan amounting to US$2 million as contingency fund should there be disruptions in the Company's business operations related to

COVID19. Immediately thereafter, the Company resumed repaying its loan. For 2020, the total Parent Company debt repayment was US$15 million, reducing loan balance from US$46 million as at end-2019 to US$31 million as of December 31, 2020. For 2021, the Company made additional loan repayment of US$8 million that reduced the Company's loan from US$31 million to US$23 million.

On the other hand, SMMCI outstanding short term loan remained at US$6 million as of December 31, 2021 from 2020 and was at $4 million as of December 31, 2019. The additional loan availment of SMMCI was used for pre-development operating and capex requirement of SMMCI.

Bonds Payable increased to Php8.652 billion as of December 31, 2021 from Php8.182 billion in 2020, Php7.743 billion in 2019, and Php7.333 billion in 2018. The yearly changes in the amounts correspond to the amortization of deferred transaction costs, accretion of interest from the discounting of the face value of the CN and accrual of the 3% redemption premium. The bonds payable pertains to the 8-year convertible bonds issued by SMECI, with 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 further exploration works of SMMCI. The bonds mature on December 18, 2022 thus the reclassification from long term to current liability. The Company management is in the process of negotiations with noteholders to extend its maturity up to 2028, without changing all the other terms and conditions of the original bond agreement.

Accounts Payable and Accrued Liabilities

As of December 31, 2021, Accounts Payable and Accrued Liabilities increased to Php2.556 billion from Php1.693 billion that also increased from Php1.608 billion in 2019 (2019 was lower than Php1.791 billion in 2018). This composed primarily of payables to suppliers and contractors of which no material amount has been left unpaid within terms acceptable and agreed upon with suppliers and contractors. The significant increase in 2021 was due to the additional accruals.

Subscription Payable

Subscription Payable significantly decreased to Php3 million as of December 31, 2021 from Php123 million as of December 31, 2020, from Php187 million in 2019 and from Php2.313 billion in 2018. The yearly movement in the subscription payable was from the settlement of the Company's subscription in PXP Energy shares which increased the Company's interest in PXP Energy from 19.8% to 30.4% in 2018.

Income Tax Payable

Income Tax Payable amounted to Php181 million as of December 31, 2021, compared with Php74 million as at end 2020, Php53 million as at end 2019, and Php18 thousand in 2018. The tax amount is due and payable no later than April 15, 2022.

Dividends Payable

Dividends Payable amounted to Php452 millon as of December 31, 2021 from Php554 million as of December 31, 2020, Php550 million in 2019 (not far from the level in 2018 of Php551). On March 4, 2022, the Philex Board of Directors (BOD) declared a regular cash dividend of 5 centavos per share to shareholders on record as of March 21, 2022, payable on April 2, 2022, which represented 10% of the Company's 2021 Core Net Income.

In 2021, the Philex BOD declared a regular cash dividend of 5.9 centavos per share, payable in March 2021 for the 2020 results. Similarly in 2020, the Philex BOD declared in February 2020 a regular cash dividend of one centavo per share, payable in March 2020 for 2019 results. In 2018, the Philex BOD declared in February 2018 a regular cash dividend amounting to four centavos per share, payable in March 2018, for the fourth quarter 2017 results. Moreover, the Philex BOD again declared in July 2018 a regular cash dividend amounting to three and a half centavos per share, payable in August 2018, for interim 2018 results.

Non-Current Liabilities

Non-Current Liabilities significantly decreased to Php1.833 billion as of December 31, 2021 from Php10.492 billion as of December 31, 2020 that increased from Php10.001 billion in 2019 (2019 was lower than the Php10.202 billion in 2018). The significant decrease in 2021 was due to the reclassification of bonds payable to current liabilities section as it will mature in December 18, 2022.

Deferred Income Tax Liabilities

Deferred Income Tax Liabilities amounted to Php1.816 billion as of December 31, 2021, consisting mainly of Php1.388 billion arising from the acquisition of Anglo's 50% stake in the Silangan companies and Php428 million mainly for accelerated deductions, compared to Php2.293 billion in 2020, Php2.219 billion in 2019 and Php2.790 billion in 2018. Following the implementation of the CREATE Law reducing the applicable income tax rate from 30% to 25% starting July 1, 2020 effective 15 days from the approval of such on March 26, 2021, the Company reassessed its income tax liabilities included the deferred income tax liabilities which resulted to a retroactive tax adjustment of Php467 million, consisting of current of Php19 million and deferred of Php448. Million.

Provision for Losses and Mine Rehabilitation Costs

Provision for Losses and Mine Rehabilitation Costs remained at Php17 million as of December 31, 2021 and 2020 from Php39 million in 2019, and Php79 million in 2018. The Company spent Php8 million in 2021, Php26 million in 2020, Php43 million and Php60 million in 2019 and 2018, respectively, for the requirement under the Company's approved Final Mine Rehabilitation and Development Program for a total of Php137 million.

Total Liabilities

As of December 31, 2021, Total Liabilities amounted to Php15.157 billion, higher than the Php14.713 billion in 2020 that was lower than the Php14.930 billion in 2019 (2019 was also lower than the Php17.012 billion in 2018). The increase in 2021 was mainly from various accruals while the decrease in 2020 was from the implementation of the debt reduction program. The significant reduction in the 2019 balance was mainly due to the payment of substantial portion of the subscription payable to PXP Energy and lower Deferred Tax Liabilities.

Total Equity

Total Equity amounted to Php26.698 billion as of December 31, 2021 on account of the net income realized in 2021, compared with Php24.226 billion as of December 31, 2020, Php22.969 billion in 2019 and Php23.699 billion in 2018.

	2021	**2020**	**2019**	**2018**
Common Shares	4,940,399,068	4,940,399,068	4,940,399,068	4,940,399,068
Stock Options	-	-	16,460,000	18,020,000

Retained Earnings increased to Php17.444 billion, due to the net income of Php2.431 billion, net of the cash dividend payment in 2021, compare with Php15.234 billion in 2020, Php13.971 billion in 2019 and Php14.704 billion in 2018.

Net Unrealized Gain on Financial Assets Measured at FVOCI which was net of unrealized loss from fair value of derivatives decreased to Php17 million as of December 31, 2021 from Php32 million as of December 31, 2020, Php38 million in 2019 and Php35 million in 2018 upon adoption of PFRS 9 beginning January 1, 2018. All other accounts under Total Equity remained at their 2019 balances with significant amounts as follows: Equity Conversion Options at Php1.226 billion since 2014 corresponding 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, while the balances of Effect of Transactions with Non-Controlling Interests and the Non-Controlling Interests were insignificant for the past three years. Net Revaluation Surplus increased to Php1.850 million from its previous balance of Php1.572 billion since March 2021 due to impact of CREATE Law.

Liquidity and Capital Resources

The Company's existing liquidity position and capital resources are primarily used for the funding of its existing operations and exploratory drilling works within and around the Sto Tomas ore body with the aim to further extend mine life of Padcal and for 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, the Company's net cash generated in operating activities amounted to Php3.777 billion in 2021, compared to Php2.375 billion in 2020, Php1.232 billion in 2019 and Php3.288 billion in 2018.

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

Net cash used in investing activities in 2021, principally for capital expenditures and deferred exploration costs, remained at the same level in 2020 of Php1.299 billion versus Php1.784 billion in 2019 and Php2.241 billion in 2018. Capital expenditures further decreased to Php751 million in 2021 compared to Php923 million in 2020, Php1.071 billion in 2019 and Php1.672 billion in 2018. The Company focused on implementing activities to comply with the minimum regulatory requirements under existing exploration permits.

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

Capital Expenditures and Deferred Exploration Costs

(in Php Millions)	**2021**	**2020**	**2019**	**2018**
Padcal and Others:				
Mine Development	352	522	552	1,095
Tailings Pond Structures	182	148	165	292
Machinery and Equipment	224	256	366	389
Total	758	926	1,083	1,776
Silangan Project:				
Deferred Exploration Costs	221	214	641	433
Machinery and Equipment	(7)	(3)	(12)	(104)
Total	214	211	629	329
Mine Exploration Projects	6	31	32	156
Total	979	1,168	1,745	2,261

By Recording:				
Deferred Exploration Costs	228	245	673	589
Property, Plant and Equipment	751	923	1,071	1,672
Total	979	1,168	1,745	2,261

Total Capital Expenditures and Deferred Exploration Costs amounted to Php979 million in 2021, compared with Php1.168 billion in 2020, Php1.745 billion in 2019, and Php2.261 billion in 2018. In 2021, the Company spent Php751 million for the sustaining mine development at Padcal, the acquisition of mine and mill equipment to augment Padcal's aging machinery and equipment and the civil works to maintain the stability of the existing tailings facilities. The Company funded in 2019 the completion of Silangan DFS and land banking activities in preparation for the commencement of the Silangan Project development phase. The In-Phase Mine Plan was released in January 2022 based on the execution plan of the Project in line with the funding strategy.

Padcal operations accounted for 77% of total actual spending at Php758 million in 2021 as compared to Php926 million in 2020, Php1.083 billion in 2019 and Php1.776 billion in 2018.

Silangan Project comprised 22% of the capital expenditures amounting to Php214 million in 2021 versus Php211 million in 2020, Php629 million in 2019 and Php329 million in 2018 which included early work programs preparatory to the development of the project.

Other mining exploration projects constituted a total amount of Php6 million in 2021 compared to Php31 million in 2020, Php32 million in 2019 and Php156 million in 2018. These activities focused on complying with minimum regulatory requirements and confirmatory drillings necessary to evaluate the possible extension of the life of Padcal Mine beyond 2024.

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 2021, the Company reported for its Padcal Mine one LAT-F incident same as 2020, five incidents in 2019 and two incidents in 2018. Meanwhile, in terms of Lost Time Accident Non-Fatal events, there were eight in 2021, six recorded in 2020 versus five in 2019 and six in 2018.

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

Earnings (Loss) Per Share

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

	2021	2020	2019	2018
Earnings (Loss) Per Share	0.492	P0.249	(P0.131)	P0.123
Total Outstanding Shares	4,940,399,068	4,940,399,068	4,940,399,068	4,940,399,068

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

Tonnes Milled and Metals Produced

Tonnes milled and ore grade determine the volume of concentrates produced and sold. Tonnes milled totalled to 7,945,879 in 2021, higher than tonnage of 7,837,536 in 2020, lower than tonnage of 8,112,791 in 2019, and the 8,516,915 in 2018. Despite higher tonnage, copper production was slightly lower than in 2021 at 26,200,259 compared to 26,378,914 pounds in 2020 (versus 25,737,207 pounds in 2019 and 26,574,686 pounds in 2018). Gold production was also lower at 55,149 ounces compared to 56,000 ounces in 2020 (versus 53,064 ounces in 2019 and 61,977 ounces in 2018).

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 2021, the total production cost (mine site cost and expenses excluding smelting charges, excise tax and royalties) per tonne of ore milled was Php718, with total production cost of Php5.706 billion over 7,945,879 tonnes, compared to Php698 in 2020, with total production cost of Php5.468 billion over ore milled of 7,837,536 tonnes. The 2021 production cost was 4% higher than the cost per tonne in 2020 due to higher labor cost and power cost. In 2019, break-even production cost was Php724 from the total production cost of Php5.873 billion over ore milled of 8,112,791 tonnes while in 2018, break-even production cost per tonne was Php705 from the total production cost of Php6.009 billion over 8,516,915 tonnes milled.

The operating costs and expenses (all cost and expenses excluding G&A) per tonne of ore milled in 2021 was Php886 from total operating cost and expenses of Php7.036 billion was higher than 2020's Php846 from the total operating cost and expenses of Php6.627 billion, also higher than the 2019's Php852 per tonne from the total operating cost and expenses of Php6.190 billion (compared to Php844 from the operating costs and expenses of Php7.189 billion in 2018).

Using co-production method, the operating cost applicable to gold produced amounted to US$1,202 per ounce compared to US$1,362 per ounce in 2020 (versus US$1,296 per ounce in 2019 and US$1,112 per ounce in 2018), while operating cost applicable to copper produced amounted to US$2.85 per pound, higher compared to US$2.22 per pound in 2020 (compared with US$2.54 per pound in 2019 and US$2.50 per pound in 2018). Under co-production method, the total cost is allocated proportionately based on the revenue contribution of each product considering there is no physical basis that can be used in allocating costs between the two metals.

Exploration Activities

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

Company pursues and invests in viable exploration activities and operational enhancements on a constant basis.

In 2021, the Company spent Php228 million for exploration projects which included costs related to the pre-development expenditures, care and maintenance expenses in Silangan versus Php245 million in 2020, Php673 million in 2019 and Php589 million in 2018. As of December 31, 2020, total deferred exploration costs amounted to Php28.100 billion compared to Php27.365 billion in 2020, Php26.616 billion in 2019 and Php25.448 billion in 2018.

Subsidiaries and Related Party Transactions

Philex Mining Corporation has extended loans and advances to some of its subsidiaries, as described under Part III, Item 12 of this Report.

Furthermore, Note 2 of the Notes to the Consolidated Financial Statements is likewise incorporated hereto by reference for discussions on the new and revised accounting standards that the Company adopted in 2021.

Known Trends, Events, or Uncertainties

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

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

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

Item 7. Financial Statements

The audited financial statements are presented in Part V, Exhibits and Schedules.

Item 8. Information on Independent Auditor and Other Related Matters

The financial statements of the Company were audited by SyCip Gorres Velayo & Co., the independent auditor, for the period ended December 31, 2021, 2020 and 2019 ("**Independent Auditor**"). The Independent Auditor has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in the Company. The Independent Auditor will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

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

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

External Audit Fees and Services

Audit and Audit-Related Fees

For the past three fiscal years, the Company's Independent Auditor was engaged primarily to express an opinion on the financial statements of the Company and its subsidiaries. The audit, however, included the auditors providing assistance to the Company in the review of its income tax return in as far as ensuring the agreement of the reported income and costs and expenses in the return with the recorded amounts in the books. The procedures conducted for this engagement included those that are necessary under auditing standards generally accepted in the Philippines but did not include detailed verification of the accuracy and completeness of the reported income and costs and expenses. The audit fees for these services for the entire Philex Group (excluding PXP Energy group) Php4.73 million in 2021, Php4.70 million in 2020, Php3.80 million in 2019 and Php5.04 million for 2018.

Tax Fees

The Company has not engaged the Independent Auditor for any tax-related services for 2021 as well as in the three prior years.

All Other Fees

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

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

Audit Committee's Approval of Policies and Procedures

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

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

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

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The following individuals served as Directors and Executive Officers of Philex Mining Corporation for the year 2021.

DIRECTORS

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

Age: 75
Date of First Appointment: November 28, 2008

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

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

Mr. Pangilinan has been a Director of the Company and Philex Gold Philippines, Inc. (PGPI) since November 2008, and most recently re-elected on June 25, 2021. He is also Chairman of the PLDT Inc. (PLDT) since 2004, after serving as its President and Chief Executive Officer (CEO) since 1998. He reassumed the position of President and CEO of PLDT from December 2015 until June,2021. He is also Chairman of Smart Communications, Inc., PLDT Communications and Energy Ventures, Inc. (Digitel), Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation, Landco Pacific Corporation, Medical Doctors Inc. (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Asian Hospital, Inc., Davao Doctors, Inc., Riverside Medical Center Inc., Our Lady of Lourdes Hospital, Central Luzon Doctor's Hospital, Inc., Maynilad Water Services Corporation, Mediaquest, Inc., Associated Broadcasting Corporation (TV5) and Manila North Tollways Corporation. Mr. Pangilinan is also Chairman of the Manila Electric Company (MERALCO), after serving as its President and Chief Executive Officer from July 2010 to May 2012. Mr. Pangilinan is also Vice Chairman of Roxas Holdings, Incorporated, the largest sugar producer in the Philippines. He is a Director of SMMCI.

Directorship in Other Listed Companies in the Philippines:
a. PLDT, Inc. – Chairman
b. Metro Pacific Investments Corporation – Chairman
c. Roxas Holdings, Inc. - Vice Chairman and Non-Executive Director
d. Manila Electric Company – Chairman
e. PXP Energy Corporation – Chairman

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

Age: 60
Date of First Appointment: June 29, 2011

Academic Background:
Mr. Austin graduated from Saint Louis University-Baguio City, with a Bachelor of Science degree in Mining Engineering and placed eight at the 1982 Professional Board Examination for mining engineers. He took his Management Development Program at the Asian Institute of

Management in 2005 and his Advance Management Program at Harvard Business School in 2013.

Business and Professional Background/ Experience:
Mr. Austin has been a Director of the Company and PGPI since June 29, 2011 and was reelected on June 25, 2021. He became President and Chief Operating Officer on January 1, 2012 and President and CEO of the Company on April 3, 2013.

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

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

Directorship in Other Listed Companies in the Philippines:

a. PXP Energy Corporation - Non-Executive Director

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

Age: 59
Date of First Appointment: January, 30 2019

Academic Background:
Mr. Ng received an MBA and a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Ng is a Commissioner of PT Indofood Sukses Makmur Tbk. Mr. Ng was most recently re-elected on June 25, 2021.

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

Directorship in Other Listed Companies in the Philippines:

a. PXP Energy Corporation - Non-Executive Director

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

Age: 52
Date of First Appointment: January 30, 2019

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

Charterholder and a Fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has experience in auditing, accounting, finance and management spanning a diverse range of business activities. Mr. Chan was re-elected on June 25, 2021.

Business and Professional Background/ Experience:
Mr. Chan joined First Pacific in 1996 from KPMG. Prior to his appointment as Executive Vice President, Group Financial Controller in April 2019, Mr. Chan was Vice President, Group Financial Controller.

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

Age: 66
Date of First Appointment: December 7, 2009

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

Business and Professional Background/ Experience:
Ms. Aquino joined Sycip Salazar Hernandez and Gatmaitan Law Offices in the Philippines in 1980 where she became a partner in 1989. Mr. Aquino's practice focused on banking, finance and securities, construction and infrastructure, investments, mergers and acquisitions, and mining and natural resources. Ms. Aquino is a Director of Philex Mining Corporation, Philex Gold Philippines, Inc., PXP Energy Corporation, Silangan Mindanao Mining Company, Inc., Lepanto Consolidated Mining Company and Maynilad Water Services, Inc. She was also appointed as Chief Legal Counsel of PLDT in December 2018. Ms. Aquino was most recently re-elected on June 25, 2021.

Directorship in Other Listed Companies in the Philippines:
a. PXP Energy Corporation - Non-Executive Director
b. Lepanto Consolidated Mining Company - Non-Executive Director

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

Age: 84
Date of First Appointment: December 7, 2009

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

Business and Professional Background/ Experience:
Mr. Hilado has been an Independent Director of Philex Mining since December 7, 2009 and was most recently re-elected on June 25, 2021. Mr. Hilado holds the following positions: Chairman of Philippine Investment Management (PHINMA), Inc., Phinma Corporation, Phinma Property Holdings Corporation. Vice-Chairman of Union Galvasteel Corporation. Chairman of the Executive Committee of Phinma Corporation. Director of Philex Mining Corporation, Rockwell Land Corporation, A. Soriano Corporation, Roxas Holdings, Inc. Smart Communications, Inc., Phinma Solar Energy Corporation, Philippine Cement Corporation, Phinma Education Holdings, Inc., Araullo University, Inc., Cagayan de Oro College, Inc., University of Iloilo, Inc., University of Pangasinan, Inc., Southwestern University, St. Jude College, Manila, Phinma Hospitality, Inc., United Pulp and Paper Company, Inc., Digital Telecommunications Philippines, Inc., Seven Seas Resorts and Leisure, Inc., Beacon Property Ventures, Inc., Cebu Light Industrial Park, Inc., Pueblo de Oro Development Corporation, Manila Cordage Company, and Metro Pacific Investments Corporation.

Directorship in Other Listed Companies in the Philippines:

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

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

Age: 75
Date of First Appointment: June 29, 2011

Academic Background:
Mr. Paras completed his undergraduate studies at the University of the Philippines in 1969 with Bachelor of Science, Industrial Pharmacy and his Master in Business Administration at the De La Salle University in 1991. He also completed an Executive Program at the University of Michigan at Ann Arbor, Michigan, USA.

Business and Professional Background/ Experience:
Mr. Paras has been an Independent Director of Philex Mining since June 29, 2011 and was reelected on June 25, 2021. He is currently an Independent Director of GT Capital Holdings, Inc. since May 2013 and President of WAP Holdings, Inc. He is also a member of the Board of Trustees of Dualtech Training Foundation Inc. Mr. Paras was previously the Executive Vice-President, Chief Operating Officer and Director of JG Summit Petrochemical Corporation, President and Director of PT Union Carbide Indonesia, Managing Director of Union Carbide Singapore, Business Director, Union Carbide Asia Pacific, and President of Union Carbide Philippines.

Directorship in Other Listed Companies in the Philippines

a. GT Capital Holdings, Inc. – Independent Director

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

Age: 67
Date of First Election: June 26, 2013

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

Business and Professional Background/ Experience
Ms. Migallos was elected to the Board of Directors of the Company and PGPI on June 26, 2013, and was most recently re-elected on June 25, 2021. She has been the Company's Corporate Secretary since 1998. She is also the Corporate Secretary and former Director of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos is also Director of Mabuhay Vinyl Corporation since 2000, Philippine Resins Industries since 2001, Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005, Nickel Asia Corporation since 2010, and Alliance Select Foods International, Inc. since 2015. She is a professorial lecturer in Corporations Law, Insurance, Securities Regulation and Credit Transactions at the De La Salle University College of Law, and heads its Mercantile Law Department. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006.

Directorship in Other Listed Companies in the Philippines

a. Mabuhay Vinyl Corporation - Non-Executive Director

9. MICHAEL G. REGINO, *Non-Executive Director***.**

Age: 60
Date of First Appointment: February 28, 2017

Academic Background:
Michael G. Regino graduated Cum Laude and Salutatorian from the Ateneo de Zamboanga University in 1981, with a degree of Bachelor of Science, Major in Economics. He later obtained his Masters degree in Business Administration in 1985 from the Ateneo de Manila University.

Business and Professional Background/ Experience:

Mr. Regino was appointed last October 27, 2016 as Member of the Board of the Social Security Commission (SSC). Mr. Regino has been a Director of Philex Mining since 28 February 2017 and was most recently re-elected on June 25, 2021. Last 07 March 2018, he was duly appointed as Director of Unionbank of the Philippines. Prior to these current positions, he engaged in multifarious activities which marked the significant milestones in his career.

He served as the President and member of the Board of Directors of San Agustin Services, Inc., Agata Mining Ventures, Inc. and Exploration Drilling Corp.; as the Senior Vice President and Chief Operating Officer of St. Augustine Gold and Copper Ltd.; and, as the Executive Director of TVI Resources Development Phils., Inc. He also became one of the members of the Board of Directors of Nationwide Development Corporation and KingKing Mining Corp., where he took charge of the Davao operations.

He also gained expertise in the field of real estate development and property management when he served as the President of Camella Homes, Golden Haven Memorial Parks, Inc., and MGS Group of Companies. He also once shared his competence in other industries such as Northern Foods, Corp., Kilusang Kabuhayan at Kaunlaran, and the Ateneo de Zamboanga University, where he served as Finance and Treasury Manager, Chief Financial Specialist, and Instructor in Economics, respectively.

Directorship in Other Listed Companies in the Philippines:

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

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

Age: 75
Date of First Appointment: February 28, 2017

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

Business and Professional Background/ Experience:
Ms. Quitain was first elected to the Company's Board of Directors on February 28, 2017, and most recently re-elected on June 25, 2021. She is Commissioner of the Social Security Commission since her appointment in November 2016. She is also Director of First Philippine Holdings, Inc. since March 2018. She was an employee of the Social Security System (SSS) for 31 years assigned to the Main Office of Region 09 in Davao City, where one of her major achievements was taking charge of the operations of the then newly-opened SSS Representative Office in Digos City, Davao del Sur as Office-in-Charge. She stayed there for five (5) years where she conducted seminars and coverage drives, especially in rural areas, aside from discharging management and leadership functions in the Representative Office.

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

Directorship in Other Listed Companies in the Philippines:

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

11. BAI NORHATA D. M. ALONTO, *Non-Executive Director*
Age: 71
Date of First Appointment: February 24, 2021

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

Business and Professional Background/ Experience:
Ms. Alonto was appointed as Director on February 24, 2021 and re-elected on June 25, 2021. She was appointed Commissioner of the state-run Social Security System in December 2019, and member of the Information Technology & Collection and Coverage Committee, and the Executive Committee. She is a member of the Board of Directors of Ionics, Inc. and Philamlife Tower.

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

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

Directorship in Other Listed Companies in the Philippines:

a. IONICS, Inc.

Directorships in Other Publicly-Listed Companies

Name	Listed Company	Type of Directorship
Manuel V. Pangilinan	PLDT, Inc. Metro Pacific Investments Corp. Roxas Holdings, Inc. Manila Electric Company PXP Energy Corp.	Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Eulalio B. Austin, Jr.	PXP Energy Corp.	Non-Executive
Joseph H. P. Ng	PXP Energy Corp.	Non-executive
Marilyn A. Victorio-Aquino	PXP Energy Corp. Lepanto Consolidated Mining Company	Non-Executive Non-Executive
Oscar J. Hilado	PHINMA Corp.	Non-Executive

	A. Soriano Corporation Rockwell Land Corporation Roxas Holdings, Inc. Metro Pacific Investments Corporation	Independent Independent Independent Independent
Wilfredo A. Paras	GT Capital Holdings, Inc.	Non-Executive
Barbara Anne C. Migallos	Mabuhay Vinyl Corp.	Non-Executive
Michael G. Regino	Union Bank of the Philippines	Non-Executive
Anita Bumpus Quitain	First Philippine Holdings, Inc.	Non-Executive
Bai Norhata D. M. Alonto	IONICS, Inc.	Non-Executive

Executive Officers

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

EULALIO B. AUSTIN, JR. – 60, Filipino citizen. Mr. Austin has been a Director of PMC and PGPI since June 29, 2011 and was re-elected on June 24, 2015. He became President and Chief Operating Officer on January 1, 2012 and President and Chief Executive Officer of the Company on April 3, 2013. He previously served the Company as its Senior Vice President for Operations and Padcal Resident Manager in 2011, Vice President & Resident Manager for Padcal Operations from 2004 to 2010, Mine Division Manager (Padcal) from 1999 to 2003, Engineering Group Manager in 1998 and Mine Engineering & Draw Control Department Manager from 1996 to 1998.

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

BARBARA ANNE C. MIGALLOS – 67, Filipino citizen. Ms. Migallos has been a Director of the Company and PGPI since June 26, 2013 and was re-elected on June 25, 2021. She is also the Company's Corporate Secretary since July 1998. Ms. Migallos is also Director and Corporate Secretary of PXP Energy Corporation, and Corporate Secretary of Silangan Mindanao Mining Co., Inc. and Lascogon Mining Corporation. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos has also been a Director of Mabuhay Vinyl Corporation since 2000 and the Philippine Resins Industries since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005 and Nickel Asia Corporation since 2010. She is also a professorial lecturer in insurance law and securities regulation law at the De La Salle University College of Law. Ms. Migallos graduated cum laude from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as cum laude (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

ROMEO B. BACHOCO - 61, Filipino Citizen. Mr. Bachoco has been appointed as the Company's Senior Vice President for Finance, Chief Finance Officer and Treasurer since August 2019. He is a seasoned corporate professional with a diverse background in finance and commercial operations. He previously held the following senior management positions namely as Chief Operating Officer of XRC Mall Developer, Inc. (XentroMalls), Executive Vice-President and Head of Retail and Business Development of Seaoil Philippines, Inc., Executive Vice-President and Chief Operating Officer of Double Dragon Properties Corp., Executive Vice-President and Chief Finance Officer of Golden Arches Development Corp. (McDonalds

Philippines) and Eastern Telecommunications Philippines. Mr. Bachoco graduated Cum Laude with a Bachelor of Science Degree in Business Administration, Major in Accounting, from the University of the Philippines Visayas and is a licensed Certified Public Accountant. He also obtained his Master in Business Administration from the Ateneo Graduate School of Business under the Ateneo-Regis Program. He is also a visiting professional lecturer in financial management at the Ateneo Graduate School of Business.

VICTOR A. FRANCISCO – 57, Filipino citizen. Mr. Francisco has been Vice President for Environment and Community Relations since January 2, 2009. He was previously Group Manager for Corporate Environment and Community Relations in 2007, Department Manager–Corporate Environment and Community Relations in 1999 and Assistant Manager –Corporate Environmental Affairs in 1997. Mr. Francisco completed a Bachelor of Science Degree in Community Development at the University of the Philippines in 1987. He also obtained a Master's in Environmental Science and Management degree at the University of the Philippines campus in Los Banos, Laguna in 1995.

JONAS EMANUEL S. SANTOS, 44, Filipino citizen. Mr. Santos was appointed and assumed the position as Vice President and General Counsel of Philex Mining Corporation on April 01, 2019. Mr. Santos was formerly the Corporate Counsel of Chevron Philippines, Inc. and Senior Associate at Sycip Salazar Hernandez & Gatmaitan. He graduated with a Bachelor of Science in Management Engineering Degree from the Ateneo de Manila University and obtained his Bachelor of Laws from the University of the Philippines Diliman.

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

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

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

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

Item 10. Executive Compensation

There are no arrangements for additional compensation of directors other than that provided in the Company's By-Laws which provides compensation to the directors, at the Board's discretion to determine and apportion as it may deem proper, an amount up to 1.5% percent of the Company's net income before tax of the preceding year. Payments made in 2021, 2019 and 2018 amounted to Php9.8 million, Php1.3 million and Php16.3 million, respectively. No payment made in 2020 as the Company reported a net loss in 2019 which was the basis for the directors' compensation for 2020.

Effective March 2015, the Directors' per diem increased to Php40,000 per Board meeting attended and Php30,000 per Board committee participation, and are deductible from the annual directors' compensation provided under Section 7 of the Company's By-laws. Previously, the rate per attendance for both Board and Board committee meeting was at Php8,000. In the event that financial results warrant the payment of the annual directors' compensation under the Company's by-laws, such directors' compensation shall be inclusive of the annual total per diem paid to directors. The total amount of per diem paid in 2021, 2020, 2019 and 2018 were Php15.7 million, Php5.5 million, Php7.0 million and Php5.5 million, accordingly.

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

The Stock Option Plan approved in June 2011 has expired in 2020 upon the expiration of the last outstanding option grant. The Plan covered a maximum of 246,334,118 shares equivalent to 5% of the Company's outstanding shares of 4,926,682,368 as of June 29, 2011. This plan was approved by the SEC in February 2013, which approval was received by the Company in March 2013. Note 29 of the Notes to Consolidated Financial Statements of the Exhibits in Part V, Item 14 on the Company's Stock Option Plan is hereby incorporated for reference.

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

SUMMARY COMPENSATION TABLE

(in Php million)

a) Aggregate Compensation of All Directors

	Year	Director's Fee	Bonus	Others
All Directors as a Group (excluding Mr. Austin whose Director's Fees were reported under compensation of Executive Officers)	2022 Estimate	Php27.685	-	
	2021	Php14.345	-	
	2020	Php5.090	-	
	2019	Php7.610	-	
	2018	Php19.885	-	

b) Chief Executive Officer and Four Most Highly Compensated Executive Officers

Name and Principal Position	Year	Salary	Bonus	Others
Eulalio B. Austin, Jr. Romeo B. Bachoco Victor A. Francisco Jonas Emanuel S. Santos **There are only 4 executive officers.*	2022 Estimate	Php49.186	Php6.507	
Eulalio B. Austin, Jr. Romeo B. Bachoco Victor A. Francisco Vic Morris A. Yodong Jonas Emanuel S. Santos	2021	Php50.879	Php17.579	
Eulalio B. Austin, Jr. Romeo B. Bachoco Michael T. Toledo Victor A. Francisco Vic Morris A. Yodong Jonas Emanuel S. Santos **All executive officers, comprising of 6, were*	2020 2019	Php62.836 Php56.444	Php31.257 Php9.815	

included to avoid indirectly disclosing the salary of one officer if excluded			
Eulalio B. Austin, Jr. Danny Y. Yu Michael T. Toledo Redempta P. Baluda Joan A. De Venecia-Fabul	2018	Php59.085	Php11.067

c) Aggregate Compensation of All Executive Officers

	Year	Salary	Bonus	Others
All Executive Officers as a Group	2022 Estimate	Php49.186	Php6.507	
	2021	Php50.879	Php17.579	
	2020	Php62.838	Php31.517	
	2019	Php56.444	Php9.815	
	2018	Php63.158	Php12.307	

d) Aggregate Compensation of all Directors and Executive Officers

	Year	Director's Fees and Salary	Bonus	Others
All Directors and Executive Officers	2022 Estimate	Php76.871	Php6.507	
	2021	Php65.224	Php17.579	
	2020	Php67.926	Php31.517	
	2019	Php64.054	Php9.815	
	2018	Php83.403	Php12.307	

Individual Director Remuneration

In 2021, a total of Php15.673 million was paid to all executive and non-executive directors, details of which are as follows:

Name	Position	Amount *(Php Millions)*
Manuel V. Pangilinan	Chairman	1.308
Eulalio B. Austin, Jr.*	President & CEO	1.328
Marilyn A. Victorio-Aquino	Non-Executive Director	1.698
Pin Cheung Chan	Non-Executive Director	1.258
Oscar J. Hilado	Independent Director	1.548
Barbara Anne C. Migallos	Executive Director	1.248
Joseph Ng	Non-Executive Director	1.568
Wilfredo A. Paras	Independent Director	1.578
Bai Norhata M. Alonto	Non-Executive Director	0.350
Michael G. Regino	Non-Executive Director	1.458
Anita B. Quitain	Non-Executive Director	1.398
Total**		**15.673**

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

***Inclusive of Php0.928 million remuneration of Ms. Diana Pardo-Aguilar, member of Philex BOD up to February 2021.*

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

The list of registered stockholders owning five (5%) percent or more of the Company's stock as of December 31, 2021 are as follows:

Title of Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	%
Common	Asia Link B.V. Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands	Asia Link B.V. (See Note 1)	Non-Filipino	1,023,275,990	20.71
Common	Social Security System c/o Loans and Investment Office, 7/F SSS Building, Diliman, Quezon City	Social Security System (See Note 2)	Filipino	992,679,729	20.09
Common	PCD Nominee Corp. 37/F Tower 1, The Enterprise Center, 6766 Ayala Avenue, Makati City	(See Note 3)	Filipino/Non-Filipino	1,090,722,008	22.08
Common	Two Rivers Pacific Holdings Corp. 10/F Net One Center, 26th Street corner 3rd Avenue, Bonifacio Global City, Taguig	Two Rivers Pacific Holdings Corp.	Filipino	738,871,510	14.96

1 Asia Link B.V., is a wholly-owned subsidiary of First Pacific Company Limited (FPC).
2 Total shares held by the Social Security System (SSS) is inclusive of 25,646,960 shares lodged under PCD Nominee Corporation as of December 31, 2021.

3 PCD Nominee Corporation (PCD) is a nominee of the Philippine Depository & Trust Corporation and the registered owner of the shares recorded in the books of the Company's stock transfer agent. A total of 992,679,729 shares as shown above as of December 31, 2021 are exclusive of the 25,646,960 shares owned by SSS which are included as part of the total shareholdings of SSS as indicated. PCD is private entity organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions. Other than SSS whose shares lodged with PCD were excluded and presented separately, there are no participants under the PCD account owning more than 5% of the voting securities of the Company.

Security Ownership of Management

The beneficial ownership of the Company's directors and executive officers as of December 31, 2021 follows:

Title of Class	Beneficial Owner	Nature of Ownership	Citizenship	Number of Shares	%
		Directors			
Common	Manuel V. Pangilinan	Direct	Filipino	4,655,000	0.09
Common	Eulalio B. Austin Jr.	Direct	Filipino	1,360,937	0.03
Common	Barbara Anne C. Migallos	Direct	Filipino	203,875	-
Common	Michael G. Regino	Direct	Filipino	1	-
Common	Bai Norhata M. Alonto	Direct	Filipino	1	-
Common	Anita B. Quitain	Direct	Filipino	1	-
Common	Marilyn A. Victorio-Aquino	Direct	Filipino	500,100	0.01
Common	Oscar J. Hilado	Direct	Filipino	173	-
Common	Joseph Ng	Direct	British	1	-
Common	Ping Cheung "Richard " Chan	Direct	Chinese	1	
Common	Wilfredo A. Paras	Direct	Filipino	1	-
	Key Officers				
Common	Romeo B. Bachoco	Direct	Filipino	-	-
Common	Jonas Emanuel S. Santos	Direct	Filipino	-	-
Common	Victor A. Francisco	Direct	Filipino	50,000	-
Directors and Key Officers as a Group				6,810,091	0.13

The above directors and executive officers have no indirectly owned shares other than the above.

Voting Trust/Changes in Control

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

Item 12. Certain Relationships and Related Transactions

The Company's significant related party transactions as of December 31, 2021, 2020, 2019 and 2018, which are under terms that are no less favourable than those arranged with third parties, and account balances are as follows:

a) Advances from PMC to SMMCI and SMECI

PMC, owning directly and indirectly 100% of SMMCI and SMECI, provides the funds to SMMCI, through SMECI since 2011 and directly thereafter, for the Silangan project's expenditures since the Company's acquisition of Anglo American's interest in the Silangan Project in 2009. These advances, which were intended to be converted into equity, amounted to Php2.527 billion, Php2.327 billion, Php2.144 billion and Php1.654 billion as of December 31, 2021, 2020, 2019 and 2018, respectively. In February 2015, the Company infused all outstanding advances amounting to Php7.208 billion as equity.

b) Advances from PMC to PXP Energy

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

As of December 31, 2021, the Company has no outstanding subscription payable to PXP Energy after settling Php121 million in 2021 and Php2.960 billion in 2018 to 2020 of the total subscription of Php3.081 billion that brought PMC's interest in PXP Energy from 19.8% to 30.4%.

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

In December 2014, SMECI and PMC, as the co-issuer, issued 8-year convertible bonds with a face value of Php7.2 billion at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at Php18,000 per share one year after the issue date. The carrying value of loans payable amounted to Php8.652 billion, Php8.182 billion, Php7.743 billion and Php7.333 billion as of December 31, 2021, 2020, 2019 and 2018, respectively.

The Company management is in the process of negotiations with noteholders to extend its maturity up to 2028 from December 2022, without changing all the other terms and conditions of the original bond agreement.

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

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

The Company has adopted a Manual of Corporate Governance and is generally compliant with the Code of Corporate Governance of the Securities and Exchange Commission and Corporate Governance Guidelines of the Philippine Stock Exchange, including all other pertinent regulations for publicly-listed entities.

The Company's 2021 Integrated Annual Corporate Governance Report will be submitted on or before May 30, 2022.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits and Schedules

Exhibits	Statement of Management's Responsibility for Financial Statements Report of Independent Auditors Audited Consolidated Financial Statements and Noted for the Year Ended December 31, 2021
Schedules	
Schedule I:	Reconciliation of Retained Earnings Available for Dividends Declaration
Schedule II:	Schedule of Financial Soundness Indicators
Schedule III:	Chart Showing Ownership and Relationship Between the Parent Company and Subsidiaries
Schedule IV:	Schedules as Required by SRC Rule 68, As Amended
Schedule: A.	Financial Assets
Schedule B.	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C.	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
Schedule D.	Intangible Assets – Other Assets
Schedule E.	Long-Term Debt
Schedule F.	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule G.	Guarantees of Securities of Other Issuers
Schedule H.	Capital Stock
Annex A	Sustainability Report

Reports on SEC Form 17-C

Date	Subject of Report
February 19, 2021	Change in Directors (Resignation of MS. Diana Pardo-Aguilar)
February 22, 2021	Remaining Mineral Reserves -Padcal Mine Remaining Mineral Resource of Padcal
February 24, 2021	Press Release on 2020 Results Notice of AGM Cash Dividend
February 26, 2021	Appointment of New Director- SSS Commissioner Alonto
March 2, 2021	Clarification on News Report
April 27, 2021	Notice of Analysts and Investors Briefing
April 29, 2021	Press Release on Philex Q1 2021 Results
April 30, 2021	Philex Mining – Secretary's Certificate (Notice of AGM Amendment)
June 7, 2021	PSE news clarification`
June 25, 2021	2021 Results of Organizational Meeting PX Mining Disclosure of 2021 AGM Results Press Release for the Padcal LOM extension
July 28, 2021	Joint Analysts and Investors Briefing
July 29, 2021	Press Release for Q2 2021
October 28, 2021	SRO Press Release Press Release for 9M 2021
October 29, 2021	Notice of Analysts and Investors' Briefing
December 15, 2021	Approval of ECC Amendment

December 27,2021	Strike Vote Results of Philex Mines Independent Labor Union
January 3,2022	PSE News Clarification – “Silangan Mine to follow Philex’s ‘best practices’’
January 10,2022	Results of Referendum of Philex Mines Independent Labor Union
January 12, 2022	In-Phase Mine Plan Disclosure – Press Release
January 28, 2022	Pre-effective Letter from SEC
February 17,2022	PSE Notice of Approval of Stock Rights Offering of Common Shares
February 10, 2022	Clarification on News Report entitled "With Silangan momentum set, Philex shopping for more mining sites”
March 4, 2022	Press Release on 2021 Results Notice of AGM Cash Dividend
March 7, 2022	Amendment to Cash Dividend
March 14, 2022	Summary of Remaining Proved Reserves of Padcal Mine as of December 31, 2021 Summary of Remaining Mineral Resource Estimate (MRE) for Padcal Mine as of December 31, 2021

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April 6th, 2022.

EULALIO B. AUSTIN, JR.
President & Chief Executive Officer

BARBARA ANNE C. MIGALLOS
Corporate Secretary

ROMEO B. BACHOCO
Chief Finance Officer

PARALUMAN M. NAVARRO
Assistant Vice-President
Corporate Finance

SUBSCRIBED AND SWORN TO before me this 6th day of April 2022 at Mandaluyong City. Affiants exhibiting to me their Competent Evidence of Identity indicated opposite their names:

Name	Competent Evidence of Identity
Eulalio B. Austin, Jr.	Passport No. P9041046A; valid until October 04, 2028
Romeo B. Bachoco	Passport No. P0404617B; valid until January 24, 2029
Barbara Anne C. Migallos	Passport No. P7148981A; valid until May 10, 2028
Paraluman M. Navarro	Passport No. P1430237B; valid until April 10, 2029

Doc. No. 188
Page No. 39
Book No. I
Series of 2022

EUNICE CARMELA M. ARIATE
NOTARY PUBLIC FOR AND IN THE CITY OF MANDALUYONG
APPOINTMENT NO. 1587-21 (2021-2022)
COMMISSION EXPIRES ON DECEMBER 31, 2022
2nd Floor, LaunchPad, Reliance St. cor. Sheridan St., Mandaluyong City, 1550
PTR O.R. No. 4861812 / 01-03-22 / Mandaluyong City
IBP No. 198120; 1/10/22 Pasig City-PPLM Chapter
Roll of Attorneys No. 64542

PHILEX MINING CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
Roxas Boulevard, Pasay City

The management of Philex Mining Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

MANUEL V. PANGILINAN
Chairman of the Board

EULALIO B. AUSTIN, JR.
President & Chief Executive Officer

ROMEO B. BACHOCO
Chief Finance Officer

Subscribed and sworn to before me this APR 0 7 2022 at Mandaluyong City, affiants exhibiting to me their respective ID No. indicated opposite their names:

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

Notary Public
ROBIN BRYAN F. CONCEPCION
NOTARY PUBLIC FOR AND IN THE CITY OF MANDALUYONG
APPOINTMENT NO. 0545-22 (2022-2023)
COMMISSION EXPIRES ON DECEMBER 31, 2023
2nd Floor, LaunchPad, Reliance St. cor. Sheridan St., Mandaluyong City, 1550
PTR O.R. No. 4861809 / 01-03-22 / Mandaluyong City
IBP No. 198117; 01/10/22; Pasig City- Manila III Ch
Roll of Attorneys No. 62424

Doc. No. 93
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Series of 2 0 2 2

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Philex Mining Corporation and its Subsidiaries (the Group) which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, in accordance with accounting principles generally accepted in the Philippines applied on the basis described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Key Audit Matters

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

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

Recoverability of Deferred Exploration Costs

As at December 31, 2021, the carrying value of the Group's deferred exploration costs amounted to ₱28.10 billion. Under PFRS 6, Exploration for and Evaluation of Mineral Resources, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceeds the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the reserves. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment.

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

Audit response

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We reviewed the summary of the status of each exploration project as of December 31, 2021. We reviewed the contracts and agreements, and the budget for exploration and development costs. We inspected the licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Recoverability of the carrying value of property, plant and equipment

The carrying value of the Group's property, plant and equipment amounted to ₱3.43 billion after allowance for impairment loss amounting to ₱1.78 billion as of December 31, 2021. The impairment mainly relates to mine and mining properties. Under PAS 36, Impairment of Assets an entity is required to assess whether indicators for impairment exist and if they exist, an impairment test is required. We consider this as a key audit matter because the assessment of the recoverability of the carrying value of property, plant and equipment requires significant judgment and involves estimation and assumptions about future cash flows and discount rates.

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

Audit response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

AZ Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854392, January 3, 2022, Makati City

March 4, 2022

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value Per Share)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱2,890,763**	₱1,191,479
Accounts receivable - net (Note 7)	**466,922**	369,898
Inventories - net (Note 8)	**1,926,464**	1,343,366
Other current assets - net (Note 9)	**437,585**	539,950
Total Current Assets	**5,721,734**	3,444,693
Noncurrent Assets		
Deferred exploration costs (Notes 1, 13, 20 and 32)	**28,099,836**	27,365,125
Investment in associates - net (Note 12)	**3,632,480**	4,161,328
Property, plant and equipment - net (Note 10)	**3,428,552**	3,042,982
Pension asset - net (Note 21)	**352,609**	310,332
Financial assets measured at FVOCI (Note 11)	**125,212**	113,973
Other noncurrent assets (Note 14)	**495,424**	500,882
Total Noncurrent Assets	**36,134,113**	35,494,622
TOTAL ASSETS	**₱41,855,847**	₱38,939,315
LIABILITIES AND EQUITY		
Current Liabilities		
Loans and bonds payable (Note 15)	**₱10,131,071**	₱1,776,851
Accounts payable and accrued liabilities (Notes 16 and 32)	**2,556,347**	1,692,763
Subscription payable (Note 12)	**2,767**	123,345
Income tax payable	**181,243**	74,300
Dividends payable (Note 28)	**452,413**	553,610
Total Current Liabilities	**13,323,841**	4,220,869
Noncurrent Liabilities		
Loans and bonds payable (Note 15)	**–**	8,182,002
Deferred tax liabilities - net (Notes 3 and 27)	**1,816,070**	2,293,314
Provision for losses and mine rehabilitation costs (Notes 10 and 32)	**17,496**	16,911
Total Noncurrent Liabilities	**1,833,566**	10,492,227
Total Liabilities	**15,157,407**	14,713,096
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1 par value (Note 28)	**4,940,399**	4,940,399
Additional paid-in capital	**1,143,981**	1,143,981
Retained earnings (Note 28)		
Unappropriated	**6,943,648**	4,734,469
Appropriated	**10,500,000**	10,500,000
Net unrealized gain on financial assets measured at FVOCI and derivative (Note 11 and 16)	**17,319**	31,859
Equity conversion option (Note 15)	**1,225,518**	1,225,518
Net revaluation surplus (Note 4)	**1,849,971**	1,572,385
Effect of transactions with non-controlling interests	**77,892**	77,892
	26,698,728	24,226,503
Non-controlling interests (Note 28)	**(288)**	(284)
Total Equity	**26,698,440**	24,226,219
TOTAL LIABILITIES AND EQUITY	**₱41,855,847**	₱38,939,315

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2021	2020	2019
REVENUES (Note 17)	**₱9,796,531**	₱7,833,713	₱6,789,566
COSTS AND EXPENSES (Note 18)			
Production costs	**4,488,274**	4,215,573	4,387,787
Depletion, depreciation and amortization	**1,217,736**	1,252,204	1,814,331
Excise taxes and royalties	**639,281**	543,238	427,211
General and administrative expenses	**252,932**	287,133	287,334
	6,598,223	6,298,148	6,916,663
OTHER (CHARGES) INCOME			
Share in net losses of associates (Note 12)	**(528,848)**	(47,011)	(118,335)
Reversal of (provision for) impairment losses - net of other provisions and reversals (Notes 8, 10, 12, 26 and 32)	**272,241**	(1,900)	(848,560)
Foreign exchange gain (losses) - net (Note 23)	**(46,485)**	99,115	93,072
Interest income (Note 6)	**2,186**	981	1,571
Others - net	**(97,861)**	(56,426)	(4,266)
	(398,767)	(5,241)	(876,518)
INCOME (LOSS) BEFORE INCOME TAX	**2,799,541**	1,530,324	(1,003,615)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**559,498**	234,407	143,019
Deferred	**(191,165)**	67,620	(498,841)
	368,333	302,027	(355,822)
NET INCOME (LOSS)	**₱2,431,208**	₱1,228,297	(₱647,793)
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱2,431,212**	₱1,228,308	(₱647,778)
Non-controlling interests (Note 28)	**(4)**	(11)	(15)
	₱2,431,208	₱1,228,297	(₱647,793)
Basic/Diluted (Loss) Earnings Per Share (Note 30)	**₱0.492**	₱0.249	(₱0.131)

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
NET INCOME (LOSS)	**₱2,431,208**	₱1,228,297	(₱647,793)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Loss on fair value of derivatives (Note 23)	**(24,048)**	–	–
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on pension obligation plans (Note 21)	**71,593**	120,406	(121,270)
Income tax effect on remeasurement gains and losses on pension obligation plans (Notes 21 and 27)	**(2,143)**	(36,122)	36,382
Income tax effect net revaluation surplus (Note 27)	**277,586**	–	–
Unrealized gain on financial assets measured at FVOCI (Note 11)	**9,508**	(5,886)	2,404
	356,544	78,398	(82,484)
OTHER COMPREHENSIVE INCOME (LOSS)	**332,496**	78,398	(82,484)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱2,763,704**	₱1,306,695	(₱730,277)
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱2,763,708**	₱1,306,706	(₱730,262)
Non-controlling interests (Note 28)	**(4)**	(11)	(15)
	₱2,763,704	₱1,306,695	(₱730,277)

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	CapitalStock (Note 28)	**Additional Paid-In Capital**	**Retained Earnings** (Note 28) **Unappropriated**	**Appropriated**	**Net unrealized gain on financial assets measured at FVOCI and derivative** (Note 11 and 23)	**Equity Conversion Option** (Note 15)	**Net Revaluation Surplus** (Note 4)	**Effect of Transactions with Non-controlling Interests**	**Subtotal**	**Non- controlling Interests** (Note 28)	**Total**
BALANCES AT JANUARY 1, 2019	**₱4,940,399**	**₱1,143,981**	**₱4,203,947**	**₱10,500,000**	**₱35,341**	**₱1,225,518**	**₱1,572,385**	**₱77,892**	**₱23,699,463**	**(₱258)**	**₱23,699,205**
Net loss	–	–	(647,778)	–	–	–	–	–	(647,778)	(15)	(647,793)
Items not to be reclassified to profit or loss in subsequent periods:											
Remeasurements of pension obligation, net of tax (Note 21)	–	–	(84,888)	–	–	–	–	–	(84,888)	–	(84,888)
Unrealized gain on financial assets measured at FVOCI - net of related deferred income tax(Note 11)	–	–	–	–	2,404	–	–	–	2,404	–	2,404
Total comprehensive loss	–	–	(732,666)	–	2,404	–	–	–	(730,262)	(15)	(730,277)
BALANCES AT DECEMBER 31, 2019	**4,940,399**	**1,143,981**	**3,471,281**	**10,500,000**	**37,745**	**1,225,518**	**1,572,385**	**77,892**	**22,969,201**	**(273)**	**22,968,928**
Net income	–	–	1,228,308	–	–	–	–	–	1,228,308	(11)	1,228,297
Items not to be reclassified to profit or loss in subsequent periods:											
Remeasurements of pension obligation, net of tax (Note 21)	–	–	84,284	–	–	–	–	–	84,284	–	84,284
Unrealized loss on financial assets measured at FVOCI - net of related deferred income tax(Note 11)	–	–	–	–	(5,886)	–	–	–	(5,886)	–	(5,886)
Total comprehensive income	–	–	1,312,592	–	(5,886)	–	–	–	1,306,706	(11)	1,306,695
Declaration of dividends (Note 28)	–	–	(49,404)	–	–	–	–	–	(49,404)	–	(49,404)
BALANCES AT DECEMBER 31, 2020	**₱4,940,399**	**₱1,143,981**	**₱4,734,469**	**₱10,500,000**	**₱31,859**	**₱1,225,518**	**₱1,572,385**	**₱77,892**	**₱24,226,503**	**(₱284)**	**₱24,226,219**

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 28)	**Additional Paid-In Capital**	**Retained Earnings** (Note 28) **Unappropriated**	**Appropriated**	**Net unrealized gain on financial assets measured at FVOCI and derivative** (Note 11 and 23)	**Equity Conversion Option** (Note 15)	**Net Revaluation Surplus** (Note 4)	**Effect of Transactions with Non-controlling Interests**	**Subtotal**	**Non-controlling Interests** (Note 28)	**Total**
BALANCES AT DECEMBER 31, 2020	**₱4,940,399**	**₱1,143,981**	**₱4,734,469**	**₱10,500,000**	**₱31,859**	**₱1,225,518**	**₱1,572,385**	**₱77,892**	**₱24,226,503**	**(₱284)**	**₱24,226,219**
Net income	–	–	2,431,212	–	–	–	–	–	2,431,212	(4)	2,431,208
Other comprehensive income											
Items not to be reclassified to profit or loss in subsequent periods:											
Loss on fair value of derivatives (Note 23)	–	–	–	–	(24,048)	–	–	–	(24,048)	–	(24,048)
Items not to be reclassified to profit or loss in subsequent periods:											
Remeasurements of pension obligation, net of tax (Note 21)	–	–	53,693	–	–	–	–	–	53,693	–	53,693
Effect of changes in tax rates due to CREATE Law (Note 27)	–	–	15,757	–	–	–	277,586	–	293,343	–	293,343
Unrealized gain on financial assets measured at FVOCI - net of related deferred income tax (Note 11)	–	–	–	–	9,508	–	–	–	9,508	–	9,508
Total comprehensive income	–	–	2,500,662	–	(14,540)	–	277,586	–	2,763,708	(4)	2,763,704
Declaration of dividends (Note 28)	–	–	(291,483)	–	–	–	–	–	(291,483)	–	(291,483)
BALANCES AT DECEMBER 31, 2021	**₱4,940,399**	**₱1,143,981**	**₱6,943,648**	**₱10,500,000**	**₱17,319**	**₱1,225,518**	**₱1,849,971**	**₱77,892**	**₱26,698,728**	**(₱288)**	**₱26,698,440**

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,799,541**	₱1,530,324	(₱1,003,615)
Adjustments for:			
Depletion, depreciation and amortization (Note 20)	**1,232,532**	1,268,738	1,832,801
Share in net losses of associates (Note 12)	**528,848**	47,011	118,335
Provision (reversal) for of impairment losses - net			
Impairment losses on deferred exploration costs, property,plant and equipment and other assets - net (Notes 8, 10, 12, 26 and 32)	**(272,241)**	1,900	848,560
Unrealized foreign exchange (gains) losses and others - net	**76,936**	(145,143)	(133,433)
Movement in pension assets – net	**29,313**	33,017	14,842
Interest income (Note 6)	**(2,186)**	(981)	(1,571)
Operating income before working capital changes	**4,392,743**	2,734,866	1,675,919
Decrease (increase) in:			
Accounts receivable - net	**(97,024)**	46,256	(116,138)
Inventories – net	**(616,098)**	(404,518)	93,833
Other current assets – net	**102,365**	125,818	91,524
Increase (decrease) in accounts payable and accrued liabilities	**617,421**	178,088	(182,936)
Cash generated from operations	**4,399,407**	2,680,510	1,562,202
Income taxes paid	**(452,555)**	(213,391)	(89,753)
Interest paid	**(171,885)**	(93,328)	(242,096)
Interest received	**2,186**	981	1,571
Net cash flows generated from operating activities	**3,777,153**	2,374,772	1,231,924
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Note 10)	**(927,608)**	(1,048,411)	(1,105,797)
Increase in deferred exploration costs and other noncurrent assets	**(250,408)**	(162,166)	(633,818)
Payment of subscription payable (Notes 12 and 26)	**(121,114)**	(63,186)	(2,126,450)
Payment of mine rehabilitation costs	**–**	(25,628)	(42,895)
Collections of advances to a related party (Note 26)	**–**	–	2,125,185
Decrease (increase) in financial assets measured at FVOCI	**–**	–	66
Net cash flows used in investing activities	**(1,299,130)**	(1,299,391)	(1,783,709)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of short-term loans (Note 33)	**–**	304,960	3,681,384
Payments of:			
Dividends (Note 28 and 33)	**(392,680)**	(45,426)	(1,363)
Short-term bank loans (Note 33)	**(387,180)**	(942,655)	(3,206,711)
Net cash flows (used in) from financing activities	**(779,860)**	(683,121)	473,310
EFFECT OF EXCHANGE RATE CHANGESON CASH AND CASH EQUIVALENTS	**1,121**	3,510	3,217
NET INCREASE (DECREASE) IN CASHAND CASH EQUIVALENTS	**1,699,284**	395,770	(75,258)
CASH AND CASH EQUIVALENTSAT BEGINNING OF YEAR	**1,191,479**	795,709	870,967
CASH AND CASH EQUIVALENTSAT END OF YEAR (Note 6)	**₱2,890,763**	₱1,191,479	₱795,709

See accompanying Notes to Consolidated Financial Statements.

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

Corporate Information

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

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

Status of Business Operations

Padcal Mine Operations

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

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

The Group, as detailed in Note 2 to the consolidated financial statements, continues to look for sources of funding to finance its exploration activities, pre-development and working capital requirements (seeNote 15).

On June 25, 2021, the Padcal Mine life has been extended for another two (2) years, extending its life until December 31, 2024. The extension of the mine life is due to additional reserves from mineral resources delineated around the current mining level.

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

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

SMMCI
SMMCI finalized the definitive feasibility study (DFS) for an underground sub-level cave mining method for the Silangan Project. The DFS that was approved at the Group's Board meeting on July 31, 2019 cover 81 million tonnes (Mt) of ore reserves of the Boyongan deposit carrying high-quality copper and gold grades from a total mineral resource of 571 Mt. Financial advisers were engaged to secure funding for the project to proceed with its development plan.

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

The approval of the underground sub-level cave mining method under the DMPF included the ECC Three Year Development and/or Utilization Work (3YD/UWP) Program for years second-half (2H) of 2019 to first-half (1H) of 2020, the Environmental Protection and Enhancement Program (EPEP), Final Mine Rehabilitation and Decommissioning Plan (FMRDP) and Social Development andManagement Program (SDMP). A revised 3YD/UWP covering three (3) years was submitted to MGBCentral Office on December 27, 2020.

On December 7, 2020, the Department of Environment and Natural Resources (DENR) approved the renewal for another 25-year term of Mineral Production Sharing Agreement (MPSA) No. 149-99-XIII. The additional 25-year term shall commence from December 29, 2024 subject to the same terms and conditions provided under MPSA No. 149-99-XIII and the applicable laws, rules and regulations that are existing or may be promulgated and the continuing compliance therewith from the date of the DENR's order up to the expiration of the initial term of MPSA No. 149-99-XIII.

In July 2021, the Board of Directors (BOD) of the Parent Company has approved the In-Phase Mine Plan of the Silangan Project. With the plan, the capital expenditure requirement will be made in stages, and to be funded from a variety of potential investors including internally-generated cash and through equity and debt financing from various investors and creditors (see Note 28).

In January 2022, the Company completed the In-Phase Mine Plan feasibility study and updated the mineable reserve estimate for the Boyongan deposit in accordance with the 2012 Philippine Mineral Reporting Code ("PMRC"). Under the in-phase 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 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.

Recovery of Deferred Exploration Costs
The Group's ability to realize its deferred exploration costs with carrying value amounting to ₱28,099,836 and ₱27,365,125 as at December 31, 2021 and 2020, respectively (see Note 13), depends on the success of exploration and development work in proving the viability of its mining properties to produce minerals in commercial quantities, and the success of converting the Group's Exploration Permits (EPs) or Application for Production Sharing Agreements to new mineral agreements, which cannot be determined at this time. The consolidated financial statements do not include any adjustment that might result from these uncertainties.

Authorization for Issuance of the Consolidated Financial Statements
The consolidated financial statements are authorized for issuance by the Parent Company's BOD on March 4, 2022.

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as a Current or Non-current*
  Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2021 and 2020. The Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

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

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

Subsidiaries	Nature of Business
PGPI	Incorporated in the Philippines on August 9, 1996 as a wholly-owned subsidiary of PGI and became a wholly-owned subsidiary of PGHI on April 27, 2010. In 2015, PGPI was acquired and 100% owned by the Parent Company. PGPI was primarily engaged in the operation of the Bulawan mine and the development of the Sibutad Project both on care and maintenance status since 2002. PGPI currently owns 98.9%of the outstanding shares of LMC.

(Forward)

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

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

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

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

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

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

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

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

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

Foreign Currency Translation of Foreign Operations
The Group's consolidated financial statements are presented in Philippine Peso, which is also the Group's functional currency. Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statements of each subsidiary are measured using that functional currency. The Group has elected to recognize the translation adjustment that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation. Transactions in foreign currencies are initially recorded in the functional currency rate on the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the end of the reporting period. All exchange differences are recognized in the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

Financial Instruments - Initial Recognition and Subsequent Measurement
Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

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

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

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

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

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

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

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

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

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

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

The details of these conditions are outlined below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

Tax Credit Certificates (TCCs)

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

Deferred Input VAT

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

Deferred Exploration Costs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisional pricing adjustments
The terms of metal in copper concentrates sales contracts with third parties contain provisional arrangements whereby the selling price for the metal is based on prevailing spot prices on a specified future date after shipment to the customer (the quotation period). These provisional arrangements are considered embedded derivatives. Mark-to-market adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement, and such adjustments are recorded

as part of revenue. The period between provisional invoicing and final settlement can be between one (1) and three (3) months. Depending on the arrangement with the buyer, initial payment could be ninety percent (90%) or hundred percent (100%) of the provisional shipment value is collected within a week from shipment date, while the remaining balance is collected upon determination of the final shipment value on final weight and assay for metal content and prices during the applicable quotational period less deduction for smelting charges. Provisional price adjustments are mark-to-market adjustments and not part of revenue from contracts with customers but are presented as other revenues.

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

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

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

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

Foreign-Currency-Denominated Transactions and Translations

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

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

Income Taxes

Current income tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. **Significant Judgments, Accounting Estimates and Assumptions**

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

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

Judgments

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

Determination of the Functional Currency

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

Recognition of Deferred Tax Assets

The Group reviews the carrying amounts at each end of reporting period and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The sufficiency of future taxable profits requires the use of assumptions, judgments and estimates, including future prices of metals, volume of inventories produced and sold, and amount of costs and expenses that are subjectively determined like depreciation. As at December 31, 2021 and 2020, deferred income tax assets recognized in the consolidated statements of financial position amounted to ₱150,370 and ₱162,088, respectively (see Note 27). As at December 31, 2021 and 2020, no deferred income tax assets were recognized on deductible temporary differences amounting to ₱3,439,131 and ₱3,407,661, respectively (see Note 27), because management believes that it is not probable that future taxable income will be available to allow all or part of the benefit of the deferred income tax assets to be utilized.

Accounting Estimates and Assumptions

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

Measurement of Mine Products Revenue

Mine products revenue is provisionally priced until or unless these are settled at pre-agreed future or past dates referred to as "quotational period," the prevailing average prices at which time become the basis of the final price. Revenue on mine products is initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotational period. Total revenues amounted to ₱9,796,531, ₱7,833,713 and ₱6,789,566, in 2021, 2020 and 2019, respectively (see note 17).

Valuation of Financial Instruments

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

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

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

Changes in fair value of its financial assets measured at FVOCI is recognized in the consolidated statements of comprehensive income with no recycling to profit or loss, cumulative changes in the fair value of the financial asset is closed to retained earnings upon disposal. The Group has net cumulative unrealized gain or loss on its financial assets measured at FVOCI amounting to a gain of ₱41,367 and ₱31,859 as at December 31, 2021 and 2020, respectively. The carrying value of the Group's financial assets measured at FVOCI amounted to ₱125,212 and ₱113,973 as at December 31, 2021 and 2020, respectively (see Note 11).

Measurement of NRV of Mine Products Inventory
The NRV of mine products inventory is the estimated sales value less costs to sell, which can be derived from such inventory based on its weight and assay for metal content, and the LME and LBMA for prices, which also represents an active market for the product. Changes in weight and assay for metal content as well as the applicable prices as the mine products inventory are eventually shipped and sold are accounted for and accordingly adjusted in revenue. The NRV of mine products inventory as at December 31, 2021 and 2020 amounted to ₱1,263,701 and ₱610,734, respectively, which were also reflected as part of mine products revenue for the years then ended (see Note 8).

Write-down of Carrying Values of Materials and Supplies Inventories
The Group carries material and supplies inventories at NRV when such value is lower than cost due to damage, physical deterioration, obsolescence or other causes. When it is evident that the NRV is lower than its cost based on physical appearance and condition of inventories, an allowance for inventory obsolescence is provided. The carrying value of materials and supplies inventories amounted to ₱662,763 and ₱732,632, net of provision for impairment loss of P51,168 and ₱104,900 as at December 31, 2021 and 2020, respectively (see Note 8).

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

Reversal of impairment loss amounting to ₱699,241 and ₱103,000 was recognized in 2021 and 2020, respectively. The carrying value of mine and mining properties amounted to ₱1,866,651 and ₱1,253,505 as at December 31, 2021 and 2020, respectively (see Note 10).

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

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

As at December 31, 2021 and 2020, carrying value of property, plant and equipment amounted to ₱3,428,552 and ₱3,042,982, net of accumulated depreciation, depletion and impairment amounting to ₱20,756,164 and ₱20,361,858, respectively (see Note 10).

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

As at December 31, 2021 and 2020, the carrying value of the mine and mining properties of the Parent Company amounted to ₱1,866,651 and ₱1,253,505, net of related accumulated depletion and impairment amounting to ₱15,193,293 and ₱15,229,292, respectively (see Note 10).

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

Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at each end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statements of financial position by adjusting the rehabilitation asset and liability. If the net rehabilitation provisions of revised mine assets for mature mines exceed the carrying value, that portion of the increase is charged directly to the consolidated statements of income. For closed sites, changes to estimated costs are recognized immediately in the consolidated statements of income. Provision for mine rehabilitation costs amounted to ₱15,154 and ₱14,569 as at December 31, 2021 and 2020, respectively (see Note 10).

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

An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. The carrying value of deferred exploration costs amounted to ₱28,099,836 and ₱27,365,125, net of allowance of impairment loss amounting to ₱3,825,412 as at December 31, 2021 and 2020, respectively (see Note 13).

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

This requires an estimation of the value in useof the CGUs to which the assets belong. Assessments require the use of estimates and assumptions suchas VAT disallowance rate, long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. In assessing value in use, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses amounting ₱1,586,375 was recognized in 2019. As at December 31, 2021 and 2020, the carrying value of non- financial assets amounted to ₱7,883,714 and ₱8,161,763, respectively (see Notes 9, 10, 12 and 14).

Convertible Bonds
The Group's convertible bonds, treated as a compound financial instrument, are separated into liability and equity components based on the terms of the contract. On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized (see Note 15).

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

Estimation of Retirement Costs
The Group's net retirement costs are actuarially computed using certain assumptions with respect to future annual salary increases and discount rates per annum, among others. The Parent Company's net excess retirement plan asset amounted to ₱357,203 and ₱315,042 as at December 31, 2021 and 2020, respectively (see Note 21). SMMCI's retirement liability amounted to ₱4,594 and ₱4,710 as at December 31, 2021 and 2020, respectively (see Note 21).

4. Business Combinations

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

5. Segment Information

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

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.

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

The following table shows the Group's core net income used for internal reporting purposes that is provided and reviewed by the Group's President and CEO and the CFO for the years ended December 31, 2021, 2020, and 2019.

	2021	2020	2019
Revenues	**₱9,796,531**	₱7,833,713	₱6,789,566
Production costs	**(4,488,274)**	(4,215,573)	(4,387,787)
Depletion and depreciation	**(1,217,736)**	(1,252,204)	(1,814,331)
Mine products taxes and royalties	**(639,281)**	(543,238)	(427,211)
General and administrative expenses	**(252,932)**	(287,133)	(287,334)
Other recurring (expenses) income	**(665,522)**	(373,413)	282,722
Core net income	**₱2,532,786**	₱1,162,152	₱155,625

The following table shows the Group's reconciliation of core net income to the consolidated net income for the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Core net income	**₱2,532,786**	₱1,162,152	₱155,625
Non-recurring (losses) gains:			
Share in Provision for impairment of PXP assets	**(674,396)**	(1,894)	(63,760)
Provisions for impairment of assets - net	**272,241**	(1,900)	(1,177,945)
Effect of CREATE Law	**335,445**	–	–
Foreign exchange gains (losses) and others	**(46,485)**	99,115	93,072
Retrenchment costs	–	–	(17,590)
Net tax effect of aforementioned adjustments	**11,621**	(29,165)	362,820
Net (loss) income attributable to equity holdersof the Parent Company	**2,431,212**	1,228,308	(647,778)
Net income attributable to NCI (Note 28)	**(4)**	(11)	(15)
Consolidated net (loss) income	**₱2,431,208**	₱1,228,297	(₱647,793)

Core net income per share is computed as follows:

	2021	2020	2019
Core net income	**₱2,532,786**	₱1,162,152	₱155,625
Divided by weighted average number of common shares outstanding during year (Note 30)	**4,940,399,068**	4,940,399,068	4,940,399,068
Core net income per share	**₱0.513**	₱0.235	₱0.032

Sales of the Parent Company are made to Pan Pacific Copper Co., Ltd. (Pan Pacific), which is covered by a Sales Agreement (signed on March 11, 2004), and to IXM Pte. Ltd. (IXM and formerly known as Louis Dreyfuss Commodities Metals Suisse SA) for the remaining copper concentrates. In addition, the Parent Company entered into a Sales Agreement with Transamine Trading SA (Transamine) (signed on July 1, 2018), whereby Transamine agreed to buy copper concentrates from November 2018 to December 2019.

Gross revenue, including provisional pricing adjustments, from Pan Pacific, IXM and Transamine for the years ended December 31, 2021, 2020 and 2019 are presented below:

	2021	2020	2019
IXM	**₱8,022,942**	₱6,509,276	₱4,019,407
Pan Pacific	**1,779,820**	1,457,901	1,393,017
Transamine	–	–	1,927,889
	₱9,802,762	₱7,967,177	₱7,340,313
Adjustments from smelting, changes in the NRV of mine products, and other related charges	**(6,231)**	(133,464)	(550,747)
Net revenues	**₱9,796,531**	₱7,833,713	₱6,789,566

6. **Cash and Cash Equivalents**

Cash and cash equivalents consist of:

	2021	2020
Cash on hand	**₱1,630**	₱1,646
Cash with banks	**1,389,639**	974,156
Short-term deposits	**1,499,494**	215,677
	₱2,890,763	₱1,191,479

Cash with banks and short-term deposits earn interest at bank deposit rates. Short-term deposits are made for varying periods, usually of up to three months depending on the cash requirements of the Group. Interest income arising from cash with banks and short-term deposits amounted to ₱2,186, ₱981 and ₱1,571 in 2021, 2020 and 2019, respectively.

7. **Accounts Receivable -** net

Accounts receivable consist of:

	2021	2020
Trade	**₱384,068**	₱283,759
Others, net of allowance for impairment losses amounting to nil and ₱1,405 as at December 31, 2021 and 2020	**82,854**	86,139
	₱466,922	₱369,898

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

Pan Pacific and IXM trade receivables are initially paid based on 90% of their provisional value, currently within one week from shipment date. The 10% final balance does not bear any interest until final settlement, which usually takes around three months from shipment date for Pan Pacific and IXM. The Group has US dollar (US$) accounts receivable amounting to US$7,484 and US$5,909 as at December 31, 2021 and 2020, respectively (see Note 25).

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

As at December 31, 2021 and 2020, the Parent Company has embedded derivatives, which is represented by price exposure relative to its provisionally priced commodity sales contracts. Mark-to-market gains and losses from open or provisionally priced sales are recognized through adjustments to revenue in the consolidated statements of income and to trade receivables in the consolidated statements of financial position. The Parent Company determines mark-to-market prices using the forward price for quotational periods after the consolidated statements of financial position date stipulated in the contract. Open or provisionally priced commodity sales contract amounted to ₱3,569,085 and ₱2,237,702 as at December 31, 2021 and 2020, respectively. Fair value adjustments for these open or provisionally priced sales contract at yearend amounted to net gain of ₱79,125, ₱81,440, and ₱15,189 in 2021, 2020, and 2019, respectively, which was included under other revenue and adjusted against receivables.

8. **Inventories -** net

Inventories consist of:

	2021	2020
Mine products - at NRV	**₱1,263,701**	₱610,734
Materials and supplies at cost	**713,931**	837,532
	1,977,632	1,448,266
Less allowance for inventory obsolescence	**51,168**	104,900
	₱1,926,464	₱1,343,366

The NRV of materials and supplies inventories amounted to ₱662,763 and ₱732,632, as at December 31, 2021 and 2020, respectively.

Provision for inventory losses amounting to ₱33,000 and ₱104,900 was recognized in 2021 and 2020, respectively, included under "Reversal of impairment losses - net of other provisions and reversals" in the consolidated statements of income.

In 2021, the Group has written off inventories that were fully provided with allowance for inventory obsolescence amounting to ₱86,732. The allowance for inventory obsolescence amounted to ₱51,168 and ₱104,900 as at December 31, 2021 and December 31, 2020, respectively.

Materials and supplies recognized as expense amounted to ₱1,730,166, ₱1,710,025 and ₱1,841,857 in 2021, 2020 and 2019, respectively (see Note 18).

9. **Other Current Assets -** net

Other current assets consist of:

	2021	2020
Input tax recoverable - net	**₱327,258**	₱456,571
Prepaid expenses and others	**110,327**	83,379
	₱437,585	₱539,950

Allowance for impairment losses on input tax amounted to nil and ₱9,045 as at December 31, 2021 and 2020, respectively.

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

Property, plant and equipment consist of:

	December 31, 2021					
	Mine, and Mining Properties	Land, Buildings and Improvements	Machinery and Equipment	Surface Structures	Construction in Progress	Total
Cost:						
January 1	**₱16,482,797**	**₱737,449**	**₱5,768,842**	**₱118,904**	**₱296,848**	**₱23,404,840**
Additions	**577,147**	**131**	**266,963**	**4,870**	**78,497**	**927,608**
Disposals	**–**	**–**	**(147,732)**	**–**	**–**	**(147,732)**
December 31	**17,059,944**	**737,580**	**5,888,073**	**123,774**	**375,345**	**24,184,716**

(Forward)

	December 31, 2021					
	Mine, and Mining Properties	Land, Buildings and Improvements	Machinery and Equipment	Surface Structures	Construction in Progress	Total
Accumulated Depletion, Depreciation and Impairment:						
January 1	**₱15,229,292**	**₱404,933**	**₱4,617,191**	**₱110,442**	**₱–**	**₱20,361,858**
Depletion and depreciation for the year (Note 20)	**663,242**	**32,559**	**541,934**	**3,544**	**–**	**1,241,279**
Reversal of Impairment	**(699,241)**	**–**	**–**	**–**	**–**	**(699,241)**
Disposals	**–**	**–**	**(147,732)**	**–**	**–**	**(147,732)**
December 31	**15,193,293**	**437,492**	**5,011,393**	**113,986**	**–**	**20,756,164**
Net Book Values	**₱1,866,651**	**₱300,088**	**₱876,680**	**₱9,788**	**₱375,345**	**₱3,428,552**

	December 31, 2020					
	Mine, and Mining Properties	Land, Buildings and Improvements	Machinery and Equipment	Surface Structures	Construction in Progress	Total
Cost:						
January 1	**₱15,952,097**	**₱794,996**	**₱6,749,228**	**₱149,419**	**₱136,383**	**₱23,782,123**
Additions	**522,253**	**–**	**326,546**	**–**	**199,612**	**1,048,411**
Disposals	**–**	**(57,547)**	**(1,337,632)**	**(30,515)**	**–**	**(1,425,694)**
Reclassifications	**8,447**	**–**	**30,700**	**–**	**(39,147)**	**–**
December 31	**16,482,797**	**737,449**	**5,768,842**	**118,904**	**296,848**	**23,404,840**
Accumulated Depletion, Depreciation and Impairment:						
January 1	**14,747,552**	**409,346**	**5,303,431**	**136,511**	**–**	**20,596,840**
Depletion and depreciation for the year (Note 20)	**584,740**	**53,134**	**651,392**	**4,446**	**–**	**1,293,712**
Reversal of Impairment	**(103,000)**	**–**	**–**	**–**	**–**	**(103,000)**
Disposals	**–**	**(57,547)**	**(1,337,632)**	**(30,515)**	**–**	**(1,425,694)**
December 31	**15,229,292**	**404,933**	**4,617,191**	**110,442**	**–**	**20,361,858**
Net Book Values	**₱1,253,505**	**₱332,516**	**₱1,151,651**	**₱8,462**	**₱296,848**	**₱3,042,982**

Mine and mining properties as at December 31, 2021 and 2020 include mine development costs of the 908 Meter Level, 798 Meter Level, 782 Meter Level and 760 Meter Level project amounting to ₱9,409,909 and ₱9,112,328, respectively. The discovery of additional resources and extension of the Padcal Mine life until December 2024 were considered as a change in estimate and the effect on the amortizationof the depletion costs was taken up prospectively.

The impairment loss and its subsequent reversal are presented under "Reversal of impairment losses - net of other provisions and reversals" in the consolidated statements of income. The Parent Company recognized a reversal of impairment loss amounting to ₱699,241 and ₱103,000 in 2021 and 2020, respectively, due to continuous favorable metal prices and extension of mine life in 2021. Impairment loss on Padcal mine and mining properties of ₱1,457,381 was recognized in 2019 due to adverse effect of decline in ore grades at that time. Accumulated impairment pertains to mine and mining properties, which amounted to ₱1,782,293 and ₱2,481,534 as of December 31, 2021 and 2020, respectively.

Total depreciation cost of machinery and equipment used in exploration projects amounting to ₱8,747, ₱24,974 and ₱32,543 in 2021, 2020 and 2019, respectively, are capitalized under deferred exploration costs, which relate to projects that are currently ongoing for PMC, SMMCI and PGPI (see Note 20).

Land, buildings and improvements include the estimated costs of rehabilitating the Parent Company's Padcal Mine from 2023 up to 2030, discounted at a rate of 2.79%. Accretion of interest amounting to ₱585, ₱3,510 and ₱3,217 were recorded in 2021, 2020 and 2019, respectively.

The Group's provision for mine rehabilitation costs amounted to ₱15,154 and ₱14,569 as at December 31, 2021 and 2020, respectively.

11. Financial assets measured at FVOCI

The Group's financial assets measured at FVOCI as of December 31, 2021 and 2020 consist of quoted and unquoted investment in share of stock as follows:

	2021	2020
Investments in quoted shares	**₱72,177**	₱60,938
Investments in unquoted shares of stock	**53,035**	53,035
	₱125,212	₱113,973

The cumulative change in value of financial assets measured at FVOCI amounted to a ₱41,367 and ₱31,859 in December 31, 2021 and 2020, respectively. These changes in fair values have been recognized and shown as "Net unrealized gain on financial assets measured at FVOCI and derivative" account in the equity section of the consolidated statements of financial position and are also shown in the consolidated statements of comprehensive income.

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

	2021	2020
January 1	**₱31,859**	₱37,745
Increase (Decrease) in fair value of financial assets measured at FVOCI	**9,508**	(5,886)
December 31	**₱41,367**	₱31,859

12. Investment in Associates - net

Investment in associates consist of:

	2021	2020
Acquisition cost	**₱4,814,941**	₱4,814,941
Accumulated equity in net losses:		
Balances at January 1	**304,326**	257,315
Equity in net losses	**528,848**	47,011
Total	**833,174**	304,326
Balances at the end of the year	**3,981,767**	4,510,615
Less allowance for impairment loss	**349,287**	349,287
Investment in associates - net	**₱3,632,480**	₱4,161,328

Lepanto

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

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

Allowance for impairment loss on investment in Lepanto amounted to ₱349,287 as at December 31, 2021 and 2020. Provision for impairment losses amounting to ₱128,994 in 2019 are included under "Reversal of impairment losses - net of other provisions and reversals" in the consolidated statements of income.

The following table summarizes the financial information of Lepanto:

	2021*	2020
Current assets	**₱2,103,767**	₱1,839,882
Non-current assets	**14,435,657**	14,570,527
Current liabilities	**(2,906,233)**	(2,493,091)
Non-current liabilities	**(8,145,347)**	(8,131,185)
Equity	**₱5,487,844**	5,786,133

**Balances are based on unaudited September 30, 2021 interim financial statements submitted by Lepanto to the PSE.*

	2021*	2020	2019
Revenue	**₱1,180,435**	₱1,472,978	₱2,047,384
Cost and expenses	**(1,487,007)**	(2,166,013)	(3,040,249)
Finance costs	**(8,409)**	(66,892)	(99,378)
Other income	**18,291**	12,276	35,503
Loss before income tax	**(296,690)**	(747,651)	(1,056,740)
Income tax benefit (expense)	**(1,599)**	(3,325)	29,376
Loss for the year	**(₱298,289)**	(₱750,976)	(₱1,027,364)
Total comprehensive loss	**₱298,289**	₱1,049,212	₱1,046,278
Group's share of loss for the year (annualized)	**₱12,997**	₱23,825	₱27,980

**Balances are based on unaudited September 30, 2021 interim financial statements submitted by Lepanto to the PSE.*

<u>PXP</u>
Details of the transactions between the Parent Company and PXP are disclosed in Note 26.

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

	2021	2020
Current assets	**₱280,937**	₱195,339
Non-current assets	**2,202**	6,560,249
Current liabilities	**(18,787)**	(24,853)
Non-current liabilities	**(111,831)**	(1,261,782)
Equity	**₱152,521**	₱5,468,953

	2021	2020	2019
Revenue	**₱8,938**	₱30,250	₱72,499
Cost and expenses	**(31,247)**	(98,663)	(190,596)
Other (expenses) income	**(1,376,663)**	(16,649)	(180,279)
Loss before income tax	**(1,398,972)**	(85,062)	(298,376)
Income tax benefit (expense)	**13,235**	8,792	1,156
Loss for the year	**(₱1,385,737)**	(₱76,270)	(₱297,220)
Total comprehensive loss	**₱1,385,737**	₱76,270	₱297,220
Group's share of loss for the year	**₱515,851**	₱23,186	₱90,355

13. **Deferred Exploration Costs -** net

Deferred exploration costs consist of:

	2021	2020
Deferred exploration costs	**₱31,925,248**	₱31,190,537
Less allowance for impairment losses	**3,825,412**	3,825,412
	₱28,099,836	₱27,365,125

Deferred exploration costs attributable to the Group's Silangan Project amounted to ₱25,795,048 and ₱25,066,827 as of December 31, 2021 and 2020, respectively.

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

14. **Other Noncurrent Assets**

Other noncurrent assets consist of:

	2021	2020
Input tax - noncurrent portion	**₱435,416**	₱434,279
Others	**60,008**	66,603
	₱495,424	₱500,882

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

Others include bank accounts that the Parent Company and PGPI maintain with Land Bank of the Philippines to establish their respective Mine Rehabilitation Funds (MRF), pursuant to the requirements of Republic Act (RA) No. 7942, otherwise known as "The Philippine Mining Act of 1995." The MRF shall be used for the physical and social rehabilitation of areas and communities affected by the Padcal, Bulawan and Sibutad Mines, and for research in the social, technical and preventive aspects of their rehabilitation.

15. **Loans and Bonds Payable**

	2021	2020
Current Loans:		
Bank loans:		
Philippine National Bank	**₱968,985**	₱912,437
Banco de Oro (BDO)	**203,994**	384,184
Bank of the Philippine Islands	**305,992**	480,230
Bonds payable	**8,652,100**	–
	10,131,071	1,776,851
Noncurrent Loans:		
Bonds payable	–	8,182,002
	₱10,131,071	₱9,958,853

Bank Loans
The Group obtains short-term, unsecured loans from various local banks. These loans have terms of ninety (90) days to one hundred eighty (180) days until maturity and are renewable subject to monthly repricing of interest. Interest rates of these short-term loans ranges from 3.25% to 3.50%.

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

At the date of issuance, the carrying amount of the bonds payable and equity conversion options amounted to ₱5,974,482 and ₱1,225,518, respectively. The carrying value of convertible bonds payable amounted to ₱8,652,100 and ₱8,182,002, including accrued interest payable amounting to ₱3,846,575 and ₱2,207,520 as at December 31, 2021 and 2020, respectively.

Interest amortization amounted to ₱348,959 and ₱438,982 in 2021 and 2020, respectively. Bonds amortization is calculated on the effective interest basis by applying EIR rate of 6.97% per annum (compounded semi-annually) for an equivalent nonconvertible bonds at the date of issue of the convertible bond to the liability component of the convertible bonds.

Finance expense pertaining to the convertible bonds amounting to ₱591,418 and ₱560,101 in 2021 and 2021, respectively, was capitalized as deferred exploration costs. The rate used to determine the amount of borrowing costs eligible for capitalization was 5.61%.

The Group's loans and bonds payable has no covenants imposed by banks and creditors as of December 31, 2021 and 2020.

The management of the Group is in the process of negotiations with the noteholders to extend its maturity until 2028, with all the terms and conditions of the original bond agreement being retained.

16. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	2021	2020
Trade	**₱851,011**	₱797,623
Accrued expenses	**731,551**	361,596
Provisions (Note 32)	**476,245**	151,479
Accrued royalties and excise taxes	**145,252**	135,523
Withholding taxes	**22,357**	23,759
Derivative liability (Note 23)	**24,048**	–
Other nontrade liabilities	**305,883**	222,783
	₱2,556,347	₱1,692,763

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

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

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

17. Revenues

		2021			2020			2019	
	Revenue from contracts with customers*	**Other Revenue - Provisional pricing adjustment**	**Total revenue**	Revenue fromcontracts with customers*	Other Revenue - Provisional pricing adjustment	Total revenue	Revenue fromcontracts with customers*	Other Revenue - Provisional pricing adjustment	Total revenue
Gold	**₱4,771,088**	**(₱14,292)**	**₱4,756,796**	₱4,675,766	(₱16,302)	₱4,659,464	₱3,628,958	₱7,527	₱3,636,485
Copper	**4,924,729**	**37,890**	**4,962,619**	3,099,063	7,025	3,106,088	3,018,588	75,166	3,093,754
Silver	**76,904**	**212**	**77,116**	68,753	(592)	68,161	58,226	1,101	59,327
			₱9,796,531			₱7,833,713			₱6,789,566

**net of smelting charges amounting to ₱691,336, ₱616,086 and ₱609,629 in 2021, 2020 and 2019, respectively.*
**Includes realized net loss from put and gold collar amounting to ₱28,898, ₱24,146 and ₱52,679 in 2021, 2020 and 2019, respectively, and realized net loss from copper collar amounting to ₱26,350, ₱51,712 and nil in 2021, 2020 and 2019, respectively (see Note 23).*

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

18. Costs and Expenses

Costs and expenses include the following:

	2021	2020	2019
Production costs			
Materials and supplies (Note 8)	**₱1,730,166**	₱1,710,025	₱1,841,857
Communications, light and water	**1,263,100**	1,127,212	1,202,927
Personnel (Note 19)	**989,345**	903,129	874,003
Contracted services	**232,015**	244,876	273,232
Others	**273,648**	230,331	195,768
	₱4,488,274	₱4,215,573	₱4,387,787
Depletion, depreciation and amortization (Note 10 and 20)			
Depletion and amortization	**₱663,242**	₱584,740	₱925,398
Depreciation	**554,494**	667,464	888,933
	₱1,217,736	₱1,252,204	₱1,814,331

	2021	2020	2019
Excise taxes and royalties			
Excise taxes	**₱392,938**	₱320,323	₱155,954
Royalties	**246,343**	222,915	271,257
	₱639,281	₱543,238	₱427,211
General and administrative expenses			
Personnel (Note 19)	**₱158,502**	₱184,937	₱184,804
Contracted services	**17,643**	16,585	17,795
Depreciation (Notes 10 and 20)	**14,796**	16,534	18,470
Repairs and maintenance	**9,863**	8,471	2,033
Taxes and licenses	**6,294**	9,582	16,693
Communications, light and water	**5,455**	5,299	7,820
Travel and transportation	**2,051**	2,897	5,315
Office supplies	**1,804**	240	2,073
Others	**36,524**	42,588	32,331
	₱252,932	₱287,133	₱287,334

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

19. Personnel Cost

Details of personnel costs are as follows:

	2021	2020	2019
Production costs (Note 18)			
Salaries and wages	**₱643,936**	₱589,632	₱635,329
Employee benefits	**317,014**	285,102	226,563
Retirement costs (Note 21)	**28,395**	28,395	12,111
	₱989,345	₱903,129	₱874,003
General and administrative expenses (Note 18)			
Salaries and wages	**₱104,708**	₱116,057	₱128,853
Employee benefits	**49,822**	64,258	53,980
Retirement costs (Note 21)	**3,972**	4,622	1,971
	158,502	184,937	184,804
	₱1,147,847	₱1,088,066	₱1,058,807

The Parent Company recognized retirement costs amounting to ₱32,367, ₱33,017 and ₱14,082 in 2021, 2020 and 2019, respectively (see Note 21).

20. Depletion, Depreciation and Amortization

Details of depletion and depreciation expense are as follows:

	2021	2020	2019
Production costs (Note 18)	**₱1,217,736**	₱1,252,204	₱1,814,331
General and administrative (Note 18)	**14,796**	16,534	18,470
	₱1,232,532	₱1,268,738	₱1,832,801

Total depreciation cost of machinery and equipment used in exploration projects amounting to ₱8,747, ₱24,974 and ₱32,543 in 2021, 2020 and 2019, respectively, is capitalized under deferred exploration costs, which relate to projects that are currently ongoing for PMC, SMMCI and PGPI (see Note 10).

21. **Pension asset** - net

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

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

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

2021

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

2020

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

2019

		Net benefit cost in charged to consolidated statements of income					Remeasurements in other comprehensive income					
	January 1, 2019	Current service cost	Net interest	Settlement/ Curtailment	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2019
Present value of defined benefit obligation	₱831,256	₱39,291	₱54,206	₱–	₱924,753	(₱150,686)	₱38,638	(₱2,309)	₱63,238	₱99,567	₱–	₱873,634
Fair value of plan assets	(1,193,446)	–	(79,415)	–	(1,272,861)	150,686	21,376	–	–	21,376	–	(1,100,799)
	(₱362,190)				(₱348,108)	₱–	₱60,014	(₱2,309)	₱63,238	₱120,943	₱–	(₱227,165)

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

	2021	2020
Assets		
Cash and cash equivalents	**₱41,261**	₱14,781
Receivables	**874**	5,274
Investment in debt securities	**635,683**	562,785
Investment in equity securities	**359,847**	367,712
Other investments	**44,158**	154,973
	1,081,823	1,105,525
Liabilities		
Accrued trust fees payables	**602**	696
	₱1,081,221	₱1,104,829

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

Actuarial valuation assumptions	**2021**	2020
Discount rate	**2.64%**	1.71%
Future salary increases	**5.00%**	5.00%
Expected rate of return on plan assets	**5.00%**	5.00%

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

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

	Increase (decrease)	Effect on defined benefit obligation
Discount rates	1.00%	(₱17,829)
	(1.00%)	18,492
Future salary increases	1.00%	₱19,279
	(1.00%)	(18,960)

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

	Expected benefit Payments
Less than one year	₱182,472
One to less than five years	782,531

The average duration of the defined benefit obligation at the end of the reporting period is 3 years.

The Parent Company's actuarial funding requirement in 2021 and 2020 is nil, however, the intention is to continue regular contributions to the fund. Pension expense from the defined benefit retirement plan is actuarially determined using the projected unit credit method. The latest actuarial valuation report was made as at December 31, 2021.

SMMCI Retirement Fund

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

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

Actuarial valuation assumptions	**2021**	2020
Discount rates	**5.02%**	3.92%
Future salary increases	**4.00%**	4.00%

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

	2021	2020	2019
January 1	**₱4,710**	₱3,390	₱2,302
Current service cost	**768**	664	592
Interest cost	**180**	168	169
	948	832	761
Remeasurements in other comprehensive income			
Experience adjustments	**(643)**	25	(358)
Actuarial changes from changes in demographic assumptions	**–**	–	–
Actuarial changes from changes in financial assumptions	**(421)**	463	685
	(1,064)	488	327
December 31	**₱4,594**	₱4,710	₱3,390

Retirement expense amounting to ₱948, ₱832 and ₱761 in 2021, 2020, and 2019, respectively, were capitalized as part of the deferred exploration costs.

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

	Increase (decrease)	Effect on defined benefit obligation
Discount rates	1.00%	(₱326)
	(1.00%)	379
Future salary increases	1.00%	405
	(1.00%)	(354)

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

	2021	2020
Less than 1 year	**₱241**	₱223
More than 1 year to 5 years	**2,872**	2,896
More than 5 years to 10 years	**1,313**	1,321
More than 10 years to 15 years	**2,589**	2,568
More than 15 years to 20 years	**6,969**	10,179
More than 20 years	**4,416**	6,300

The average duration of the defined benefit obligation at the end of the reporting period is 14.49 years.

22. **Financial Instruments**

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

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

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

Trade Receivables from Sale of Concentrates
As of December 31, 2021, the Group has current outstanding trade receivables from its customers amounting to ₱384,068 arising from revenue from contracts with two (2) customers, namely Pan Pacific and IXM. These contracts are within the scope of PFRS 15.

Based on historical transactions with the customers, there has been no instance that these customers have defaulted on their payments (historical default rate of 0%). PPC is a customer since start of commercial operations in the 1950s, IXM is a customer since year 2007, and sales contract with Transamine ended on June 30, 2019. Moreover, the Group's trade receivables have a credit period of three months, indicating that the time value of money is immaterial. With these facts, ECL is not material.

23. Financial Risk Management Objectives and Policies and Hedging Activities

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

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

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

Credit and Concentration Risks
Credit risk is the risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. To avoid such losses, the Group's primary credit risk management strategy is to trade only with recognized, creditworthy third parties. At present, 82% of the Parent Company's annual production of concentrates is sold to IXM.

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

The table below summarizes the Group's exposure to credit risk for the components of the consolidated statements of financial position as of December 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents		
Cash with banks	**₱1,389,639**	₱974,156
Short-term deposits	**1,499,494**	215,677
Accounts receivable		
Trade	**384,068**	283,759
Others	**78,952**	83,904
Financial asset measured at FVOCI		
Quoted equity investments	**72,177**	60,938
Unquoted equity investments	**53,035**	53,035
Gross maximum credit risk exposure	**₱3,477,365**	₱1,671,469

The following tables show the credit quality of the Group's financial assets by class as at December 31, 2021 and 2020 based on the Group's credit evaluation process:

	December 31, 2021			
	Neither Past Due nor Impaired		**Past Due and Individually Impaired**	
	High-Grade	**Standard**		**Total**
Cash and cash equivalents				
Cash with banks	**₱1,389,639**	**₱–**	**₱–**	**₱1,389,639**
Short-term deposits	**1,499,494**	–	–	**1,499,494**
Accounts receivable				
Trade	**384,068**	–	–	**384,068**
Others	**78,952**	–	–	**78,952**
Financial asset measured at FVOCI				
Quoted equity investments	**72,177**	–	–	**72,177**
Unquoted equity investments	**53,035**	–	–	**53,035**
Total	**₱3,477,365**	**₱–**	**₱–**	**₱3,477,365**

	December 31, 2020			
	Neither Past Due nor Impaired		Past Due and Individually Impaired	
	High-Grade	Standard		Total
Cash and cash equivalents				
Cash with banks	₱974,156	₱–	₱–	₱974,156
Short-term deposits	215,677	–	–	215,677
Accounts receivable				
Trade	283,759	–	–	283,759
Others	82,499	–	1,405	83,904
Financial asset measured at FVOCI				
Quoted equity investments	60,938	–	–	60,938
Unquoted equity investments	53,035	–	–	53,035
Total	₱1,670,064	₱–	₱1,405	₱1,671,469

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

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

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

The tables below summarize the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as at December 31, 2021 and 2020, respectively:

	December 31, 2021			
	On Demand	**Within1 Year**	**More than 1 Year**	**Total**
Other financial liabilities				
Short-term loans				
Principal	**₱–**	**₱1,478,971**	**₱–**	**₱1,478,971**
Interest	**–**	**1,611**	**–**	**1,611**
Long-term loans				
Principal	**–**	**7,200,000**	**–**	**7,200,000**
Interest	**–**	**540,000**	**–**	**540,000**
Accounts payable and accrued liabilities	**–**	**2,213,445**	**–**	**2,213,445**
Dividends payable	**452,413**	**–**	**–**	**452,413**
Total undiscounted financial liabilities	**₱452,413**	**₱11,434,027**	**₱–**	**₱11,886,440**

	December 31, 2021			
	On Demand	**Within1 Year**	**More than 1 Year**	**Total**
Loans and receivables				
Cash and cash equivalents	**₱2,890,763**	**₱–**	**₱–**	**₱2,890,763**
Accounts receivable				
Trade	–	**384,068**	–	**384,068**
Others	–	**78,952**	–	**78,952**
Financial assets measured at FVOCI				
Quoted equity investments	**72,177**	–	–	**72,177**
Unquoted equity investments	**53,035**	–	–	**53,035**
Total undiscounted financial assets	**₱3,015,975**	**₱463,020**	**₱–**	**₱3,478,995**

	December 31, 2020			
	On Demand	Within1 Year	More than 1 Year	Total
Other financial liabilities				
Short-term loans				
Principal	₱–	₱1,776,851	₱–	₱1,776,851
Interest	–	2,843	–	2,843
Long-term loans				
Principal	–	–	7,200,000	7,200,000
Interest	–	–	540,000	540,000
Accounts payable and accrued liabilities	–	1,382,014	–	1,382,014
Dividends payable	553,610	–	–	553,610
Total undiscounted financial liabilities	₱553,610	₱3,161,708	₱7,740,000	₱11,455,318

	December 31, 2020			
	On Demand	Within1 Year	More than 1 Year	Total
Loans and receivables				
Cash and cash equivalents	₱1,191,479	₱–	₱–	₱1,191,479
Accounts receivable				
Trade	–	283,759	–	283,759
Others	–	82,499	–	82,499
Financial assets measured at FVOCI				
Quoted equity investments	67,863	–	–	67,863
Unquoted equity investments	53,035	–	–	53,035
Total undiscounted financial assets	₱1,312,377	₱366,258	₱–	₱1,678,635

Market Risks
Foreign Currency Risk
Foreign currency risk is the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from sales in currencies other than its functional currency. All of the Parent Company's sales are denominated in US dollar. Also, the Parent Company is exposed to foreign exchange risk arising from its US dollar-denominated cash and cash equivalents, trade receivables and loans payable. The Group recognized net foreign exchange loss of ₱46,485 for the year ended December 31, 2021, net foreign exchange gain of ₱99,115 for the year ended December 31, 2020 and net foreign exchange gain of ₱93,072 for December 31, 2019, arising from the translation of these foreign currency-denominated financial instruments.

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

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

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

Year Ended December 31, 2020	
US$ Appreciate (Depreciate)	Effect on Income before Income Tax
29%	(₱172,496)
-29%	172,496

There were no outstanding currency derivatives as of December 31, 2021 and 2020.

Equity Price Risk
Equity price risk is the risk where the fair values of investments in quoted equity securities could increase or decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Management monitors the movement of the share prices pertaining to the Group's investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the consolidated statements of financial position as financial assets measured at FVOCI (see Note 11). Investment in quoted shares totaling ₱72,177 and ₱60,938 represent

0.01% of the total assets of the Group as at December 31, 2021 and 2020, respectively. Reasonable possible changes were based on an evaluation of data statistics using 1-year historical stock price data.

The effect on equity, as a result of a possible change in the fair value of the Group's quoted equity instruments held as financial assets measured at FVOCI as at December 31, 2021 and 2020 that could be brought by changes in equity indices with all other variables held constant is as follows:

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

	December 31, 2020	
Currency	Change in Quoted Prices of Investments Carried at Fair Value	Effecton Equity
Peso	Increase by 2%	₱61.05
	Decrease by 2%	(61.05)

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

The following table shows the effect on income before income tax should the change in the prices of copper and gold occur based on the inventory of the Parent Company as at December 31, 2021 and 2020. The change in metal prices is based on 1-year historical price movements.

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

December 31, 2020	
Change in Metal Prices	Effect on Income before Income Tax
Gold	
Increase by 19%	₱910,923
Decrease by 19%	(910,923)
Copper	
Increase by 23%	₱823,055
Decrease by 23%	(823,055)

Derivative Financial Instruments

Gold Derivatives

In February 2019, the Parent Company entered into gold collar hedging contracts covering 2,000 ounces of monthly gold production from February to April 2019 at a strike price of US$1,300 per ounce for the put options and US$1,327 per ounce for the call options. Further in June 2019, the Parent Company entered into gold collar hedging contract covering 2,000 ounces of monthly production from July to December 2019 at a strike price of US$1,330 per ounce for the put options and US$1,390 per ounce for the call options.

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

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

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

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

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

Realized net loss from put and gold collar amounted to ₱28,898, ₱24,146 and ₱52,679 in 2021, 2020 and 2019, respectively (see Note 17).

As at December 31, 2021 and 2020, outstanding gold derivatives amounted to ₱11,423 and nil, respectively.

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

Copper Derivatives

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

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

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

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

In November 2021, the Parent Company entered into copper collar hedging contracts covering 450 metric tonnes per month for the months of April to December 2022 at a strike price of US$10,913 metric tonne for the call options and US$8,267 metric tonne for the put options.

Realized net loss from copper collar amounted to ₱26,350, ₱51,712 and nil in 2021, 2020 and 2019, respectively.

As at December 31, 2021 and 2020, outstanding copper derivatives amounted to ₱12,625 and nil, respectively.

24. Capital Management

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

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

	2021	2020
Capital stock	**₱4,940,399**	₱4,940,399
Additional paid-in capital	**1,143,981**	1,143,981
Retained earnings		
Unappropriated	**6,943,648**	4,734,469
Appropriated	**10,500,000**	10,500,000
	₱23,528,028	₱21,318,849

25. Foreign-Currency-Denominated Monetary Assets and Liabilities

The Group's foreign-currency-denominated monetary assets and liabilities as at December 31, 2021 and 2020 are as follows:

	2021		2020	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Assets				
Cash and cash equivalents	**$17,822**	**₱908,895**	$18,705	₱898,292
Trade receivables	**7,484**	**381,652**	5,909	283,759
	$25,306	**₱1,290,547**	$24,614	₱1,182,051
Liabilities				
Accounts payable	**$–**	**₱–**	$–	₱–
Bank loans	**29,000**	**1,478,971**	37,000	1,776,851
	29,000	**1,478,971**	37,000	1,776,851
Liabilities - net	**($3,694)**	**(₱188,424)**	($12,386)	(₱594,800)

The exchange rates of Peso to US dollar were ₱50.999 to US$1 as at December 31, 2021 and ₱48.023 to US$1 as at December 31, 2020.

26. Related Party Transactions

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

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

Intercompany transactions are eliminated in the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

SMECI
On December 18, 2014, SMECI, with PMC as the co-issuer, issued 8-year convertible bonds with a face value of ₱7,200,000 at 1.5% coupon rate p.a. payable semi-annually to Asia Link B.V. and Social Security System (SSS) wherein the former holds 20% ownership of PMC (see Note 15).

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

	2021	2020	2019
Short-term employee benefits	**₱70,049**	₱94,093	₱85,430
Pension costs	**6,052**	6,052	6,847
	₱76,101	₱100,145	92,277

27. **Income Taxes**

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

	2021	2020	2019
Current	**₱559,498**	₱234,407	₱143,019
Deferred	**(191,165)**	67,620	(498,841)
	₱368,333	₱302,027	(₱355,822)

The Group is subject to regular corporate income tax (RCIT) or MCIT, whichever is higher.The provision for current income tax in 2021, 2020, and 2019 represent RCIT.

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

	2021	2020
Deferred tax assets on:		
Provision for losses and others	**₱75,280**	₱90,336
Unrealized foreign exchange losses - net	**52,348**	42,774
Materials and supplies obsolescence	**26,225**	31,470
Accumulated accretion of interest on provision for mine rehabilitation costs	**(403)**	(1,028)
Unamortized past service costs	**(3,080)**	(1,464)
Total deferred tax assets	**150,370**	162,088
Deferred tax liabilities on:		
Difference in fair value and carrying value of the net assets of subsidiary acquired	**(1,387,927)**	(1,665,513)
Accelerated deduction	**(342,330)**	(595,724)
Mine inventory at year-end	**(128,833)**	(73,056)
Net retirement plan assets	**(78,786)**	(94,542)
Unrealized foreign exchange gain and changesin FV of financial assets measured at FVOCI	**(15,832)**	(14,101)
OCI portion of retirement liability	**(12,732)**	(12,466)
Total deferred tax liabilities	**(1,966,440)**	(2,455,402)
Net deferred tax liabilities	**(1,816,070)**	(₱2,293,314)

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

	2021	2020	2019
Provision (Benefit from) income tax at statutory income tax rate of 25% in 2021;30% in 2020 and 2019	**₱699,886**	₱459,097	(₱301,085)
Additions to (reductions in) income tax resulting from:			
Effect of changes in tax rates due to CREATE Law	**(173,753)**	–	–
Nondeductible expenses and non-taxable income - net	**(161,437)**	(158,461)	362,268
Unrecognized DTA, NOLCO and excess MCIT	**4,205**	1,576	2,238
Interest income already subjected to final tax	**(568)**	(185)	(579)
Reversal of temporary difference on impairment of Padcal mine and mining properties	–	–	(418,664)
	₱368,333	₱302,027	(₱355,822)

d. As at December 31, 2021 and 2020, no deferred tax assets were recognized on deductible temporary differences amounting to ₱3,439,131 and ₱3,407,661, respectively.

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

   No deferred income taxes were recognized from the NOLCO and MCIT of the Parent Company’s subsidiaries as at December 31, 2021 and 2020.

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

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

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

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

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

28. **Equity**

Capital Stock
The details of the Parent Company’s capital stock follow:

	Number of Shares	
	2021	2020
Authorized common stock - ₱1 par value	**8,000,000,000**	8,000,000,000
Issued, outstanding and fully paid:		
As at the beginning and end of the year	**4,940,399,068**	4,940,399,068

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

Year	Date of Approval	Change in Number of Authorized Capital Stock	New Subscriptions/ Issuances***
1956	November 26, 1956	60,000,000	20,590,250
1957			30,539,750
1958			107,035
1959			1,442,500
1960	September 12, 1960	30,000,000	10,997,397
1961			1,238,500
1962			9,737,294
1963	December 16, 1993	90,000,000*	103,258,378
1964	March 6, 1964	220,000,000	65,339,520
1965			61,546,755
1966			60,959,182
1969	September 22, 1969	600,000,000	182,878,280
1970			274,317,420
1971	August 20, 1971	1,000,000,000	411,476,131
1973		4,000,000,000****	2,623,160,332
1974			1,543,035,476
1978			540,062,420
1981	August 4, 1981	5,000,000,000	1,485,171,655
1983			742,006,977
1985			815,707,473
1986			3,923,841,215
1987	August 14, 1987	9,000,000,000	3,867,787,326
1989	July 11, 1989	20,000,000,000	5,028,123,524
1990	June 27, 1990	(38,000,000,000)**	(20,549,744,536)
1991			375,852,233
1992			162,869,258
1993			179,156,183
1995			403,849
1997			985,928,483
1999	May 23, 1997	3,000,000,000	–
2007			10,781,250
2008			912,279,662
2009	May 22, 2009	3,000,000,000	1,019,753,789
2010			21,525,999
2011			7,619,783
2012			3,276,075
2013			3,969,250
2014			3,403,000
2015 - 2021			–
		8,000,000,000	4,940,399,068

*This is the result of the change in par value from ₱0.10 to ₱0.05.
**This is the result of the change in par value from ₱0.05 to ₱1.00.
***Information on issue/offer price on public offering not available or information not applicable since the shares were not issued in relation to a public offering.
****Information on date of approval not available.

As at December 31, 2021 and 2020, the Parent Company's total stockholders is 43,945 and 43,976, respectively.

In November 2021, the Board of Directors of the Parent Company approved the Stock Rights Offering (SRO) wherein eligible shareholders of record, as of the date to be set in accordance with existing law and regulations (the "Record Date") will have the opportunity to participate and to subscribe to common shares that will be issued in connection with the proposed SRO, subject to the approval by the SEC, and compliance with the listing requirements of the PSE. The SRO of the Parent Company covers up to 842 million of its common shares, with expected proceeds to be at ₱3.15 billion.

Together with debt being arranged by a leading local financial institution and internally generated cash of the Group, the SRO proceeds will be utilized for the development of the Silangan Project.

<u>Retained Earnings</u>
Retained earnings consists of the following:

	2021	2020
Retained earnings:		
Unappropriated	**₱6,644,426**	₱4,504,698
Cumulative actuarial gains	**299,222**	229,771
Total unappropriated	**6,943,648**	4,734,469
Appropriated	**10,500,000**	10,500,000
Ending balance	**₱17,443,648**	₱15,234,469

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

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

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

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

The Parent Company's retained earnings available for dividend distribution amounted to ₱9,278,760 and ₱6,799,734 as at December 31, 2021 and 2020, respectively.

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

As at December 31, 2021 and 2020, dividends payable amounted to ₱452,413 and ₱553,610, respectively.

NCI

	2021	2020
Percentage of ownership	1.1%	1.1%
Amount	₱288	₱284

Transactions with NCI are disclosed in Note 2.

29. **Share-based Payments**

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

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

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

The Parent Company uses the Customized Binomial Lattice Model to compute for the fair value of the options together with the following assumptions:

Spot price per share	₱17.50
Exercise price per share	₱24.05
Time to maturity	7 years
Risk-free rate	3.3435%
Volatility*	49.8731%
Dividend yield	1.0031%

**Volatility is calculated using historical stock prices and their corresponding logarithmic returns.*

The following table shows the movements in 2020 of the 2011 SOP of the Parent Company:

	Number of Options	Weighted Average Exercise Price
	2020	2020
January 1	**16,460,000**	**₱22.34**
Forfeited	**16,460,000**	**22.34**
December 31	**–**	**₱–**

All SOPs are forfeited as at December 31, 2021. The number of unexercised vested stock options totaled to nil in 2021 and 2020. The stock options outstanding are anti-dilutive. The effect of the conversion options of the convertible bonds is anti-dilutive as at December 31, 2021 and 2020.

The total share-based compensation expense for the 2011 SOP amounted to nil in 2021, 2020 and 2019. The corresponding share-based option reserve included under Additional Paid-in Capital as at December 31, 2021 and 2020 amounted to ₱353,170.

30. Basic/Diluted (Loss) Earnings Per Share

Basic (loss) earnings per share are computed as follows:

	2021	2020	2019
Net (loss) income attributable to equity holders of the Parent Company	**₱2,431,212**	₱1,228,308	(₱647,778)
Divided by weighted average number of common shares outstanding during the year	**4,940,399,068**	4,940,399,068	4,940,399,068
Basic (loss) earnings per share	**₱0.492**	₱0.249	(₱0.131)

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

	2021	2020	2019
Net income attributable to equity holders of the Parent Company	**₱2,431,212**	₱1,228,308	(₱647,778)
Divided by weighted average number of common shares adjusted for the effect of exercise of stock options	**4,940,399,068**	4,940,399,068	4,940,399,068
Diluted (loss) earnings per share	**₱0.492**	₱0.249	(₱0.131)
Weighted average number of common shares adjusted for the effect of exercise of stock options	**4,940,399,068**	4,940,399,068	4,940,399,068

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

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

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

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

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

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

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

On December 17, 2020, the new earn-in period has been extended further for 2 years. New Earn-In period will now be 12 years following the execution of the Farm-In Agreement and will expire on May 10, 2022.

32. **Other Matters**

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

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

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

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

33. Notes to Consolidated Statements of Cash Flows

The following table summarizes the changes in liabilities arising from financing activities in 2021 and 2020:

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

	January 1, 2020	Dividend Declaration	Availments	Payments	Accretion of interest	Effect of changes in foreign currency exchange rates	December 31, 2020
Current Liabilities:							
Bank loans	₱2,531,750	₱–	₱304,960	(₱942,655)	₱–	(₱117,204)	₱1,776,851
Dividend	549,632	49,404	–	(45,426)	–	–	553,610
Noncurrent Liability:							
Bonds payable	7,743,020		–	–	438,982	–	8,182,002
	₱10,824,402	₱49,404	₱304,960	(₱988,081)	₱438,982	(₱117,204)	₱10,512,463

SyCip Gorres Velayo & Co.
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INDEPENDENT AUDITOR'S REPORT

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

We have examined the accompanying consolidated financial statements of Philex Mining Corporation and its subsidiaries (the Group) as at and for the year ended December 31, 2021, on which we have rendered the attached report dated March 4, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has a total number of thirty-six thousand four hundred thirty-five (36,435) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854392, January 3, 2022, Makati City

March 4, 2022

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Building a better
working world

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philex Mining Corporation and its subsidiaries (the Group) as at December 31, 2021 and 2020, and each of the three years in the period ended December 31, 2021 included in this Form 17-A and have issued our report thereon dated March 4, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022
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March 4, 2022

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**INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Philex Mining Corporation and its subsidiaries (the Group) as at December 31, 2021 and for each of the three years in the period ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated March 4, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2021 and for each of the three years in the period ended December 31, 2021, 2020 and 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

AZ Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Tax Identification No. 246-663-780
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022
PTR No. 8854392, January 3, 2022, Makati City

March 4, 2022

PHILEX MINING CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2021

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

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2021

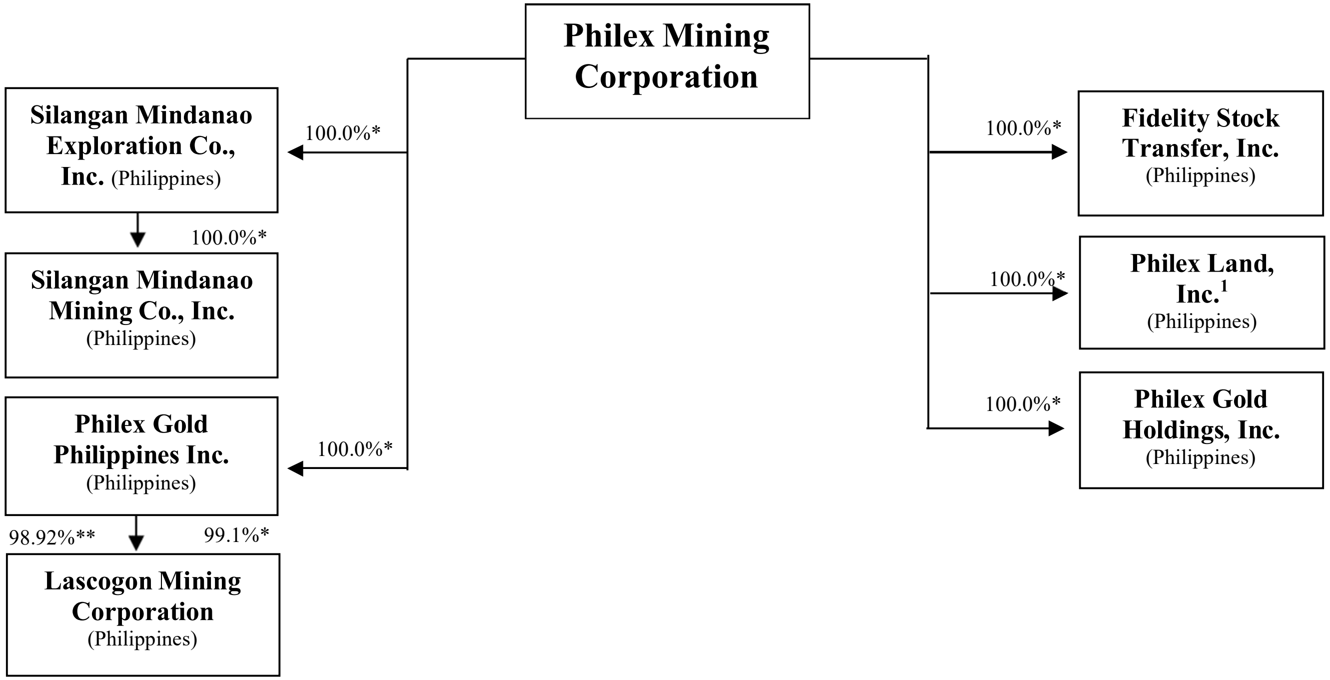
PHILEX MINING CORPORATION
2nd Floor, Launch Pad Building, Reliance St., Mandaluyong City(Amounts in Thousands)

Unappropriated retained earnings, ***as adjusted to available for dividend distribution*****, December 31, 2020**		**₱6,799,734**
Net (loss) income during the period closed to retained earnings	**₱2,428,874**	
Less: Recognized deferred tax asset that increased net income	8,788	
Equity in net income (loss) of an associate	528,848	
Unrealized foreign exchange gains, except those attributable to cash and cash equivalent	–	
Other realized gains (loss) or adjustments to the retained earnings as a result of certain transactions accounted under the PFRSs	(196,001)	
	2,770,509	
Net income actually earned during the period		**9,570,243**
Less: Dividend declared during the year		291,483
Appropriation of Retained Earnings during the year		–
Unappropriated retained earnings as at December 31, 2021, as adjusted		**₱9,278,760**

SCHEDULE II
PHILEX MINING CORPORATION AND SUBSIDIARIESSCHEDULE SHOWING FINANCIAL SOUNDNESS PURSUANT TO SRC RULE 68, AS AMENDED DECEMBER 31, 2021

	2021	2020	2019
Current/Liquidity ratios			
Current ratio	**0.43**	0.82	0.59
Quick ratio	**0.25**	0.37	0.25
Solvency ratios and debt to equity ratio			
Debt-to-equity ratio	**0.57**	0.61	0.65
Solvency ratio	**0.24**	0.17	0.08
Financial leverage ratios			
Asset-to-equity ratio	**1.57**	1.61	1.65
Interest rate coverage ratio	**–**	–	–
Profitability ratios			
Return on assets	**6.02%**	3.20%	-1.65%
Return on equity	**9.55%**	5.21%	-2.78%
Net profit margin	**24.82%**	15.68%	-9.54%

SCHEDULE III
PHILEX MINING CORPORATION AND SUBSIDIARIES
CHART SHOWING OWNERSHIP AND RELATIONSHIP BETWEEN THE PARENT COMPANY AND ITS SUBSIDIARIES
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2021



Note:

*Interest of immediate parent
**Effective interest of Philex Mining Corporation
1. On March 9, 2021, the SEC approved the amendments of the Articles of Incorporation shortening the life of Philex Land, Inc. until March 31, 2021.

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

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Investments in quoted shares:			
The Philodrill Corporation	277,500,000	₱2,747	₱–
Wack Wack Golf and Country Club	1	44,500	
Manila Polo Club	1	24,000	
Valle Verde Country Club	3	930	
		72,177	
Investments in unquoted shares:			
Pacific Global One Aviation	1	37,500	–
Philippine Associated Smelting and Refining Corporation	14,047,247	14,055	–
Others	Various	1,480	–
		53,035	–
		₱125,212	₱–

The Group elected to classify irrevocably its equity investments as financial assets measured at FVOCI asit intends to hold these investments for the foreseeable future. Financial assets measured at FVOCI are valued based on market quotation as of December 31, 2021. Financial assets measured at FVOCI are carriedat fair value with cumulative changes in fair values presented as a separate account in equity.

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE B
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2021

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

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION
December 31, 2021 (Amounts in Thousands)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Subsidiary: *(Advances)*							
Silangan Mindanao Exploration Co., Inc.	₱608,630	₱122,756	(₱–)	(₱–)	₱731,386	₱–	₱731,386
Silangan Mindanao Mining Co., Inc.	1,718,505	77,153	-	(–)	1,795,658	–	1,795,658
	₱2,327,135	₱199,909	(₱-)	(₱–)	₱2,527,044	₱–	₱2,527,044

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE D
INTANGIBLE ASSETS - OTHER ASSETS
December 31, 2021 (Amounts in Thousands)

Description	Beginning balance	Additions at Cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
i) Intangible Asset						
Goodwill	₱–	₱–	₱–	₱–	₱–	₱–
ii) Other Assets						
Deferred exploration costs	31,190,537	734,711	–	–	–	31,925,248
Allowance for impairment	(3,825,412)	–	–	–	–	(3,825,412)
	27,365,125	734,711	–	–	–	28,099,836
Input tax – non current portion	434,279	1,137	–	–	–	435,416
Others	66,603	-	(6,595)	–	–	60,008
Allowance for write down	–	–	–	–	–	–
	500,882	1,137	(6,595)	–	–	495,424
	₱27,866,007	₱735,848	(₱6,595)	₱–	₱–	₱28,595,260

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE E
LONG TERM DEBT
December 31, 2021 (Amounts in Thousands)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Loans and bonds payable"	Amount shown caption "Long-term Debt"
Convertible Bonds	₱7,200,000	₱8,652,100[1]	₱–

Note:

1. On December 18, 2014, SMECI, with PMC as the co-issuer, issued 8-year convertible bonds with a face value of ₱7,200,000 at 1.5% per annum payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at ₱18 per share 12 months after the issue date ("Standstill Period"). 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). Bonds amortization is calculated on the effective interest basis by applying EIR of 6.97% per annum (compounded semi-annually) for an equivalent non-convertible bond at the date of issue of theconvertible bond to the liability component of the convertible bonds.

   The management of the Group is in the process of negotiations with the noteholders to extend the payment until 2028, with all terms and conditions of the agreement being retained.

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE F
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
December 31, 2021

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

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE G
GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2021

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

NOT APPLICABLE

PHILEX MINING CORPORATION AND SUBSIDIARIES
SCHEDULE H
CAPITAL STOCK
December 31, 2021

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	8,000,000,000	4,940,399,068	–	–	6,770,091	–

Annex A: Sustainability Report Disclosures

Company Details

Name of Organization	Philex Mining Corporation
Location of Headquarters	2nd Floor Launchpad, Reliance Street corner Sheridan Street, Mandaluyong City 1550, Philippines
Location of Operations	• Padcal Mine: Padcal, Tuba, Benguet • Silangan Project: Surigao del Norte • Bulawan Project *(under Final Mine Rehabilitation and/or Decommissioning Plan (FMR/DP) status)*: Sipalay City, Negros Occidental • Sibutad Project *(under Final Mine Rehabilitation and/or Decommissioning Plan (FMR/DP) status)*: Municipalities of Rizal and Sibutad, Zamboanga del Norte
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This report discloses information only the material projects over which Philex Mining Corporation (PMC) has direct or joint management control.

Business Model, including Primary Activities, Brands, Products, and Services	PMC is primarily engaged in large-scale exploration, development and utilization of mineral resources. PMC was incorporated in the Philippines in 1955 and was listed in the Philippine Stock Exchange on November 23, 1956.
	
	For the past 63 years, the Company has operated the Sto. Tomas II deposit (Padcal Mine) in Padcal, Tuba, Benguet Province – the first underground block caving operation in the Far East. Padcal Mine produces copper concentrates, containing copper, gold and silver.
	
	• *Mining Business (wholly owned subsidiaries):*
	  ○ Philex Gold Philippines, Inc. (PGPI): operated the Bulawan gold mine in Sipalay, Negros Occidental until its decommissioning in 2002; also developed the mine sites in Sibutad, Zamboanga del Norte and Lascogon, Surigao del Norte
	  ○ Silangan Mindanao Exploration Co., Inc. (SMECI): completed the acquisition of the Silangan Copper and Gold Project (Silangan Project) in Surigao del Norte, Northeastern Mindanao in 2010.

	- Silangan Mindanao Mining Co., Inc. (SMMCI): potential development of the Silangan Mega Copper and Gold Project in Surigao del Norte, Northeastern Mindanao starting in 2022. • *Energy and Hydro-Carbon Business (affiliate):* - PXP Energy Corporation (PXP Energy, formerly Philex Petroleum Corporation): upstream oil and gas production
Reporting Period	January 1 to December 31, 2021
Highest Ranking Person responsible for this report	Mr. Eulalio B. Austin Jr. President and CEO Philex Mining Corporation

Materiality Process

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

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

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

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

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

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

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

ECONOMIC PERFORMANCE

Direct Economic Value Generated and Distributed

Disclosure	Amount in Php	Details
Direct economic value generated (revenue)	Php9.797 billion	Consolidated Statements of Income (2021 Audited Financial Statements)
Direct economic value distributed:		
a. Operating costs	Php6.598 billion	Consolidated Statements of Income (2021 Audited Financial Statements)
b. Interest payments on all forms of debt and borrowings	PMC: Php172.237 million SMMCI: Php10.50 million	Interest payments consist of: 1) Interest on local bank loans: Php49.463 million 2) interest on CN: Php122.774 million
c. Employee wages and benefits*	PMC: Php1.148 billion SMMCI: Php 21.5 million PGPI 1.8M	Note 19 of 2021 Audited Financial Statements
d. Dividends given to stockholders	Php291.5 million (Php0.05 per common share)	Consolidated Statements of Income (2021 Audited Financial Statements)
e. Taxes given to government	PMC: Php1.303 million SMMCI Php11.98 million PGPI: Php0.772 million	All taxes and fees paid, including income tax
f. Investments to community	PMC: Php102.526 million SMMCI: 0.600 million	2021 Annual Social Development and Management Program (SDMP) Accomplishment Report submitted to the Mines

		and GeoSciences Bureau and includes Silangan Mining's advance SMDP of Php600,000
g. Donations	Php0.999 million	Excluding SMDP

Discussions

Identification of Impact	Stakeholders Affected	Management Approach, Risks & Opportunities
1. Revenues from Mining Operations		
In 2021, 7.496 million tonnes were milled, higher by 1.4% than in 2020. Amidst the continuing operational challenges due to the COVID-19 global pandemic, the Company produced a total of 55,149 ounces of gold and 26.2 million pounds of copper. Both were lower by 1.6% and 1.4%, respectively, than the output in 2020. Favorable and sustained higher level of realized prices for gold and copper resulted in higher operating revenues in 2021, registering a healthy 25% increase over 2020. Operating revenues reached Php9.797 billion in 2021 from Php7.834 billion in 2020. *For more information on the Company's results of operations and financial conditions, please refer to the 2021 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements contained in its SEC Form 17-A.*	Company Shareholders Business partners, lenders	High metal prices for copper and gold benefited PMC even with the marginal grades of ore that it was able to mine from its Padcal operations. The Company expects significant regulatory changes on the horizon, such as the suspension of the ban on new mining agreements and lifting of the ban on open pit mining method, to auger well for the mining industry in 2022.
2. Operating Costs		
The Company's full-year operating cost and expenses amounted to Php6.598 billion, slightly up by 4.8% from the 2020 levels. *For more information on the Company's results of operations and financial conditions, please refer to the 2021 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements contained in its SEC Form 17-A.*	Company Shareholders Business partners, lenders	The increase in operating costs was due to the higher cost of materials and supplies, including logistics expenses, higher excise taxes and royalties on account of higher operating revenues, This was partly offset by lower power costs and lower non-cash charges as a result of the extension of the life of mine.

		The healthy EBITDA level for 2021 at Php4.317 billion allowed the Company to continue its debt reduction program during 2021. Total payments made to short-term creditors amounted to US$8 million.
3. Employee Wages and Benefits		
The Company continued to keep its General and Administrative Expenses (G&A) under control for the past three years. In 2021, G&A amounted to Php1.148 billion.	Company Shareholders Employees	PMC is determined to manage costs and expenses to stay competitive in the face of global market volatility and the declining ore grade from Padcal Mine. In 2021, it continued the implementation of cost management programs.
4. Taxes Paid to the Government		
Higher net revenues consequently led to higher excise taxes and royalties the Company paid to the government in 2021, which amounted to Php1.303 million (PMC). This represented a 50% increase from the level in 2020 at Php.868 million. *For more information on the Company's results of operations and financial conditions, please refer to the 2021 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements contained in its SEC Form 17-A.*	Company Government	The Company has been dutifully paying royalties and other taxes to the government as part of its compliance as well as corporate governance mandate.
5. Investments to Community		
The Company invested Php102.526 million (includes project expenses carried over from 2019-2020) in its Social Development and Management Program (SDMP) and Php.600 million for the advance SMDP of Silangan Mining. Pursuant to Republic Act 7942 and DAO's 2010-21, the amount allocated to the SDMP should be 1.5% of the company's total operating cost. *More information on the Company's SDMP can be found under the Social Performance section of this report.*	Stakeholders in host and neighboring communities	PMC's and Silangan Mining's 2021 SDMP has helped its host and neighboring communities through its Health, Education, Livelihood, Public Infrastructure, and Socio-cultural programs or (HELPS). Under this program, the Company is able to: ● Bring quality health services closer to its host and neighboring communities; ● Implement educational programs (including scholarships) that gave

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

Climate-Related Risks and Opportunities

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

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

Risk Management: To manage climate-related risks, the Company puts a great amount of effort and invests a substantial amount of resources into environmental protection and rehabilitation through its Environmental Protection and Enhancement Program. This is in addition to ensuring compliance with all applicable environmental laws and regulations.

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

	In addition, PMC is also currently negotiating for pollution liability insurance coverage to mitigate the impact of environmental pollution-related events. As part of its mitigating measures in avoiding forest fires, fireline or grass-cutting activities were implemented for the 1st and 2nd semesters of 2021, covering 353,940 sq.m. An additional 37 hectares of forest plantation were established in Itogon and Tuba, host communities of Padcal Mines, to sustain PMC's reforestation efforts. It also continues to maintain and protect the areas of existing plantations. The Company also installed landslide prevention facilities, e.g., shotcrete, drainage canal roads, retaining walls, grouted riprap box culvert and flood controls.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Amount	Unit
Procurement budget used for significant locations of operations that is spent on local suppliers	1,349,144,628 (includes PMC's 1,345,354,856 and Silangan Mining's 3,789,772)	Php
Proportion of procurement budget used for significant locations of operations that is spent on local suppliers	61 (PMC) 79 (Silangan)	%
Specify the geographical definition of 'local'	Manila, Baguio, Benguet, Panagasinan, other provinces inside the Philippines (PMC) Surigao Del Norte, Butuan, Davao, Metro Manila (Silangan)	
Specify locations of overseas suppliers	Australia, Canada, China, Sweden, United Kingdom (PMC) Singapore, Japan, Australia (Silangan)	

Total no. of suppliers (local and overseas)	533 (473-PMC, 60-Silangan)	
Total no. of local suppliers	450 (400-PMC, 50-Silangan)	
Total no. of overseas suppliers	83 (73-PMC, 10-Silangan)	
Percentage of local suppliers out of total suppliers	85% (PMC) 84% (Silangan)	%

Discussions

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

		supplier, the use of forced or child labor, observance of human rights, anti-bribery and corruption policies with the supplier's organization.

Anti-Corruption

Incidents of Corruption

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

Training on Anti-Corruption Policies and Procedures

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

Discussions

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

		gifts, entertainment, and sponsored travel from any third party, with whom the Company does business or proposes to do business, whether directly or indirectly, shall inform their donor that these were received in behalf of the Company and shall be handled in accordance with Company policy (P4,000.00 limit). Sponsored travel from third parties requires disclosure and prior approval from the superior, and this approval shall conform to the terms of this policy. In 2021, the Company did not receive any reports of violations of this policy. PMC has also been enforcing a Supply Chain Management Conduct Policy since 2012 to avoid impropriety in the conduct of purchasing supplies and services. The policy also contains provisions to avoid conflict of interest where an employee has an interest in another company dealing with the PMC, among others. A Vendor Relations Policy puts emphasis on the decorum required when dealing with suppliers.

ENVIRONMENTAL PERFORMANCE

Resource Management

Energy Consumption within the Organization

Within the Organization	Quantity	Units
Electricity (including consumption of Head Office, SMMCI, and Sibutad Project site for PGPI)	263,281,793.00	kwh
Gasoline)	10,841.00	liters
LPG	Not utilized in the operation	GJ
Diesel (including consumption of Head Office, SMMCI, and PGPI)	3,489,010.71	liters
Per Load Center		
Mill	171,169,460	kWh
Mine	61,601,476	kWh

Banget Compressor	17,120,240	kWh
Residential, School buildings	7,107,843	kWh
Padcal Compressor	2,497,896	kWh
Domestic Water	2,011,046	kWh
Assay	447,385	kWh
Surface Shops and Offices	1,031,520	kWh
Head Office	203,113	kWh
SMMCI	91,651	kWh
PGPI	162	kWh
Total	**263,281,793**	kWh

Reduction of Energy Consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	*108.05* *(Data for 2020 does not include consumption from subsidiaries)*	GJ
Energy reduction (LPG)	*Not applicable*	GJ
Energy reduction (diesel)	*Increase of 528.96 due to inclusion of SMMCI and PGPI data in 2021.*	GJ
Energy reduction (electricity)	15,398.72 (Data for 2020 excludes SMMCI and PGPI)	GJ
Percentage of energy reduction (vs. 2020)	1.38**	%

**Power Load Shedding Program is being implemented since 2014 by cutting down electrical supply at the residential areas up to 5 hours a day. Other contributors for energy reduction in the domestic side are disconnection of illegally connected loads and cancellation of physical classes in school buildings. Total reduction of electric consumption for domestic use is 820,836 kwh while overall electricity consumption is lower by 4,277,424 kwh compared to 2020 consumption.*
*** Over-all % energy reduction*

Discussions

Identification of Impact	Stakeholders Affected	Management Approach, Risks & Opportunities
Energy Efficiency		
Energy is a critical input factor for PMC's production and represents a significant cost. Thus the Company strives to achieve energy efficiency to secure	Company	The Company strictly monitors and manages its energy consumption through the following:

necessary supply while reducing its carbon footprint.		• An Energy Conservation Program is integrated in the IMS Manual Vol. 2 (ENV-STD-007 Energy Conservation) that ensures that processes are developed, implemented, and maintained by the Company for the efficient use of natural resources, energy, and high-value materials in areas of its operation. • Since 2014, PMC has been implementing a Power Load Shedding (PLS) Program that aims to reduce electricity supply in the residential areas in Padcal by up to 5 hours a day. • PMC substations have a Certificate of Electrical Inspection from the Mines and Geosciences Bureau-Cordillera Administrative Region, which is renewed annually.

Water Consumption within the Organization

Disclosure	**Quantity**	**Units**
Water withdrawal	7,666,051	Cubic meters
Water consumption	15,190,730*	Cubic meters
Water recycled and reused	7,524,680	Cubic meters

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

Materials Used by the Organization

Disclosure	**Quantity**	**Units**
Materials used by weight or volume		
• Renewable water	7,524,680	Cubic meter
• Non-renewable (Reagents)		kg

• Collectors	292,0000	kg
• Frother	42,000	kg
• Lime	2,162,000	kg
Percentage of recycled input materials used to manufacture the organization's primary products and services (water)	51*	%

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

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

Disclosure	**Quantity**	**Units**
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	
Habitats protected or restored *(see details below)*	4,512.81	ha
IUCN[1] Red List species and national conservation list species with habitats in areas affected by operations	44 plant species 38 animal species	#

Details on Habitats Protected or Restored

Name of Project	Area disturbed (hectares)	Project Status	Area reforested (hectares)	Type of reforestation	Type of species planted
PMC - Padcal Mine	580	MPSA-276 Operation	3,235	Forest Plantation/ Agroforestry	Calliandra, Benguet Pine, Gmelina, Kupang, Alnus, Antsoan Dilau, Eucalyptus, Agoho, Narra, Teak, Balete, Bishop Tree, Ficus nota, Oak tree, Dapdap, Falcata, Accacia Mangium, Molave, Banaba, Coffee, Mango, Avocado, Lanzones, Rambutan, Cacao, Bamboo, Guava, Jackfruit, etc.
PGPI- Bulawan	146	MLC-MRD510 Care & Maintenance	837.06*	Forest Plantation	Mangium, Auri, Mahogany, Gmelina, Rain tree, Coffee, native trees
PGPI- Sibutad	38	MPSA-063 Care & Maintenance	192.35	Forest Plantation	Mangium, Auri, falcata, coffee, cacao, bamboo, narra, lombayao
			39.16	Mangrove Plantation	Bakauan (Rhizophora Mucrunata)

[1] International Union for Conservation of Nature

PMC-LMC Surigao	37	MPSA-148 Exploration	10	Forest and Agroforestry	Falcata, narra, mangium, coffee, mahogany, fruit trees
SMMCI	24.91	MPSA-149	190.24	Agroforestry	Mahogany, Mangium, Falcata, Narra, Cacao, Coffee, Palawan Cherry, Lanzones, Marang, Rambutan, etc.
Kalayaan, Surigao	14		9	Agroforestry	Falcata, coffee
Total	**839.91**		**4,512.81**		

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

Environmental Impact Management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	*No carbon audit conducted in 2021*	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions		Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)		Tonnes

Air Pollutants

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

Air Pollutants	Location	Daily Average** (µg/m3)						Maximum Permissible Limit* (µg/m3)
		Jan 2021	Feb 2021	Mar 2021	Oct 2021	Nov 2021	Dec 2021	
PM10	Mill Plant	49.03	62.03	174	167.52	206.53	90.54	200
	Outside Mill Plant	23.82	49.47	81.07	76.50	54.10	50.61	150

In accordance with R.A. 8749 or the Clean Air Act of the Philippines

Solid and Hazardous Wastes

Hazardous Waste

Disclosure	Unit	Quantity	Disposal Method
Sulfuric Waste	Tonne	0.00917	Neutralized and disposed in Tailings Storage Facility (TSF) 3
Hydrochloric Acid	Tonne	0.9375	
Nitric Acid	Tonne	0.7825	
Ammonium Hydroxide	Tonne	0.0500	
Lime Slurries	Tonne	2,161.4	
Lead Compounds (Lead-contaminated Cupels/Slag)		8.42	Treated by DoloMatrix Philippines, Inc. For SMMCI : 0.120 is properly stored on-site
Lead Compounds (Used Lead-acid Batteries)	Tonne	21.475	
Mercury and Mercury Compounds (Busted Fluorescent Lamps)	Tonne	0.698	Treated by Joechem Environmental Corporation For SMMCI: .011 is properly stored on-site
Other Waste with Inorganic Chemicals (Fixer Solutions)	Tonne	7,858,361.83	Disposed in TSF 3
Explosive and Unstable Chemicals (Sodium Isobutyl Xanthate)	Tonne	288.95	Disposed in TSF 3
Oil-Water Mixture	Tonne	0.05	For SMMCI: properly stored on-site
Oil-Contaminated Materials	Tonne	0.14	For SMMCI: properly stored on-site
Used Industrial Oil including Sludge	Tonne	193.55	Treated by DoloMatrix Philippines, Inc. / Joechem Environmental Corporation
Oil-contaminated Materials	Tonne	115.24	For SMMCI: Transported last Jan 2021 for treatment and recovery of oil as alternative fuel.
Polychlorinated Biphenyl (PCB) Wastes	Tonne	76.91	Treated by Globecare Services, Inc.
Used Industrial Grease	Tonne	1.91	For SMMCI: properly stored on-site
WEEE (Waste Electrical and Electronic Equipment)	Tonne	0.30	For SMMCI: properly stored on-site
Containers Previously Containing Toxic Chemical Substances	Tonne	1.748	Treated by Joechem Environmental Corporation

Pathological or Infectious Wastes (Hospital Wastes, Expired Medicines)	Tonne	6.956	Treated by Joechem Environmental Corporation / Safewaste Incorporated For SMMCI: (expired medicines) properly stored on-site
		7,861,241.36	

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

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	43,362,184.70*	Cubic meters
Percent of wastewater recycled	None	%

Note: Estimated Waste Water Discharged at the TSF 3

Environmental Compliance

Non-Compliance with Environmental Laws and Regulations

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

Discussions

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

Identification of Impact	Stakeholders Affected	Management Approach, Risks & Opportunities
Managing Air Quality		
	Host communities	The Company is compliant with the Philippine Clean Air Act – Republic Act 8749 (1999) by following the set ambient air quality standards and pollutant limitation. UNDERGROUND • Maintained and sustained the operations of the ventilation system at the underground to ensure the production/generation of good quality air in the working areas; Driving of ventilation drifts/raises and

		maintenance of all existing blowers were undertaken; and • The use of respirators was also enforced among workers assigned in the different working areas. MILL PLANT • Maintained the dust collectors of the secondary crushing plant; • Maintained the fume heads at the secondary heads at the secondary crushing plant; • Provision of PPE (Dust masks/respirators) is continuously being enforced among workers assigned in the area; • Monitoring of ambient air within the Mill Plant was conducted; air quality index is rated good to fair; and Emission test certificates of vehicles and equipment are submitted to the Land Transportation Office during annual license registrations. An Emissions Management Strategy is integrated in the IMS Manual Vol. 2 (ENV-STD-004 Emissions Management) ensuring that processes are developed, implemented, and maintained by the Company to comply with the applicable regulations of RA 8749- Clean Air Act. In addition, PMC implements a 5-minute warm-up on cold engines to minimize unburn gases (Fuel-Air Mixture). It also strictly follows a preventive maintenance schedule for all company surface equipment.
Managing Water Use		
Water is a valuable resource to the Company's Mill Plant operations. PMC's mill obtains its raw water from three sources: the Sal-angan river, CYM tunnel, and Smith Tunnel water reservoir overflow. Sal-angan river is the main source of raw water for the mill year-round while CYM and Smith tunnels provide water during rainy seasons. Water supply poses a major challenge for the processing plant during the dry season (February to May) so	Host communities	The Company is compliant with the Philippine Clean Water Act RA-9275 (2004) by following the standards set for management of water quality and effluent/discharge standards through a multi-sectoral and participatory approach. A Water Management Plan is integrated in the IMS Manual Vol. 2 (ENV-STD-006 Water Management) ensuring that processes are developed, implemented, and maintained by the company to comply with the applicable regulations of RA 9275- Clean Water Act.

PMC promotes efficient water management to ensure continuous operations.		
Managing Solid Waste		
PMC practices ecological solid waste management as part of being a responsible miner and in accordance with the requirements under its Environmental Compliance Certificate issued by the Environmental Management Bureau of the DENR.		The Company is compliant with Republic Act 9003 - Ecological Solid Waste Management Program, Republic Act 6969 - Hazardous Materials Management, as well as the Department of Health and Department of Environment and Natural Resouces Joint Order # 2, Series of 2005 - Policies and Guidelines on Effective and Proper Handling, Collection, Transport, Treatment, Storage and Disposal of Health Care Waste. A Waste Management Plan is integrated in the IMS Manual Vol. 2 (ENV-STD-002 Waste Management) ensuring that processes are developed, implemented, and maintained by the company in the proper identification, treatment, storage, and disposal of waste. In 2021, PMC implemented the following: • Solid Waste Management Program • Hazardous waste disposal and treatment through accredited transporters and treaters • Community beautification activities using recycled materials
Managing Waste Water		
Water is a shared resource between the Company and its host and neighboring communities. Thus, PMC recognizes its responsibility to prudently manage its water consumption and monitor the water quality in its areas of operation, both for surface water and drinking water sources.	Company Host communities	Philex Mill reclaims process water by operating two units of 250-feet diameter thickeners. The overflow from the tailings thickeners is re-circulated back to the plant as process water while the underflow (remaining dense slurry) is fed into the tailings storage pond (Tailings Storage Facility or TSF) through a 2.7-kilometer long pipeline. A system for flocculant addition is provided to promote faster solid settling in the thickeners and to increase water recovery. A tailings cyclone was also installed to increase the percentage of water recovery. Rehabilitation of the 250-feet thickeners is done annually wherein major structure, rake and cables are replaced to restore reliability. These mega structure thickeners were commissioned in 1972 and play an important role in the milling process which reduced Philex's dependence on

		fresh/raw water source. For 2021, a total volume of 7,524,680 cu.m. of water were reclaimed.
Managing Land Resource and Protecting Biodiversity		
PMC promotes the progressive rehabilitation of its land resources as part of its land resource management. Protection of habitats and biodiversity is also part of its commitment to its host communities.	Host communities	Rehabilitation of decommisioned mine sites has been demonstrated by Philex for its Sibutad Project (Zamboanga del Norte) and Bulawan Project (Negros Occidental). It is also continuously doing progressive rehabilitation initiatives in Padcal mine site even while operating. The results of the Biodiversity Assessment Study conducted by the researchers of the University of the Philippines Los Baños has been shared with respective local government units and appropriate government agencies thru an Information, Education, Communication (IEC) activity on January 2020. Most of the recommendations of the study were considered in the planning and budgeting activity for 2021. The study also serves as the baseline and basis for the Biodiversity Management and Conservation Plan of the company. In addition, PMC maintains a forest nursery to supply the reforestation activities of the Company and to donate to individuals/groups to support tree planting and livelihood activities. It also has a bamboo plantation with a target of producing 3,000 bamboo propagules to support the government's initiative of promoting the planting and use of bamboo..

SOCIAL PERFORMANCE

Employee Management

Employee Hiring

Disclosure	Quantity	Units
Total number of employees[2]	1,910	#
a. Number of female employees	145	#

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

b. Number of male employees	1765	#
Attrition rate[3]	-0.89%	%
Ratio of lowest paid employee against minimum wage	1.92:1	ratio

Employee Benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100	100
Philhealth	Y	100	100
Pag-ibig	Y	100	100
Parental Leaves	Y	4	4
Vacation Leaves	Y	100	100
Sick Leaves	Y	43	57
Medical Benefits aside from Philhealth	Y	100	55
Housing Assistance (aside from Pag-IBIG)*	Y	70	97
Retirement Fund (aside from SSS)	Y	2.07	3
Educational Support**	Y	12	55
Company Stock Options			
Telecommuting (Work from Home)***		28	2
Flexible Working Hours			

**Free housing in Padcal – 99% of Padcal site employees are availing of the free housing*
***For Head Office – educational support/free elementary and subsidized high school education for Padcal Mine employees*
**** WFH allowed in HO for 2021 due to the pandemic*

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	31,967	hours
a. Female employees	4,704	hours
b. Male employees	27,263	hours
Average training hours provided to employees		
a. Female employees	32	hours/employee
b. Male employees	15	hours/employee

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	88	%

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

Number of consultations conducted with employees concerning employee-related policies	37	#

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	8	%
% of male workers in the workforce	92	%
Number of employees from indigenous communities and/or vulnerable sector*	1,111	#

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

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	PMC : 6,636,847 SMMCI : 184,376 PGPI: 142,910	Man-hours
No. of work-related injuries	20	#
No. of work-related fatalities	1	#
No. of work related ill-health	0	#
No. of safety drills/trainings	109	#

Labor Laws and Human Rights

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

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

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	The Company does not practice forced labor and ensures the individual's right to personal dignity. This policy is contained in PMC's Corporate Social Responsibility Manual, ISO 26000.
Child labor	Y	The Company is compliant with labor standards setting the age of qualified applicants to 18 years old for those in surface operations and 21 years old for

		underground operations. This is part of the hiring policy of PMC.
Human Rights	Y	PMC is committed to conducting its business with respect for all internationally recognized human rights, and is dedicated to doing so consistently. This policy is contained in PMC's Corporate Social Responsibility Manual, ISO 26000.

Supply Chain Management

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

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

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

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Under PMC's Supply Chain Manual (SCM.PRO.14.00), the life cycle environmental impact is considered in all purchasing decisions, when appropriate. The Company implements Green Purchasing (SCM.PRO.14.00) in which it requires chemical compositions and product testing of materials delivered. Under the Integrated Management System (IMS) we have the integrated Risk Register where environmental and social risk along the supply chain are identified, monitored and acted. A yearly review of the risk is being done and quarterly update is made.
Forced labor	Y	Formal assessment is fully incorporated and implemented starting 2021.
Child labor	Y	
Human rights	Y	
Bribery and corruption	Y	PMC's Code of Business Conduct and Ethics governs the professional behavior and ethics in all business dealings and transactions of PMC employees. The Company also has a Vendor Relations Policy and Policy on Gifts, Entertainment and Sponsored Travel to avoid conflict of interest when dealing with suppliers and vendors. The policy is in PMC's website: http://www.philexmining.com.ph/0ur-policies/

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Mining operations	Camp 3, Tuba, Benguet and Ampucao, Itogon, Benguet	Individuals living in ancestral lands (Children and youth, elderly, persons with disabilities, poor)	Y	1. Water for household and farming. 2. Continuation of mining operation and its social development programs.	Water systems for households, farms, and schools have been installed. Various health, education, livelihood, socio-cultural and infrastructure projects have been implemented under Philex's social development and management program. These are developed and implemented together with host communities, barangay and municipal government units. These programs are designed to sustain community welfare and development even the life of mind comes to an end.

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

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

Certificates	Quantity	Units
FPIC process is still undergoing	0	#
CP secured	1*	#

**Certification Precondition for MPSA 276*

Customer Management

Customer Satisfaction

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

Health and Safety

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

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

Marketing and Labelling

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

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

Customer Privacy

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

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

Data Security

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

UN Sustainable Development Goals

Product or Service Contribution to UN SDGs

UN SDGs	Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	**Social Development and Management Program (SMDP)** Pursuant to Republic Act 7942 (Implementing Rules and Regulations, DAO 2010-21 Sec.134), mining companies must set aside at least 1.5% of their total operating costs for the development of host and neighboring communities, Information Education Communication	To help uplift the lives of the people in its host and neighboring communities where it operates, PMC provides employment and livelihood opportunities, as well as access to basic services such as education, clean water, health programs, and sanitation. The highlights of our Padcal 2021 Social Development and Management Programs (SDMP) Accomplishments for our host and neighboring communities are follows: <u>Education</u>	Non-compliance with RA 7942	The Company ensures strict compliance with all the applicable social laws, rules, and regulations covering it as a mining company, including the law on SMDP. PMC even exceeds the requirements set by the government, through the provision of health, educational, livelihood, and public infrastructure services to its host and neighboring communities to constantly secure community endorsement and public approval for its operations. In

	(IEC), and Development of Mining Technology and Geo-Sciences. In 2021, the Company spent Php102.526 million for its mandated SDMP, including Php600,000 as advance SMDP of Silangan Mining.	• Sponsored 747college scholars with 72 graduates 608 from Senior High 625 from Junior High • 391 pupils with subsidized elementary education • 261 students with subsidized high school education <u>Health</u> • 432 beneficiaries of Medical and Dental Missions • 944 beneficiaries of Maintenance Medicine Distribution • 28 beneficiaries of Social Health Care Program • 195 beneficiaries of Medical Assistance • 343 beneficiaries of Health Care Services at the Sto. Nino Hospital <u>Livelihood (Business Enterprise)</u> • Assisted 10 Associations and 1 Cooperative • Assisted the Tourism Program of two Barangays (Camp 3 and Dalupirip) • Public Infrastructure - Road Concreting and Improvement: 1,930.5 meters - Road Cleared / leveled: 1,300 meters - Construction of Water System: 3 water system level 2 - Construction/ improvement of Multipurpose Building: 10 buildings		addition, the Company is aligning with ISO 26000, a guidance on social responsibility standards, to assess and address corporate social responsibility concerns and effectively strengthen its social license to operate.

		- Electrification projects: benefitted 29 families (with 54 males, 75 females) <u>Socio-Cultural</u> • Provided bereavement assistance to 61 Families • Provision of IP/Cultural Instrument to 8 schools		
13 CLIMATE ACTION	**Environmental Protection and Enhancement Program (EPEP)** DAO No. 2010-21 mandates the implementation of the Annual Environmental Protection and Enhancement Program (EPEP) which provides the link between mineral resource utilization and environmental protection and enhancement commitments. Pursuant to the R.A. 7942, the minimum required budget for the Annual EPEP ranges from 3-5% of the direct mining and milling costs of the company. In 2021, the Company spent Php261,275,748 or 122.94% utilization from the PhP 212,517,651	As a manifestation of its commitment to responsible and sustainable mineral resource development, the Company has adopted an environmental policy statement, which is consistent with ISO 14001 Certification on Environmental Management Systems. The Company is currently negotiating for pollution liability insurance coverage in case of environmental pollution-related events. In addition, PMC also invests heavily on the ongoing environmental conservation activities in its Silangan, Bulawan, and Sibutad project sites. These investments cover the costs for ambient air and water monitoring, soil erosion control and prevention, the establishment of new tree plantations, as well as the maintenance and protection of established reforestation areas	Environmental risks (natural disasters, calamities, etc.) which could hamper Company operations.	To manage the risk, the Company invests a substantial amount of resources into its EPEP, in addition to ensuring compliance with all applicable environmental laws and regulations. The Company has adopted an environmental policy statement, which is consistent with ISO 14001 Certification on Environmental Management Systems. To mitigate the risk from business disruption, PMC obtained a comprehensive insurance policy with a business interruption clause.

	approved budget for the Annual Environmental Protection and Enhancement Program for the CY 2021.	within the project sites. The environmental care and maintenance programs of these projects are submitted, approved, and monitored by the Mines and Geosciences Bureau (MGB) of the DENR. PMC also entered into a partnership with the Chamber of Mines of the Philippines for the local adoption of the Towards Sustainable Mining (TSM) initiative that leans on world-leading environmental practices for sustainable development.		
7 AFFORDABLE AND CLEAN ENERGY	**Energy Conservation Program** The program is integrated in the Company's IMS Manual Vol. 2, ensuring that processes are developed, implemented, and maintained to ensure the efficient use of natural resources, energy, and high-valued materials in its areas of operation.	• A Power Load Shedding Program is being implemented since 2014, reducing electricity supply in residential areas of up to 5 hours a day. • A solar panel is installed in a school in Padcal to lessen the use of generator supplied electricity. • Households in Padcal host and neighboring communities were connected to electrical lines/posts.		

14 LIFE BELOW WATER	**Ridge to Reef Management Program**	The Company has been regreening terrestrial and mangrove reforestation in its site vicinity. It also seeks to partner with local government units on the adoption of a marine sanctuary. It has also been regularly monitoring wastewater disposal to ensure that it complies with regulatory standards.		
15 LIFE ON LAND	**Reforestation and Rehabilitation programs**	The Company conducts progressive rehabilitation initiatives in Padcal mine site even while operating. For its reforestation efforts, an additional 37 hectares of forest plantation located in some parts of Tuba and Itogon were done. Fireline/grass-cutting activities were also implemented for the first and second semesters of 2021, covering 353,940 sq.m. In line with the MGB Memorandum dated June 11, 2020, the Company's Padcal Operations had established a one-hectare Bamboo Nursery at Tailings Storage Facility No.1, Sitio Sal-angan, Ampucao, Itogon, Benguet. The established 5.3-hectare bamboo plantation in 1998 at Tailing Storage Facility no.1 became the source of bamboo propagules being propagated.		

		Forest tree and fruit tree seeds were collected in the declared seed procurement areas (SPAs), propagated and were planted in the reforestation areas. Endemic wildlings and seeds were also gathered in areas for mass production. Likewise, maintenance of the 5-hectare Bamboo Plantation was also implemented. A target of 3,000 bamboo propagules was 100% accomplished.		
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Green Purchasing and Recycling**	Under PMC's Supply Chain Manual (SCM.PRO.14.00), the life cycle environmental impact is considered in all purchasing decisions, when appropriate. The Company implements Green Purchasing (SCM.PRO.14.00) in which it requires chemical compositions and product testing of materials delivered. In addition, the Company operates two megastructure tailings thickeners in its mill, which re-circulate back the water to the plant as process water while feeding the underflow into the tailings storage pond (Tailings Storage Facility or TSF) through a 2.7-km long pipeline. PMC also installed a tailings cyclone to increase the		

		percentage of water recovery.		
5 GENDER EQUALITY 10 REDUCED INEQUALITIES	Human Resources policy of PMC	The Company employs 145 female employees in its Corporate Office and Padcal Mining Site. In addition, it also has 1,111 employees from indigenous communities and/or vulnerable sector, who comprise 58% of its total workforce in 2021.		
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS		PMC adopts best practices and standards such as: • Toward Sustainable Mining (TSM) Initiative in partnership with the Mining Association of Canada and the Chamber of Mines of the Philippines • Global Reporting Initiative (GRI) guidelines • Environmental, Social, Governance (ESG) Reporting guidelines • ISO 26000 Guidance on Corporate Social Responsibility • Sustainability Reporting • Corporate Governance In addition, the Company constantly engages concerned parties and educates the public and local government units.	Acts of terrorism and insurgency threats	To prevent a repeat of a 2017 terrorism incident, which affected the transport of ore from the Padcal mine site to the Poro Port installation for shipment, the Company has increased vigilance among residents within the camp and coordinated with various groups to identify and deter possible threats.