COVER SHEET

CS200811530

SEC Registration Number

NICKEL ASIA CORPORATION AND SUBSIDIARIES

(Company's Full Name)

28th Floor NAC Tower, 32nd Street Bonifacio Global City, Taguig City

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

Iryan Jean U. Padillo

(Contact Person)

(632) 7798-7622

(Company Telephone Number)

12	31
Month	*Day*

(Fiscal Year)

17-A

(Form Type)

06	1st Friday
Month	*Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CRM

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

97

Total No. of Stockholders

Total Amount of Borrowings

₱3,539.3 million	**175.8 million**
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

S.E.C. Number **CS200811530**
File Number______

NICKEL ASIA CORPORATION
(Company's Full Name)

28th Floor NAC Tower, 32nd Street,
Bonifacio Global City, Taguig City
(Company's Address)

+63 2 8892 6669 / +63 2 7798 7622
(Telephone Numbers)

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

SEC FORM 17-A Annual Report
Form Type

____
Amendment Delegation (If applicable)

December 31, 2022
Period Ended Date

____
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **DECEMBER 31, 2022**
2. SEC Identification Number: **CS200811530**
3. BIR Tax Identification No.: **007-085-191-000**
4. Exact name of issuer as specified in its charter **NICKEL ASIA CORPORATION**
5. Province, Country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: [ ] (SEC Use Only)
7. Address of principal office — Postal Code
   28TH FLOOR NAC TOWER, 32ND STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY — **1634**
8. Issuer's telephone number, including area code: **+63 2 8892 6669 / +63 2 7798 7622**
9. Former name, former address, and former fiscal year, if changed since last report.
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON STOCK	**13,630,850,117 SHARES**
SHORT-TERM AND LONG-TERM DEBTS	**₱3,715.1 MILLION**

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 STOCK**

12. Check whether the issuer:
    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 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 registrant was required to file such reports);

    Yes [**X**]   No [ ]

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

    Yes [**X**]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

    As at December 31, 2022, 3,452,647,090 shares with a market price of ₱5.84 or an aggregate amount of ₱20,163,459,006 were held by non-affiliates.

NAC
NICKEL ASIA CORP.

April 12, 2023

Ms. Janet A. Encarnacion
Head - Disclosure Department
Philippine Stock Exchange Tower,
5th Avenue corner 28th Street, BGC Taguig City

Mr. Vicente Graciano P. Felizmenio, Jr.
Director - Markets and Securities Regulation Department
Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

RE : 2022 SEC Form 17-A Annual Report
x == x

Gentlemen:

In accordance with the Securities Regulation Code, we are submitting herewith a copy of our Company's SEC Form 17-A Annual Report as at and for the year ended December 31, 2022.

We trust everything is in order.

Very truly yours,

Maria Angela G. Villamor
SVP – Chief Financial Officer

NICKEL ASIA CORPORATION
17-A ANNUAL REPORT 2022

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

A. OVERVIEW

Nickel Asia Corporation (the Company, Parent Company, or NAC) was incorporated on July 24, 2008 with the Philippine Securities and Exchange Commission (SEC) and was listed with the Philippine Stock Exchange on November 22, 2010.

NAC and its subsidiaries (the Group) has 5 operating mines: the Rio Tuba mine in Bataraza, Palawan operated by Rio Tuba Nickel Mining Corporation (RTN); the Taganito mine in Claver, Surigao del Norte operated by Taganito Mining Corporation (TMC); the Tagana-an mine in Tagana-an, Surigao del Norte operated by Hinatuan Mining Corporation (HMC); the Cagdianao mine in Cagdianao, Dinagat Islands operated by Cagdianao Mining Corporation (CMC); and the Dinapigue mine in Dinapigue, Isabela operated by Dinapigue Mining Corporation (DMC). At each of its operating mines, the Group is able to employ a low-cost surface mining method without the need for explosives, chemicals or complex waste handling, to extract two types of nickel ore: limonite and saprolite ore. Apart from 5 operating mines, the Group also has other properties in various stages of exploration for nickel ore while continuing to seek opportunities in copper and gold through its subsidiary, Cordillera Exploration Co., Inc. (CExCI).

The Group produces 2 types of saprolite ore (i.e., high-grade, and mid-grade) and 2 types of limonite ore, which it supplies to various customers. The Group's high-iron limonite ore is sold to Chinese customers and mid-grade saprolite ore is sold to Chinese and Japanese customers, some which use the material as feed for blast furnaces for production of low-grade nickel pig-iron (NPI). Most of the Group's high-grade saprolite ore is sold to Pacific Metals Co., Ltd. (PAMCO) which uses the material as feed for its ferronickel smelters. The Group's low-grade limonite ore is utilized as feed for the Coral Bay high-pressure acid leach (HPAL) hydrometallurgical nickel processing plant and the Taganito HPAL hydrometallurgical nickel processing plant. Coral Bay plant is owned by Coral Bay Nickel Corporation (CBNC), where NAC has a 15.62% equity interest. CBNC became operational in 2005 and currently operates at a capacity of 24,000 tonnes of contained nickel and 2,000 tonnes of contained cobalt per year in the form of a mixed nickel-cobalt sulfide. It has proven to be the world's most efficient facility using the HPAL process.

NAC also has a 10% equity interest in Taganito HPAL Nickel Corporation (THNC) which operates the country's second hydrometallurgical nickel processing plant. THNC's HPAL plant currently operates at a capacity of 30,000 tonnes of contained nickel and 2,500 tonnes of contained cobalt per year in the form of a mixed nickel-cobalt sulfide. The Taganito mine of the Company's subsidiary, TMC, supplies all of the limonite ore for the plant.

In November 2010, the Group concluded the purchase of CExCI from Anglo American Exploration (Philippines), Inc. (Anglo American), with 4 properties in the Central Cordillera of northern Luzon that are prospective for gold and copper. The purchase marks the Company's first step in its vision to become a diversified mineral resource company. In November 2011, Sumitomo Metal Mining Co., Ltd. (SMM) acquired 25% equity in CExCI with an option to purchase additional shares to increase its total equity to 40%.

In 2015, CExCI identified a new property in the province of Zambales for exploration and development under Newminco Pacific Mining Corporation (Newminco), which is also prospective for gold and copper. In relation to this, SMM put in an additional investment of US$2.8 million to increase its ownership in CExCI from 25% to 40%. Newminco is the holder of an Exploration Permit (EP) application for areas located in Zambales. In 2019, CExCI acquired from Marian Mineral Exploration Co., Inc. (Marian) and Olympus Mineral Exploration Co., Inc. (Olympus) the right to apply for the conversion of the Application for Mineral Production Sharing Agreement (APSA) No. 000021-II issued in favor of Marian and Olympus into an EP Application, EP and/or Mineral Agreement, and any mode of mineral agreement that may be applied for in the 6,325 hectare area located in Cordon, Isabela and Diadi, Nueva Vizcaya subject of the APSA. CExCI applied for the conversion of APSA No. 000021-II into an EP. In January 2020, the Mines and Geosciences Bureau (MGB) Region 2 office approved the conversion of APSA No. 000021-II into an EP in favor of CExCI.

In August 2015, the Group also concluded the purchase from Nihao Mineral Resources International (Nihao) of 100% equity interest in DMC (formerly, Geogen Corporation), which is the successor-in-interest of Platinum Group Metals Corporation (PGMC), the claim owner of the Isabela Nickel Project in Dinapigue, Isabela. In consideration of the termination of the Operating Agreement between Nihao and DMC dated July 13, 2012 over the Isabela Nickel Project, DMC agreed in August 2015 to issue 10,000,000 non-voting, non-redeemable, non-participating shares at a par value of ₱0.01 which have preference in the declaration and payment of dividends (Preferred Shares). Dividends on the Preferred Shares are computed on an annual basis and is equivalent to 20% of mine operating income less income tax and only accumulate if (i) the Isabela Nickel Project is operated and generates income; and (ii) if DMC has sufficient level of unrestricted retained earnings. DMC started its commercial operation in 2022.

In 2018, the Group expanded into power generation with the completion and commencement of operations of a 10-megawatt (MW) diesel power plant which sells power to the Surigao del Norte Electric Cooperative, Inc. (SURNECO) under a Power Supply Agreement (PSA). In 2015, the Group expanded into the renewable power business through equity investments in Emerging Power, Inc. (EPI), whose mission is to engage in power generation exclusively from renewable sources. As of December 31, 2022, EPI has 5 renewable energy service contracts signed with the Department of Energy (DOE): 2 100MW solar service contracts under Jobin-SQM Inc. (JSI), located at the Subic Bay Freeport Zone (SBFZ), 2 geothermal service contracts under Biliran Geothermal Incorporated (BGI), and a geothermal service contract under Mindoro Geothermal Power Corporation (MGPC) in Naujan, Oriental Mindoro. Biliran Holdings Inc. (BHI), who owns 60% of BGI, and MGPC are wholly owned subsidiaries of EPI, while the Company holds an 86.29% equity interest in EPI as of December 31, 2022. On December 20, 2022, BHI sold its 15% interest in BGI.

On March 29, 2021, NAC made a direct investment in JSI through a debt-to-equity swap with EPI, pursuant to which NAC acquired 647,386,140 of EPI's shares in JSI as partial repayment by EPI of its indebtedness to NAC. NAC's direct investment in 38% of JSI enabled JSI to comply with the requirement of the Energy Regulatory Commission (ERC) that at least 15% of its total issued and outstanding common shares must be publicly owned. Under existing regulations, the ownership of a publicly listed company such as NAC of at least 25% of a power generation company's common share shall be deemed as compliance with the public ownership requirement of the ERC for such companies.

On July 1, 2022, EPI entered a joint venture with Shell Overseas Investments B.V. (Shell) to jointly develop, own, operate, and maintain onshore renewable energy projects in the Philippines. EPI and Shell established an investment company, Greenlight Renewables Holdings, Inc. (GRHI), which was incorporated on August 18, 2022. EPI and Shell shall have equity ownership of 60% and 40%, respectively, in GRHI.

In January 2019, JSI received the Certificate of Compliance (COC) from the ERC for Phases 1 and 2 - 32MW of the Solar Project, valid for a period of five years from November 2016 to November 2021 until revoked or suspended. The COC was issued after the authorization granted by the ERC to JSI to develop and own a dedicated point-to-point limited facility to connect the 100MW Solar Project to the Luzon Grid of the National Grid Corporation of the Philippines (NGCP) via a direct connection at NGCP's Subic Substation in December 2018. Pursuant to JSI's COC renewal applications, the ERC extended the Provisional Authority to Operate (PAO) for a period of 1 year or until November 2023 for Phases 1 and 2, and until June 2023 for Phase 3A.

In June 2022, JSI completed the Phase 3B - 38MW of the Solar Project and it applied for a provisional certificate of approval to connect. The PAO for JSI's Phase 3B - 38MW was granted in November 2022 and valid for a period of 1 year or until November 2023.

On May 13, 2022, the Department of Environment and Natural Resources (DENR) granted the request of JSI to increase its capacity, from 150MW to 200MW, and area, from 800 hectares to 815 hectares, located at Mt. Sta. Rita, SBFZ.

In relation to this, the construction of Phase 4A - 72MW of the Solar Project started in November 2022, with target testing and commissioning in November 2023. Phase 4B - 28MW will start after the completion and energization of Phase 4A, which is estimated at around the last quarter of 2023 or the first quarter of 2024.

As at December 31, 2022, Phases 1, 2 and 3 of the Solar Project with total capacity of 100MW are in commercial operations.

With respect to Biliran geothermal project, where 8 wells have been drilled by EPI's 40% partner, Biliran Geothermal Holdings, Inc., fluid management studies have been completed on 1 particular well, with positive results with respect to acid control. In July 2021, BGI and Symba Renewable Energy EHF (SRE) signed a Project Funding, Build and Transfer Agreement for SRE to (i) finance, design, construct, install and transfer to BGI a geothermal powerplant in phases, using the existing geothermal wells and (ii) finance, design, construct, rehabilitate and upgrade the existing 13.2kV distribution lines of Biliran Electric Cooperative, Inc. for the purpose of evacuating power from the geothermal facility to the grid. BGI has continued to conduct activities for maintenance of the existing wells and secure the necessary permits and licenses related to the project.

In 2017, BGI successfully split its existing Geothermal Renewable Energy Service Contract (GRESC) into 2. The previous GRESC almost covered the entire island province of Biliran, but in the new setup it delineates the southern portion as Biliran 1 and the northern portion as Biliran 2. Biliran 1 covers the existing developed infrastructure (i.e., 4 well pads, 8 standard deep wells, roads, etc.) and has a Probability-90 Assessment that confirms a 100MW capacity. Biliran 2 is the yet-to-be-developed area save for surface studies and a Probability-50 Assessment of some 170MW capacity. This delineation allows BGI to focus on the more immediately executable Biliran 1 and gives BGI more time to develop Biliran 2. Biliran 1 continued its facility maintenance while making plans for a phased power generation development.

In the Mindoro project, 2 geothermal wells drilled in 2016 were found to have temperatures in the range of 140-165°C. MGPC considered various options on how to proceed with the development of the project including drilling the northern portion of the geothermal field. The northern portion of MGPC's exclusive service contract area has undergone a more detailed assessment by GeothermEx - a leading American geothermal advisory firm in 2017. They have also confirmed that the existing wells in the southern portion can net out at least 3.5MW of power. EPI has been in discussions with groups familiar with geothermal investments to strategize how to further minimize drilling risk. With a strategic partner, MGPC is preparing a development plan guided in general by the GeothermEx report and other technical analyses.

In 2020, MGPC decided to conduct an assessment of the best technique to flow the 2 geothermal wells. As part of the well testing program submitted by MGPC to DOE, downhole measurements will be conducted to confirm the temperature and the suitability of the wells for flow testing. Thereafter, MGPC will implement the flow test to update the resource assessment and plan the development drilling. In 2021, MGPC entered into a Memorandum of Agreement (MOA) with SRE on the conduct of flow test and resource assessment to demonstrate the commercial viability of the drilled production wells in the Montelago Geothermal Field. Should the flow test be successful based on MGPC engineer's assessment and overall viability of the project, SRE intends to participate as financial and technical partner of MGPC for the development of the modular geothermal power plant system. The flow testing is expected to commence in the second quarter of 2023, and if successful, the first modular plant will be installed with a target power generation and operation of 2MW in the first quarter of 2024.

With its foray into the area of renewable energy, the Group is slowly becoming a group more focused on harnessing the potential of its natural resources to benefit the communities where the Group operates and the country in general.

Fundamental to the way the Group does business as a responsible corporate citizen is its commitment to operate in a sustainable manner, protecting the environment, nurturing active communities and ensuring the safety and well-being of everyone involved in its operations. For this, the Group has been consistently recognized by the Government, the industry and by other award-giving bodies.

As an evolving natural resources company, the Group is committed to responsible mining and to the highest standards in everything that it does.

B. CORPORATE OBJECTIVE

The Group strives to contribute to sustainable national development by adopting its Environmental, Social, and Governance (ESG) Roadmap in order to achieve the highest standards in the responsible utilization of the country's natural resources. At the same time, the Group takes its responsibilities toward safety, environmental protection, community relations and development seriously. The Group believes that sustainable development is the only way forward for any mining operation and it exerts great effort to live by its principles. The Group is committed to responsible mining and to running every facet of its operations in a world-class manner.

The Group is also committed to provide the present and future generations a better life with clean and renewable energy which is cost effective, reliable, sustainable, and environmentally friendly.

C. PRODUCT MIX

The Group produces 2 types of nickel ore, namely saprolite and limonite. Saprolite ore is nickel ore with iron content of less than 20% and limonite ore is nickel ore with iron content of 20% or higher.

The Group ships out saprolite ore with a nickel content of between 1.3% to 1.5%. Most of the Group's saprolite ore are sold to Chinese clients that use the material as feed for electric furnaces to produce high and medium-grade NPI. A portion of the saprolite ore is also sold to PAMCO in Japan, which uses the material as feed for its ferronickel smelters.

The Group sells 2 types of limonite ore: high-iron and low-grade. High iron limonite ore has a nickel content of less than 1% and an iron content of 48% to 50%. Low-grade limonite ore has a nickel content of 1% to 1.2% and an iron content of at least 30%.

The Group's high-iron limonite ore are sold to Chinese customers who use the material as feed for blast furnaces to produce low-grade NPI. Finally, low-grade limonite ore is utilized as feed for the Taganito and Coral Bay HPAL facilities. The Group expects the continuous demand for electric vehicles (EV) to result in an increase in dtemand for the Group's products since the ores produced by the Group are processed into nickel sulfide, which is an important component for EV batteries.

D. SUBSIDIARIES

The Parent Company and its subsidiaries were separately incorporated and registered with the SEC. Below are the Parent Company's ownership interests in its subsidiaries:

	Effective Ownership	
	2022	2021
Subsidiaries		
Hinatuan Mining Corporation	**100.00%**	100.00%
Cagdianao Mining Corporation	**100.00%**	100.00%
Dinapigue Mining Corporation	**100.00%**	100.00%
Samar Nickel Mining Resources Corporation (SNMRC)	**100.00%**	100.00%
CDTN Services Company Inc. (CDTN)	**100.00%**	100.00%
Coral Pearl Developments Limited (CPDL)	**100.00%**	100.00%
La Costa Shipping and Lighterage Corporation (LCSLC) [a]	**100.00%**	100.00%
Falck Exp Inc. (FEI) [b]	**88.00%**	88.00%
Emerging Power, Inc.	**86.29%**	86.29%
Mindoro Geothermal Power Corporation [c]	**86.29%**	86.29%
Biliran Holdings Inc. [c]	**86.29%**	86.29%
Northern Palawan Power Generation Corporation (NPPGC) [c]	**86.29%**	86.29%
Jobin-SQM Inc. [c, d]	**82.87%**	82.87%
Cordillera Exploration Co., Inc.	**71.25%**	71.25%
Newminco Pacific Mining Corporation [e]	**71.25%**	71.25%
Taganito Mining Corporation	**65.00%**	65.00%
Rio Tuba Nickel Mining Corporation	**60.00%**	60.00%
Greenlight Renewables Holdings, Inc. [c,f]	**51.77%**	–
Biliran Geothermal Incorporated [c,g]	**–**	51.77%

(a) Indirect ownership through HMC
(b) Indirect ownership through HMC, CMC and TMC
(c) Indirect ownership through EPI
(d) Direct ownership of 38% and indirect ownership through EPI of 44.87%
(e) Indirect ownership through CExCI
(f) Incorporated on August 18, 2022; a joint venture of EPI and Shell
(g) Partially disposed on December 20, 2022

Hinatuan Mining Corporation

HMC was incorporated on October 9, 1979. NAC owns 100% of HMC, which owns and operates the Tagana-an mine. HMC's authority to mine the Tagana-an mine derives from an Mineral Production Sharing Agreement (MPSA) No. 246-2007-XII-SMR approved in 2007, which replaced 3 mining lease contracts that ran for 25 years from 1980. The MPSA area covers 774 hectares and will expire in 2032. HMC has been mining in Tagana-an since 1980. HMC is also the claim owner of the Manicani property in Manicani Island, Eastern Samar.

Cagdianao Mining Corporation

CMC was incorporated on July 25, 1997. NAC owns 100% of CMC, which operates the Cagdianao mine. The authority to mine the area of the Cagdianao mine derives from an MPSA issued to East Coast Mineral Resources Co., Inc. (East Coast) in 1997. The MPSA No. 078-97-XIII-SMR covers an area of 697 hectares in Valencia, Cagdianao, Province of Dinagat Islands and expires on November 19, 2022. In 1998, CMC signed a Mine Operating Agreement with East Coast which was renewed in 2007 and expires in 2022. The Operating Agreement entitles CMC to mine the MPSA area in return for the payment of royalties to East Coast. The Operating Agreement was amended by the parties and provided for an automatic renewal of such agreement until 2047.

The MPSA of East Coast was renewed on March 2, 2022 for another 25 years from expiration of the first 25-year term on November 19, 2022. CMC was also granted 8 foreshore lease agreements covering the area where the port facility is located, 7 of which will expire in 2037 and 1 will expire in 2036.

CMC started development works at the Cagdianao mine site in 1997 and commenced mining operations in 2001.

Dinapigue Mining Corporation

DMC was incorporated on October 9, 1998, and is primarily engaged in the exploration, exploitation and mining of metallic and non-metallic minerals, including, but not limited to, nickel, iron, cobalt, chromite and other associated mineral deposits in Dinapigue, Isabela. DMC, which mines the mineral property within the area subject of MPSA No. 258-2007-II, was acquired by the Parent Company in August 2015. DMC started its commercial operation in 2022.

Samar Nickel Mining Resources Corporation

SNMRC was incorporated on March 11, 2010, and is primarily engaged in the exploration, mining and exporting of mineral ores. SNMRC has not yet started commercial operations.

CDTN Services Company Inc.

CDTN was incorporated on December 21, 2020 to engage in general engineering construction. It is also engaged in the handling of materials in connection with construction or manufacturing, warehousing, distribution or disposal activities, or other similar activities.

Coral Pearl Developments Limited

CPDL was incorporated on June 18, 2019 in the British Virgin Islands (BVI) under the BVI Business Companies Act 2004, and is primarily engaged in the leasing of aircraft.

La Costa Shipping and Lighterage Corporation

LCSLC was incorporated on October 23, 1992, and is primarily engaged in the chartering out of Landing Craft Transport (LCT) and providing complete marine services. LCSLC was acquired by HMC in April 2010. In May 2014, LCSLC sold all of its LCTs to HMC.

Falck Exp Inc.

FEI was incorporated on November 22, 2005, and is primarily engaged in the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic. FEI is currently undergoing dissolution and waiting for SEC approval.

Emerging Power Inc.

EPI was incorporated on October 16, 2007, and is primarily engaged in the renewable energy business. EPI was acquired by the Parent Company by way of loan conversion into equity in July 2015. EPI is the holder of GRESC No. 2010-02-013. On February 16, 2016, the DOE approved EPI's application to assign its rights and obligations under the GRESC to MGPC under Certificate of Registration No. 2016-02-060.

Mindoro Geothermal Power Corporation

MGPC was incorporated on May 7, 2014, and is primarily engaged in the renewable energy business. MGPC project is estimated to supply 40MW of power over 25 years. MGPC is now the holder of GRESC No. 2010-02-013 upon the approval of application made by EPI to assign its rights and obligation under the GRESC to MGPC, as discussed in the previous paragraph.

Biliran Holdings Inc.

BHI was incorporated on July 31, 2015, and is primarily engaged in investing in and holding of assets of every kind and description, as and to the extent permitted by law. It is also registered, within the limits prescribed by law, to engage in the business of infrastructure, power generation, real estate, manufacturing, trading and agribusiness and to pay other evidence of indebtedness or securities of this or any other corporation.

Northern Palawan Power Generation Corporation

NPPGC was registered with the SEC on July 5, 2017 and is primarily engaged in the renewable energy business and in producing and generating electricity and processing fuels alternative for power generation.

Jobin-SQM Inc.

JSI was incorporated on January 6, 2010, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users. JSI is the holder of Solar Energy Service Contract (SESC) No. 2013-10-039 and Solar Energy Operating Contract (SEOC) No. 2021-01-577 which covers an area in the municipalities of Morong and Hermosa, Bataan. JSI was acquired by EPI in September 2015 and commenced operations in May 2016.

Cordillera Exploration Co., Inc.

CExCI was incorporated on October 19, 1994 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources. CExCI has a number of mining properties at various stages of exploration. It is currently not engaged in any development or commercial production activities.

Newminco Pacific Mining Corporation

Newminco was incorporated on October 9, 2006 and is primarily engaged in the exploration, mining, development, utilization, extraction, beneficiation and marketing of minerals and mineral resources. Newminco was acquired by CExCI in December 2015. It is currently not engaged in any development or commercial production activities.

Taganito Mining Corporation

TMC was incorporated on March 4, 1987, and is primarily engaged in the mining and exporting of nickel saprolite and limonite ore, and exploration activities. The first commercial shipment from the Taganito mine was made in 1989. TMC also provides services to THNC which involves the handling, hauling and transportation of materials required in the processing operations of THNC. TMC's mining authority derives from an MPSA No. 266-2008-XIII-SMR (Amended) executed in 2009, which replaced an Operating Contract entered into with the Government in 1989. The MPSA covers an area of 4,863 hectares located in the Municipality of Claver, Province of Surigao del Norte. The MPSA is valid for 25 years from the date of approval thereof or until 2034.

Rio Tuba Nickel Mining Corporation

RTN was incorporated on July 15, 1969 to develop the nickel ore deposits discovered at the Rio Tuba mine site in 1967. It was granted rights over the Rio Tuba property in 1970 and commenced mining in 1975. RTN made its first commercial shipment in 1977. RTN's mining authority at Rio Tuba derives from an MPSA No. 114-98-IV Amended initially covering an area of 990 hectares for the first 25-year term. The MPSA was then amended on October 28, 2019, to include an area covered by a separate MPSA application, thereby increasing the area to an aggregate of 4,538 hectares. On December 2, 2021, the MPSA renewal application of Rio Tuba was approved by the MGB and a fresh 25-year MPSA term, commencing on October 8, 2021, was granted subject to the issuance by the National Commission for Indigenous Peoples (NCIP) of a Certification Precondition.

Greenlight Renewables Holdings, Inc.

GRHI was incorporated on August 18, 2022, and is primarily engaged in investing in and holding of assets of every kind and description, as and to the extent permitted by law. GRHI is the joint venture of EPI and Shell.

Biliran Geothermal Incorporated

BGI was incorporated on October 31, 2007. The principal activities of BGI are to explore, exploit, discover, develop, extract, dig and drill for, produce, utilize, refine, treat, process, transport, store, market, sell, use, supply, experiment with, distribute, manufacture, or otherwise deal in, any substance, minerals or otherwise, which by itself or in contribution with other substances generate or emanate heat or power and to enter into and perform service contracts including geothermal services. BGI was acquired by BHI in December 2015. In 2014, BGI received the Confirmation of Commerciality for the Biliran Geothermal Project from the Philippine Government through the DOE.

BGI is a holder of GRESC No. 2010-02-010, covering the geothermal field in Biliran Province, and GRESC No. 2017-03-056 which covers an area in the municipalities of Kawayan, Almeria, Culaba and Naval in Biliran.

On December 20, 2022, BHI sold its 15% interest in BGI.

E. RECENT DEVELOPMENTS

- The EP of the property acquired by CExCI through Deed of Assignment from Marian and Olympus in April 2019 was approved in December 2022.

- On October 3, 2022, the Company purchased additional common shares of CBNC from SMM for a total consideration of US$25.9 million, equivalent to ₱1,530.3 million. The acquisition by the Parent Company of the additional CBNC shares increased its equity ownership from 10% to 15.62%.

- The second renewal of the Newminco property in San Narciso, Zambales denominated as EP-001-2015-III was approved in September 2022.

- On July 1, 2022, EPI and Shell, a corporation registered in the Netherlands, entered into a joint venture agreement to develop, own, operate, and maintain onshore renewables projects in the Philippines. In August 2022, GRHI, the joint venture of EPI and Shell, was incorporated.

- In June 2022, JSI completed the Phase 3B - 38MW of the Solar Project and it applied for a provisional certificate of approval to connect. The PAO for JSI's Phase 3B - 38MW was granted in November 2022 and valid for a period of 1 year or until November 2023.

- On May 13, 2022, the DENR granted the request of JSI to increase its capacity, from 150MW to 200MW, and area, from 800 hectares to 815 hectares, located at Mt. Sta. Rita, SBFZ. In relation to this, the construction of Phase 4A - 72MW of the Solar Project started in November 2022, with target testing and commissioning in November 2023.

- DMC started its commercial operation with its first ore delivery to CBNC in May 2022.

- In March 2022, the DENR extended the MPSA between the Government and CMC for another 25 years.

- In March 2022, the DENR extended the MPSA between the Government and HMC for 15 years and lifted the suspension of HMC's operations in Manicani Island, Guiuan, Eastern Samar.

F. OUR STRATEGY

NAC's ESG Roadmap embraces the 3 pillars of the global effort to achieve sustainability, and impacts everything that NAC does. Under the Environment pillar, NAC is committed to achieve carbon sink status, contribute positively to biodiversity and attain net positive water impact in its operations. For the Social pillar, NAC puts a premium on the good health and well-being of its employees, equal opportunity at all levels and across all backgrounds, and fostering sustainable communities. For the Governance pillar, it practices inclusive leadership and management, a strong organizational culture, and a robust and comprehensive risk management system.

Inspired by its ESG Roadmap, NAC's Vision is anchored on 3 focus areas: Results, Resources and Relationships. For Result (Profit), NAC aims to deliver on its promises to its shareholders through efficiency and effectiveness. For Resources (People and Product), NAC will manage its resource utilization while exploring to expand its business, relying on its people who always strive to be the best in their respective fields. For Relationships (Process and Planet), it will work seamlessly as a company as it maintains a healthy collaborative partnership with its stakeholders to protect its social license to operate.

G. KEY STRENGTH

The Group believes in its key strength, which is*:*

Established leading producer of lateritic nickel ore in the Philippines and worldwide
The Group is the largest nickel mining company in the Philippines. The Group's saprolite ore is sold to Chinese and Japanese customers, which use the material as feed for electric furnaces to produce high and middle grade NPI. The Group's limonite ore is sold mainly for use as feed for the Coral Bay HPAL hydrometallurgical nickel processing plant and the Taganito HPAL hydrometallurgical nickel processing plant. The Group has substantial nickel reserves and resources which are complemented by its long history of mining lateritic nickel ore and of acquiring, developing and operating multi-mine facilities. The Group commenced its first mine, Rio Tuba, in 1977 and it has since expanded to 5 operating mines and several nickel development and exploration properties in the pipeline.

The Philippines is a resilient economy and supportive of mining and clean energy policies
The Philippine economy is one of the most dynamic economies in Southeast Asia. The country achieved an average gross domestic product (GDP) growth of 6.6% from 2012 to 2019, but saw disruption brought about by the unprecedented the Corona Virus Disease (COVID-19) pandemic in 2020, resulting in a 9.5% GDP contraction that year. However, because of the country's strong economic fundamentals, the Philippine economy recovered to a 5.7% GDP growth rate for 2021 and registered a GDP growth rate of 7.6% for 2022, primarily due to the reopening of offices and establishments despite the Omicron variant-induced COVID-19 cases surge in January 2022. The Government recently announced a specific target of sustaining an annual GDP growth rate of between 6.5% and 8.0% by 2028. According to the World Bank, key economic drivers of the Philippine economy include solid fundamentals, a competitive workforce, a stable job market, steady remittances and investment in construction and infrastructure. The Bangko Sentral ng Pilipinas has also recognized the risks posed by a weakening Philippine Peso on the country's inflation rate, both directly via imported inflation and via inflation expectation, especially in the food and energy sectors.

The Philippines has been recovering from its initial impact. In 2021, the country's economic recovery was boosted by the Government's policy reforms led by the Bayanihan to Heal as One Act (Republic Act (RA) No. 11469), Bayanihan to Recover as One Act (RA No. 11494), and other expansionary fiscal programs.

Particularly with respect to mining, the Government has also signaled its interest in laying down supportive policies that would enable the private sector to maintain long-term stable investment.

In addition, the Government issued its Philippine Energy Plan (2020-2040) which reaffirms the country's commitment to renewable energy and illustrates the growth potential within the sector. Under the Government's "Clean Energy Scenario", the country's total renewable energy installed capacity is expected to increase to 81.5 gigawatts (GW) by 2040, of which solar energy is expected to contribute 46.1GW, while wind energy is forecasted to contribute up to 11.8GW.

While the Renewable Energy Act of 2008 served as an anchor as the Philippines' transition to clean energy, in 2020 the Government issued and communicated several policies that accelerated the Philippines' pivot to clean energy such as a coal moratorium, a green energy tariff and auction program, the green energy option and the start of compliance with renewable portfolio standards, which targets to increase the contribution of renewable energy generation to total energy generation in the Philippines to 35% by the end of 2030 from 2.01% as of year-end 2020. These policies aid renewable energy developers and generators in mitigating market exposure and risks related to renewable projects.

Profitable and stable mining business, underpinned by strategic project selection, operational efficiency and competitive cost structure
The Group has maintained a stable nickel ore output of 16 to 18 million wet metric tonnes (WMT) per annum over the last 3 years. To continuously augment its reserves in the medium term, the Group's Dinapigue mine entered the production stage in 2022, while its Manicani mines resumed its operations after the MGB issued a Notice of Issuance of an Order entitled "In re: Extension of the term and lifting of the suspension of the mining operations under MPSA No. 012-92-VIII granted to HMC" and development

of Bulanjao mines is expected to commence in 2023. The foregoing, combined with low-cost surface mining methods, operational efficiencies and substantial resources and reserves, has led to stable revenue generation and a deep economic moat for the Group's mining business.

Well-positioned to capitalize on structurally favorable supply/demand dynamics underpinning the nickel market

The Group's mining operations produce lateritic nickel ore (further categorized into saprolite and limonite ore) which are mainly exported to Japan and China for processing into ferronickel and NPI, respectively. As of December 31, 2022, the Group is the largest producer of lateritic nickel ore in the Philippines and one of the largest in the world.

In addition to exporting lateritic nickel ore, the Group participates in the global supply chain for EV battery components. RTN and TMC supply low grade limonite ore to the Philippines' only nickel processing plants, Coral Bay HPAL facility and the Taganito HPAL facility which are owned by CBNC and THPAL, respectively, and whose customers include electronics conglomerate Panasonic, a main supplier of EV batteries to Tesla. Both the Coral Bay HPAL facility and the Taganito HPAL facility are hydrometallurgical processing plants with capacity to produce nickel and cobalt, materials used in solar cells, super capacitors, and electrode materials.

ESG is in the Group's DNA

ESG has been embedded in the Group's corporate culture since its founding 50 years ago. The Group takes pride that long before the term ESG was coined, the Group was already practicing many of the values that are now fundamental in the global march towards ESG - from environmental stewardship to professional labor relations and corporate governance practices that meet and exceed the requirements of applicable law. The Group operates according to its Sustainability Framework to drive significant and meaningful impact for its stakeholders. Its Sustainability Framework is focused on the 5 pillars of Good Governance, Employee Welfare, Safe Workplace, Environmental Protection, and Community Empowerment, which is aligned with the United Nations Sustainable Development Goals (UN SDG).

After the adoption in November 2021 of its new corporate Vision, which is to contribute to sustainable national development by adopting an ESG Roadmap to achieve the highest standards in the responsible utilization of the Philippines' natural resources, the Group's senior management jointly mapped out commitments for the year 2025 under each of the 3 pillars of ESG. It began to establish baselines for these commitments, with the aim of presenting to the Board of Directors (BOD or Board) a clear picture of where the whole organization is and what investments need to be made to achieve the Vision. The Group also intends to pursue a renewable energy portfolio in line with its goals of becoming the premier ESG investment in the Philippines and to be among the Top 25 Philippine Stock Exchange (PSE)-listed companies in terms of market capitalization.

The Group's operating mines have consistently merited the necessary International Organization for Standardization (ISO) certifications as required under Philippine law. It also complies with the Towards Sustainable Mining standards of the Chamber of Mines of the Philippines, adapted from the standards of the Canadian mining association. Its 4 older operating mines (Rio Tuba, Taganito, Cagdianao and Hinatuan) have won multiple times at the Presidential Mineral Industry Environment Awards, the highest award given by the Philippine Government annually in recognition of best practices in the mining industry. These awards were established under a Presidential Executive Order (EO) issued in 1997, pursuant to which all mines and exploration companies must undergo an evaluation process by a selection committee headed by the Secretary of the DENR.

The Group's labor relations are not only compliant with Philippine labor laws but have received official recognition from the Department of Labor and Employment (DOLE) many times as examples of best practices.

The Group's approach to ESG. Under the first pillar, Environment, the Group is committed to be part of the global effort to achieve sustainability through achieving net zero carbon, a net positive biodiversity impact and a net positive water impact.

Under the Social pillar, the Group is committed to ensuring the good health and well-being of its employees, to providing equal opportunity at all levels and across all backgrounds, and to establishing sustainable communities after mine conversion. Mine conversion itself is an NAC-inspired progression from the mine closure concept of post-mining rehabilitation and the turn-over of a mined-out area back to the Government. Under mine conversion, the Group explores new options of land use, thereby helping mining area communities transition to new sources of sustainable livelihood.

Finally, under the Governance pillar, the Group has chosen to commit to inclusive leadership and management, to establish a strong organizational culture and to institute a robust and comprehensive risk management system.

Aligned with the UN SDGs. The Group's environment, social, and governance initiatives work in consonance with its overall objective to support the UN SDGs. Focused on 5 key pillars to drive significant and meaningful impact for its stakeholders, NAC's Sustainability Framework effectively aligns its various efforts towards the world's shared goal of enabling long-term positive change.

- *Good Governance (UNSDG 8, 17)*
  The Group strives to act as a responsible corporate citizen and lend its expertise to help engage the public in constructive dialogue and informed debate on issues of importance to it as a company, the mining industry, and the communities it operates.

- *Welfare of Its Employees (UNSDG 4, 5, 8, 10)*
  Each of the Group's employees is respected and valued and the Group fully observes human rights, occupational safety and non-discrimination in the workplace. The Group does its utmost to develop employee potential, compensate fairly and commensurately to performance and provide growth opportunities.

- *Safe Workplace (UNSDG 3, 8)*
  The Group promotes a strong culture of safety embedded in operational excellence and robust risk management. The Group approaches safety with a multi-level focus to empower its personnel to embrace the value of accident prevention and control loss by constantly engaging them in a series of safety-related training and simulations, among others.

- *Protecting the Environment (UNSDG 6, 7, 12, 13, 14, 15)*
  The Group acknowledges its responsibility to protect, reclaim and enhance the environment in which it operates through able management and steadfast environmental stewardship. It addresses environmental impacts through their respective Environmental Protection and Enhancement Program (EPEP).

- *Empowering Communities (UNSDG 1, 2, 3, 4, 8, 9, 10, 11)*

Through the Group's Social Development and Management Program (SDMP), which are mandated social expenditures, and Corporate Social Responsibility (CSR) programs, which are voluntary and go beyond SDMP requirements, it aims to empower its shared communities. These projects are done at all its mine sites and in collaboration and with the support of Local Government Units (LGUs) and organizations. Each SDMP is made in consultation with stakeholders in consideration of the important social, cultural, environmental, and economic factors affecting them.

Relations with communities and regulators are top of mind

The Group works with the mining industry, its host and nearby communities, and government agencies and regulators, toward building resilient and sustainable communities. Over the years, the Group spent on SDMP and CSR programs spanning across indigenous people's rights, education, livelihood, and health, among others.

The Group keeps open the lines of communication with the regulators as this is critical in maintaining a business-friendly environment. The Group has a dedicated team formed by its officers responsible for liaising with key regulatory agencies on a regular basis. One benefit of this regular engagement is that any potential issues are flagged and addressed early, which is important in risk management for any operation, especially in the natural resource development sphere.

As a point of principle, the Group respects and follows all pertinent rules and requirements for responsible mining operations, making sure it is resolutely environmentally compliant. The Group regularly reports its activities through disclosures to the PSE and the Philippine SEC through its Annual and Sustainability Reports, and it adheres to the policies and laws prescribed by the DENR and the attached agencies. The Group has a dedicated team that constantly monitors compliance with environmental laws and regulations, and over the years, it has gained the reputation of being the beacon for responsible and sustainable mining in the Philippines.

Growing renewable energy business provides opportunity to diversify revenue streams and capture substantive investment opportunity in Philippines renewable energy market

The Group, through its subsidiary EPI, is an early mover in utility-scale solar in the Philippines. Leveraging on EPI's solid track record in project development, investment, execution, and management in heavily regulated and socially impactful industries in the Philippines, the Group believes it is well-positioned to tackle a large and profitable renewable energy market.

The dual growth strategy in mining and clean energy supports the Group's twin goals to grow its income and diversify the Group's operations. Further, the pivot to renewable energy is an essential element of the Group's ESG strategy and is complementary to the government's goals of achieving energy self-sufficiency and reducing greenhouse gases (GHG) emissions.

Long-standing strategic relationships with key industry players, underpinned by time-tested supply agreements and customer contracts

The Group has cultivated long-term strategic relationships with key industry players in Japan and China, with a large proportion of its sales volumes covered by sales agreements and/or long-term contracts. In 2022, its total ore exports to China and Japan are approximately 49% and 2%, respectively, with the remaining 49% being domestic sales to HPAL facilities. Two of its key shareholders, SMM and PAMCO, are also its major customers.

The Group began selling nickel ore to the China market in 2005 through several trading companies. It has subsequently rationalized its selling efforts, concentrating on developing strong and mutually beneficial relationships with 2 key Chinese sales agents, namely Big Wave Resources Co., Limited (Big Wave) and Ningbo Lygend Wisdom Co. Ltd. With a wide network of customers, these sales agents distribute the Group's nickel ore to the largest NPI companies in China. The Group believes that its Chinese customers particularly value it as a credible supplier because of its reliability and expertise, backed by considerable years of continuous operations that enables it to continuously meet their ore grade requirements in a timely manner. Over the years, the Group has been able to maintain a good reputation with its customers regardless of the sales agents it uses.

TBEA International Engineering Co., Ltd. (TBEA), an international service provider of system solutions for the global energy industry, is a 10%- shareholder in EPI's solar energy subsidiary, JSI. TBEA is part of one of the largest and most successful fully integrated power conglomerates in China that manufacture and install power and transmission assets and invest in and operate power plants. TBEA is also one of the top 3 suppliers of silica to tier 1 solar panel manufacturers in China. Under turnkey Engineering, Procurement and Construction (EPC) contracts, TBEA managed 2 recent builds for JSI in the SBFZ.

Strong balance sheet and prudent financial management support future growth expansion

The Group has built up a strong balance sheet and a disciplined capital expenditure program with access to various funding sources. Its current primary sources of funding include retained earnings and bank loans. Its total debt, including short-term debt, long-term debt, fixed payment obligations such as lease liabilities and pension payments to total assets has remained low from 2019 to 2022.

The Group implements prudent financial policies and a sound internal control system covering capital management, investment management, risk management and debt management systems, each of which can be further illustrated from the following aspects:

- For capital management, it has sufficient cash flow and liquidity and adopted a centralized capital management system to coordinate its overall financing needs and to prudently optimize financing costs. It also boosted capital utilization efficiency;
- For investment management, it has established a set of internal standards in terms of investment review and management procedures. In deciding on an investment project, it considers its investment return, resource acquisition, consolidation and coordination with current businesses, ESG considerations and risk control;
- For risk management, it puts in place a sound risk management and internal control system and a prudent decision-making mechanism for matters with significant risks; and
- For debt management, it has a healthy level of indebtedness alongside business expansion.

Reputable and experienced board and management team

Given the Group's long operating history, it has developed a board and management team with many years of experience in every aspect of its operations, including experienced mining engineers, geologists and key mechanics who have been exposed to other types of mining operations, such as complex gold and copper operations.

H. PERCENTAGES OF REVENUES FOR 3 YEARS

The following table summarizes percentages of the Group's revenues by year and region for the past three fiscal years:

	Japan			China			Philippines (CBNC and THNC)			Total		
Year	**A**	**B**	**Total**	**A**	**B**	**Total**	**A**	**B**	**Total**	**A**	**B**	**Total**
2022	3%	-	3%	63%	3%	66%	-	31%	31%	66%	34%	100%
2021	8%	-	8%	69%	6%	75%	-	17%	17%	77%	23%	100%
2020	4%	-	4%	75%	4%	79%	-	17%	17%	79%	21%	100%

A - Saprolite
B - Limonite

I. SOURCES OF RAW MATERIALS AND SUPPLIES

The main supplies that the Group requires to operate its business include diesel fuel, tires and spare parts for its mining equipment. The Group buys diesel and aviation fuel and lubricants from Petron Corporation (Petron) and/or Phoenix Petroleum Philippines, Inc. (Phoenix) and heavy mining equipment, such as trucks and excavators, from 4 manufacturers, namely, Volvo, Isuzu, Caterpillar and Komatsu, through their Philippine distributors. In addition, the Group leases LCTs for use at its mine sites during the shipping season. The Group believes that there are a number of alternative suppliers for all of its requirements.

The Group's existing supply contract with Petron and/or Phoenix provides that they will supply the entire actual requirement of the operating companies of the group for diesel and lubricants of highest quality and based on the typical properties agreed in the contract.

NAC's subsidiary, JSI, harnesses the sun for its solar energy power generation. For its operations and maintenance, JSI buys spare parts from local and imported manufacturers and buys fuel from a gas station inside SBFZ for its vehicles and standby genset.

J. GOVERNMENT REGULATIONS AND APPROVALS

In the Group's mining operations, it is guided by clear and stringent parameters set forth by the country's national and local laws accordingly implemented by national, regional and local agencies, namely: the DENR, the MGB, the Environment Management Bureau (EMB), the Protected Areas and Wildlife Bureau, and the LGUs.

The more significant regulations affecting our operations include the following:

RA No. 7942 (Philippine Mining Act of 1995)

- Section 57 - requires the mining contractor to assist in the development of its mining community, promote the general welfare of the community's inhabitants, and the development of science and mining technology; Section 136 of the Implementing Rules and Regulations of RA No. 7942 requires mining contractors to prepare and implement a 5-year SDMP in consultation and in partnership with the mining contractor's host and neighboring communities
- Section 63 - requires strict compliance with all mines safety rules and regulations that may be promulgated by the DENR Secretary concerning the safe and sanitary upkeep of mining operations and achievement of waste-free and efficient mine development
- Section 69 - requires an annual EPEP for the rehabilitation, regeneration, revegetation, and reforestation of mineralized areas, slope stabilization of mined-out areas, aquaculture, watershed development and water conservation, and socioeconomic development
- Section 71 - requires mine rehabilitation for mined-out areas to the condition of environmental safety, and the creation of a Mine Rehabilitation Fund

Consolidated DENR Administrative Order (CDAO) 2010-21 (CDAO for Implementing Rules and Regulation of RA No. 7942)

- Section 171 - requires an Annual EPEP (based on the approved EPEP)
- Section 173 - requires the organization of a Mine Environmental Protection and Enhancement Officer to be incorporated into the organization structure
- Section 185 - deputizes the Multipartite Monitoring Team to serve as monitoring arm, with the team composed of representatives from DENR Regional Office, Department Regional Office, EMB Regional Office, Contractor/Permit Holder, affected community/ies, affected Indigenous Cultural Community/ies and environmental non-governmental organization (NGO)
- Section 187 - requires a Final Mine Rehabilitation/Decommissioning Plan, including financial requirements up to post-decommissioning

EO No. 26 (National Greening Program) - mandatory reforestation activities outside of mining contract/permit/lease/tenement areas

RA 9003 (Ecological Solid Waste Management Program) - requires waste segregation, promotes recycling, and sets guidelines for Materials Recovery Facility

RA 6969 and DAO 2013-22 - guidelines on proper handling and monitoring of toxic and hazardous waste material

RA 8749 (Philippine Clean Air Act of 1999) - framework for air quality management program

RA 9275 (Philippine Clean Water Act of 2004) - framework for comprehensive water quality management

RA 9371 (Indigenous Peoples' Rights Act) - recognition, protection and promotion of the rights of the Indigenous Cultural Communities (ICC)/Indigenous Peoples (IP)

RA 9729 (Climate Change Act of 2009) - comprehensive framework for systematically integrating the concept of climate change, in synergy with disaster risk reduction, in various phases of policy formulation, development plans, poverty reduction strategies and other development tools and techniques

DAO 2004-52 - Tree cutting permit

DAO 2015-07 - mandating Mining Contractors to Secure ISO 14001 Certification
Pursuant to the Administrative Order, NAC's operating subsidiaries, TMC, RTN, CMC, and HMC, underwent a yearlong process to identify all environmental impacts, address such impacts, document an Environmental Management Systems (EMS) that complies with the standards, and cascade down the EMS to all employees for their full appreciation and compliance. Following 2 audits conducted by the certifying body, TÜV Rheinland, the operating subsidiaries all received their ISO 14001 Certification in 2016.

DAO 2016-1 - prescribing for an audit of metallic mining companies by the DENR
All of the Group's mining companies also abide by commitments stipulated in their Environmental Compliance Certificate (ECC) and specified in their approved Contractor's Plan of Mining Operation.

DAO 2018-20 - prescribes Guidelines for Additional Environmental Measures for Operating Surface Metallic Mines, provides for the limits of maximum disturbed areas for nickel mines depending on the scale of their mining operations. For mines which produce 9 million WMT per year, the maximum disturbed area shall be 100 hectares. For nickel mining projects with a processing plant or with long-term supply agreements for a processing plant, the maximum disturbed area for extraction shall be 162 hectares or 2 meridional blocks. This DAO requires that temporary revegetation be immediately implemented on the disturbed areas. The Group is compliant with the maximum limits prescribed in this DAO.

Presidential Decree (PD) 1586 - establishing an Environmental Impact Statement (EIS) System including other environmental management related measures and for other purposes

DAO 2003-30 - prescribes guidelines for Implementing Rules and Regulations for the Philippine EIS System consistent with the principles of sustainable development, it is the policy of the DENR to implement a systems-oriented and integrated approach to the EIS system to ensure rational balance between socio-economic development and environmental protection for the benefit of present and future generations.

Electric Power Industry Reform Act (EPIRA)
This EPIRA of 2001 brought about the "Unbundling of the System". Whereas previously, all aspects of the power industry were owned by the Philippine government under the National Power Corporation (NPC), the EPIRA brought about privatization of the generation, transmission, and distribution of electricity. NPC's mandate was significantly reduced to providing electricity to more difficult to reach and off-grid areas of the country.

- The EPIRA sought to bring about:
  - Competitive Generation
  - Regulated Transmission and Distribution
  - Competitive Retail Electricity Providers
- The EPIRA established the Wholesale Electricity Spot Market (WESM), unbundled the electricity tariff for greater transparency, and seeks to provide open access to transmission and distribution lines for all industry players.
- The EPIRA created the ERC as a purely independent regulatory body performing the combined quasi-judicial, quasi-legislative and administrative functions in the power industry. ERC is tasked to promote competition, encourage market development, ensure customer choice and penalize abuse of market power in the power industry. In addition to its traditional rate and service regulation functions, ERC focuses on consumer education and protection, and promotion of the competitive operations in the power market.

Renewable Energy Law
The Renewable Energy Act of 2008 encompass policies that relate to renewable energy and legislative instruments that further encourage its growth - i.e. economic incentives.

- Section 13 states the government share in all renewable energy revenues: 1.5% for geothermal energy and 1% for the rest.

- Section 15 outlines the general incentives: Income Tax Holiday (7 years), Duty-free importation, Special Realty Tax Rates (1.5%), Corporate Tax Rate (10%), Accelerated Depreciation, 0% Value Added Tax Rate, Additional Cash Incentive for Off-grid Generation Facilities, etc.

Pending Approval
TMC has executed a supplemental MOA with Mamanwa IPs/ICCs in connection with MPSA No. 284-2009-XIII where it serves as exclusive mining operator and services contractor of Kepha Mining Exploration Limited Company (Kepha). The MOA will be submitted to NCIP En Banc for review and issuance of the relevant certification.

HMC submitted its Declaration of Mine Project Feasibility (DMPF) in connection with its Manicani project denominated as MPSA No. 012-92-VIII. The DMPF is currently under review by the MGB Central Office. In addition, HMC is seeking the amendment of its ECC to increase its output to 3.0 million WMT from the current 0.25 million WMT. HMC is likewise awaiting the approval of its Special Use Agreement in Protected Areas application in connection with 2 causeways inside the Guiuan Marine Reserve.

DMC is currently undergoing Free and Prior Informed Consent (FPIC) process in connection with the proposed amendment of its MOA with Agta IPs/ICCs of Dinapigue, Isabela.

RTN is in the process of securing a certificate of precondition from the NCIP in connection with the renewal of its MPSA No. 114-98-IV Amended I. The project is located within 2 separate Ancestral Domains of the Palawan IPs/ICCs referred to as Bataraza and Rizal for brevity. RTN has executed an FPIC-MOA with the IPs/ICCs of Bataraza, while RTN is currently in the negotiation stage of the FPIC with Rizal IPs/ICCs.

CExCI's application for Exploration Permit (EXPA) of the Mankayan area denominated as EXPA-116-CAR, which lies within the Municipalities of Mankayan and Bakun, was converted from the AFTA-008 property. The Mankayan Ancestral Domain (AD) is scheduled to undergo its AD-wide Decision-making meeting next year. In the Bakun AD, continuous engagements are being done in relation to the MOA negotiation.

The Cervantes property known as EXPA-116-I is also undergoing the FPIC process. Pre-MOA activities have been conducted and steps are being taken to start the MOA negotiations.

Report on the community ground scoping work on the 3 EXPAs namely EXPA-119, EXPA-120 and EXPA-121 was not favorable with the main factor being the difficulty to get a social license to operate in the area. This was further validated by a team from CExCI. The 3 EXPAs will be withdrawn by next year.

The Aluling EXPA was officially converted from AFTA-008 in April 2022 and denominated as EXPA-123-I. It is currently put on hold until after the resumption of the MOA negotiations in Cervantes. The remaining areas of AFTA-008 was also withdrawn after the conversion.

EPI is currently undergoing an FPIC process in connection with the expansion of its JSI project located in the Subic Special Economic Zone in Zambales.

K. COMPETITION

The Group's mining business competes with both domestic Philippine nickel ore suppliers and foreign nickel ore suppliers (primarily from Indonesia) in world nickel ore markets. Domestic competitors include CTP Construction & Mining, PGMC, and Global Ferronickel Holdings, Inc. while foreign competitors mainly include PT Aneka Tambang.

On the power business, the implementation of the EPIRA has paved the way for a more independent and market-driven Philippine power industry. This has allowed for competition, not limited by location, and driven by market forces. The sale of power and the dispatch of power plants depend on the ability to offer competitively priced power supply to the market. However, as a registered renewable energy generating unit with intermittent renewable energy resources, JSI's solar power plant is considered "must dispatch" based on available energy and enjoys the benefit of priority dispatch to the grid and the WESM. The

Group's power projects which are still either in the exploration or development stage will face competition in the development of new power generation facilities as well as in the financing for these activities.

L. NICKEL ORE TRADE AND OUTLOOK

<u>Nickel Ore Trade</u>

Nickel ore in the country is mainly exported to China and Japan. Primary nickel consumption in China was estimated at 1.8 million tonnes in 2022, which accounted for 58% of global nickel consumption, while 6% of the global nickel consumption can be attributed to Japan.

Nickel production in China in 2022 was estimated at 0.9 million tonnes, of which 0.4 million tonnes came from NPI. Based on the Company's research, nickel ore exported to China from Philippines is estimated at 43.0 million WMT in 2022 as compared to 48.0 million WMT in 2021.

China's demand for nickel ore from the Philippines remained strong while nickel prices have remained elevated from a combination of factors. The Indonesia ore export ban remains in place since its effectivity in 2020 and furthermore the Chinese stainless steel sector experienced a slight contraction but the Philippines nickel ore production contracted even more.

<u>Outlook for Nickel</u>

Global nickel supply in 2022 was estimated at 3.1 million tonnes, while consumption was at 3.0 million tonnes, resulting to 0.1 million tonnes of surplus. The surplus was mainly driven by weak consumption in the global stainless steel sector despite the strong consumption in global Electric Vehicle (EV) sector.

Around 69% of nickel supply is used for stainless steel production. Therefore, the growth in stainless steel production is a key factor in the outlook for nickel. Global stainless steel production in 2022 was estimated at 56.5 million tonnes, decreased by 4% from the previous year, of which, Chinese stainless steel production accounted for 32.8 million tonnes, decreased by 2.2% from the previous year.

Nickel demand for EV is expected to increase by 4.5 times until 2030, which fundamentally sustains stable London Metal Exchange (LME) nickel price at a high level.

M. EXPLORATION AND DEVELOPMENT

<u>Nickel Resources</u>

The Group covers a wide area of exploration properties and an exploration program encompassing:

1. Brownfield exploration - consisting of work at its existing operations to extend resources and to upgrade resources to reserves; and
2. Greenfield exploration - which involves exploring and delineating nickel lateritic deposits in its existing properties.

The Group owns more than 100 drilling units that have been designed specifically for drilling near surface lateritic deposits in a quick and economical manner. It also has a pool of experienced geologists and laboratories at each mine site to assess samples as required.

Below is a summary of the Group's exploration and development properties:

Bulanjao: • Total area of 3,604 hectares • Conducted step-out drilling throughout the length of the Central Bulanjao deposit	Location: **Palawan Island** Ownership: **RTN**

Manicani: • MPSA covers 1,165 hectares and expires in 2037	Location: **Island of Manicani** Ownership: **HMC**
Kepha: • Rights to the property are governed by an Operating Agreement entered into with Kepha in February 2007 • Operating Agreement covers 6,981 hectares and expires in 2032 • Follow-up exploration work and drilling was conducted in early 2013 • On March 19, 2021, the MGB approved the renewal of Kepha's 2-year exploration period • On November 29, 2021, the amended MOA between ICCs of Certificate of Ancestral Domain Title (CADT) 048 and Kepha was signed and is currently being evaluated and review at the NCIP Regional Office 13	Location: **Surigao del Norte** Operating Rights: **TMC**

Description of Exploration and Development Projects

Bulanjao - RTN recently acquired a separate ECC, an amended ECC and amended MPSA to include AMA-IVB-144A, otherwise known as the Bulanjao claim, for a total accumulated area of 4,538 hectares. RTN's new MPSA is now denominated MPSA-114-98-IV-Amended I. Based on latest data, drilling has resulted in measured and indicated mineral resources of 27.0 million WMT of limonite ore and 27.0 million WMT of saprolite ore with average nickel grades of 1.21% and 1.66%, respectively. Development is expected to commence in 2023.

Manicani - The Manicani property is held by HMC. It has a total area of 1,165 hectares and is situated in Guiuan, Eastern Samar. HMC's rights to the property are governed by a MPSA that was entered into by HMC in 1992 and which was subsequently assigned to SNMRC. The application for the Deed of Assignment from HMC to SNMRC was endorsed to the MGB Central Office for further evaluation and final approval. However, on June 1, 2014, a mutual rescission of the said Deed of Assignment was executed by and between HMC and SNMRC and a copy of the said rescission was received by the MGB on July 14, 2014.

HMC conducted mining at the Manicani site between 1992 and 1994 and extracted and sold a total of 63,176 WMT of saprolite ore with an average grade of 2.45% nickel from the site. Mining at the site was suspended in December 1994 because low prevailing nickel prices made mining the site uneconomical. HMC made shipments from stockpiles in 2001 and 2004. In 2004, a regional Panel of Arbitrators rendered a decision recommending the cancellation of the MPSA on the grounds that HMC had violated certain applicable environmental regulations. HMC disputed such allegations and its MPSA was upheld by the Mines Adjudication Board of the DENR in September 2009.

A Letter of Authority to Dispose Nickel Stockpile was issued by MGB on July 1, 2014. From May to August of 2016, 5 shipments were realized for the disposal of said stockpiles, after which, shipments were suspended by MGB. This left behind almost 900,000 WMT of stockpiles which were already approved for disposal.

HMC has applied for the renewal of the MPSA on May 26, 2016, more than a year prior to its expiration on October 28, 2017. In support of its application, it has received the necessary endorsements from the host communities in the form of resolutions issued by the 4 barangays comprising Manicani Island, the Municipality of Guiuan, and the Province of Eastern Samar. These endorsements, along with various presentations made to the MGB Region VIII and to the community, forms part of HMC's compliance with the government regulations pertinent to the MPSA renewal.

In a letter dated March 4, 2022, the MGB issued a Notice of Issuance of an Order entitled "In re: Extension of the term and lifting of the suspension of the mining operations under MPSA No. 012-92-VIII granted to HMC". Anent this letter, the first 25-year term of MPSA No. 012-92-VIII was extended for a period of 15 years starting from the issuance of the Order and the suspension of the mining operations was lifted.

HMC has filed with the DENR the application for Special Use Agreement in Protected Areas for the use of the causeways and awaiting approval of the same.

Kepha - The property has a total area of 6,981 hectares and is situated in the province of Surigao del Norte, immediately southwest of our Taganito mine's northern boundary. TMC's rights to the property are governed by an Operating Agreement that it entered into in February 2007 with Kepha. Kepha entered into a MPSA in June 2009, giving it the right to explore, develop and mine the property for an initial period of 25 years.

Under the terms of the Operating Agreement between Kepha and TMC, TMC has the right to explore, develop and operate the property during the period of the MPSA in return for the payment to Kepha of a royalty of 5% of gross revenues from all metallic minerals sold from the property.

From 2013 to 2020, exploration activities at the Kepha exploration project are still under negotiations with the Mamanwa indigenous people group. The claim owner of the Kepha mining claim is also helping in the negotiations with the Mamanwa indigenous people group of CADT 048. Exploration activities in the said area can only resume after the favorable outcome of the said negotiations.

Despite the problem with the IP's community of barangay Camam-onan, TMC continued to bring development projects to the barangay, including the renovation of the barangay Camam-onan gymnasium to a suitable evacuation center. This move by TMC was warmly welcomed by the LGU and constituents of Camam-onan.

On February 13, 2017, the DENR issued a show cause order directing Kepha to explain why its MPSA should not be cancelled for being allegedly within a watershed, which is protected under the Philippine Mining Act of 1995 and other existing applicable laws, rules and regulations. On February 24, 2017, Kepha replied to the letter stating that based on the MGB Region XIII's downloadable tenement map, the MPSA area is outside of any existing legally proclaimed watershed.

On March 19, 2021, the MGB approved the renewal of Kepha's EP for another 2 years, corresponding to the 7th and 8th year of its exploration period. It is also in this year, that negotiations to amend the MOA between the Mamanwa IP group of CADT 048 and the management of Kepha have come to an agreement and the MOA was signed on November 29, 2021.

The NCIP CARAGA Region 13 has completed its review of the MOA and is expected to endorse the same to NCIP Central Office for deliberation with the NCIP en banc.

<u>Gold and Copper Resources</u>

<u>Cordillera Exploration Company, Inc.</u>
On November 15, 2010, the Parent Company entered into an agreement to purchase CExCI from Anglo American, a subsidiary of Anglo American Plc. In May 2011, the Parent Company entered into a Participation and Shareholders' Agreement with SMM. Based on the terms of the said Agreement, in 2011, SMM invested $1.5 million in CExCI for a 25% equity interest. The additional investment by SMM of $2.8 million in 2015 brought its total equity in CExCI to 40%.

CExCI has an application for Financial or Technical Assistance Agreement (AFTA) denominated as AFTA-008 within the adjoining provinces of Benguet, Ilocos Sur and Mountain Province. The original area applied for was 77,549 hectares, which was subsequently reduced to 54,940 hectares following the excising of national parks, built-up and agricultural areas. Parts of the AFTA have been converted to applications for EPs and the remaining areas have been withdrawn.

In December 2015, CExCI acquired 100% equity interest in Newminco, which holds an EP designated as EP-001-2015-III for copper, gold, and related base and precious metals over an area in the province of Zambales. The decision to acquire Newminco was made following the discovery of outcropping gold veins, the sampling of which in part returned good assays for gold.

On April 15, 2019, CExCI acquired a tenement from Marian and Olympus via a Deed of Assignment with Royalty Agreement. The property predominantly in the province of Isabela has a pending application for a MPSA denominated as APSA-000021-II. In July 2019, CExCI filed for the conversion of the APSA into an EXPA as extensive exploration work is required. The tenement is now denominated as EXPA-000166-II. The application was approved last December 2022 and submitted to MGB Region 2 for registration and assignment of EP number.

The description of CExCI's various properties is described below.

Zambales
In 2016, Newminco proceeded to implement its exploration program in the tenement located in the Municipalities of Cabangan, San Felipe and San Marcelino in the Province of Zambales. Exploration activities being conducted in the area include geologic mapping and surface sampling which identified prospects and possible drilling areas. Roughly 25 kilometers of old farm to market and logging roads were rehabilitated and maintained to gain access to the property. Six hundred and sixty meters of exploratory trenches were dug, logged, sampled and rehabilitated. Diamond core drilling was conducted with a total meterage of 3,799.5 meters. A total of 401 samples were sent to the laboratory for multi-element geochemical analysis.

Results of the 2016 exploration campaign verified gold mineralization in a portion of the area drilled. However, the work conducted so far precludes Newminco from defining any commercial viability to the project. Rehabilitation works on disturbed areas were completed in early 2017.

In 2017, a tenement-wide ridge and spur soil sampling program was implemented in order to define targets for more detailed work. The EP expired in July 2017 and was given its first renewal in September 2020. The ridge and spur soil sampling survey were completed in mid-2021 while focused grid sampling was completed by 4th quarter of 2021. The second year was mainly focused on geologic mapping and review of data for the different prospects within the tenement.

The EP expired in September 2022 but was readily renewed the same month. A drone magnetic survey was completed by AUSTHAI Geophysics in December 2022 over the Takipan-Malabeg-Mabibituin Corridor. Results are expected in January 2023.

Isabela and Nueva Vizcaya
The Marian Property was designated as APSA-000021-II and covers a total area of 6,325 hectares mainly located in the Province of Isabela with some portions in Nueva Vizcaya. Porphyry copper outcrops have been identified within the tenement while a gold deposit located within the property was previously mined in the 1970s-1980s.

On January 29, 2020, an Order was issued by MGB approving the Deed of Assignment with Royalty Agreement and the conversion of the APSA to an EXPA. Since its conversion, the documentary requirements and evaluation work for the issuance of the EP have been completed. The EP of Marian Parcel 1 was approved in December 2022 and submitted to MGB Region 2 for registration. Once the EP has been registered, an extensive exploration program on the tenement will be undertaken.

EXPA 116 - Mankayan
Part of AFTA-008 within the municipalities of Mankayan and Bakun in the province of Benguet consisting of 5,157 hectares was converted into an EXPA. Following the conversion, a Field-Based Investigation (FBI) by the NCIP was conducted as a prelude to the FPIC with the ICC. Two distinct ADs were identified - Bakun and Mankayan proper. Considerable delays were experienced in the FPIC process due to the local elections in 2016. Subsequently a decision was made to suspend the process to give way to the FPIC for the municipality of Cervantes.

The resumption of the FPIC process in Mankayan was requested in January 2020. However, further delays were experienced due to the COVID-19 pandemic. Thus, discussions on the resumption of the process only commenced on the last quarter of 2020. A substantial amount of community engagement work throughout 2021 followed, including Community Consultative Assemblies for each of the 2 ADs.

The effort resulted in the consent to our proposed exploration project given by the Bakun AD in March 2022. Two MOA negotiation meetings have already been conducted when it was temporarily stopped due to FPIC- and MOA-related issues belatedly raised by some members of the host communities. CExCI continues to engage with NCIP and the concerned communities so that the MOA negotiations could resume as soon as possible.

On the other hand, a resolution of non-consent was issued by the Mankayan AD. CExCI filed a Motion for Reconsideration in January 2022. The NCIP arranged for CExCI's presentation of its Motion for Reconsideration to the barangays of Mankayan AD. The Consensus Building and Decision Meeting has been postponed to 2023 upon CExCI's request to allow for continuous engagement with the leaders in the communities to ensure that they would reconsider and give their consent to the proposed exploration project.

EXPA 116 - Cervantes

Part of AFTA-008 within the municipality of Cervantes, province of Ilocos Sur, consisting of 6,012 hectares was converted into an EXPA. Similar to activities in the Mankayan EXPA area, after the conduct by the NCIP of the FBI, extensive community engagement work with the ICCs was done to explain the exploration work program of CExCI. As part of the FPIC process, 3 General Assemblies were conducted with Consensus Building in between the 2nd and 3rd General Assembly.

To announce the results, the 3rd and final General Assembly was conducted on March 13, 2017. Six out of the 9 barangays voted for the approval of the exploration program within their areas. Following this development, however, protests and petitions to discredit the results of the general assembly were filed by some groups. A validation exercise to investigate the protests was made by the NCIP in November 2017, which upheld the results of the voting. However, in order to diffuse the situation, no further action was taken by the NCIP Regional Office.

During this interregnum, community engagement work continued and the exploration work program was presented to the local government officials. CExCI also secured the consent of the Agricultural Reform Community beneficiaries within their tenement. Finally, in January 2020, it was agreed upon by the NCIP commissioners that the FPIC process should proceed, the decision was communicated to the NCIP Regional Office. However, before the process could be resumed the COVID-19 pandemic occurred. Due to enhanced community quarantines, locally imposed lockdowns by the LGUs and restrictions on group assemblies, the FPIC process was put on hold.

While the lockdowns and restriction on assemblies have now been lifted, a decision was made to push for the continuation of the FPIC process after the May 2022 elections. Although a majority approval for the exploration project was obtained, some Indigenous Peoples Mandatory Representatives (IPMRs) rescinded their support to the project. However, initial validation by the NCIP showed that the concerned barangays expressed their continuous support for the project. The barangays reiterated that the decision of their IPMRs does not reflect their decision. The supportive barangays urged for the start of the MOA negotiation while the barangays whose IPMRs withdrew their support will issue a manifesto of support to the exploration project. In the meantime, CExCI's community relations team continues to engage the communities and other stakeholders for the start of the MOA negotiations.

Mountain Province and Benguet

On December 13, 2020, 3 portions of AFTA-008 within the provinces of Benguet and Mt. Province were converted to EXPAs, denominated as EXPA 119 covering an area of 3,645 hectares within Mt Province; EXPA 120 covering an area of 2,835 hectares in Mt Province and Benguet province; and EXPA 121 covering an area of 5,751 hectares in Mt Province. The remaining areas of AFTA-008 in the Cordillera Administrative Region (CAR) were withdrawn.

Groundwork for the EXPAs commenced with the engagement of a consultant to get a consensus on the stand of the communities with regards to mineral exploration and mining. The results showed that it would be difficult to obtain a social license to operate. This was further validated by a team composed of CExCI's personnel. The areas will be withdrawn in 2024.

AFTA-008 Aluling
The withdrawal of the remaining portions of AFTA-008, covering 3,869 hectares in the municipality of Cervantes, province of Ilocos Sur, was officially relinquished in April 2022, while about 2,835 hectares in Brgy. Aluling was converted to an EXPA denominated as EXPA-123-I. Planned pre-FBI/FPIC activities in Aluling will be deferred until after the resumption of the MOA negotiations in Cervantes.

N. ENVIRONMENT AND REHABILITATION

Environmental Responsibility
The Group adheres to the principles and practices of sustainable development. The Group is committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of its operations. Mining is a temporary land use and once mining operations in its sites have ended, the Group plans to restore these properties to at least as close as possible to their pre-mining condition or to develop alternative productive land uses for the benefit of the surrounding communities. It is also committed to investing in programs and technologies to mitigate the anticipated impacts of mining activities.

To manage environmental impacts, Group's subsidiaries have an EPEP. This refers to the comprehensive and strategic environmental management plan for the life of mining projects to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment.

It is the operational link between the environmental protection and enhancement commitments under CDAO 2010-21, consolidated implementing rules and regulations of RA No. 7942, as well as those stipulated in the ECC under PD 1586 and the Contractor's plan of mining operation.

Activities undertaken through the Annual EPEP include, among others:
- Rehabilitation of mine disturbed areas
- Reforestation
- Construction and/or maintenance of environmental facilities
- Solid waste management
- Hazardous waste management
- Air quality monitoring and water quality monitoring
- Preservation of downstream water quality

The Group also complies with the ECC conditions and the performance of commitments through the Annual EPEP. This program is monitored and evaluated by the Multipartite Monitoring Team - a multi-sector group headed by a representative from the Regional MGB and representatives of LGUs, other government agencies, NGOs, people's organizations, the church sector and the Group. In 2022, the Group spent approximately ₱415.8 million on its EPEP.

Rehabilitation
In line with its commitment to maintain a sustainable environment in its areas of operation and to abide by the Philippine Mining Act of 1995, the Group regularly conducts onsite environmental assessments to ensure that all its subsidiaries are strictly implementing progressive rehabilitation within standards set by regulatory agencies.

The process begins with re-contouring, backfilling and leveling the land. After this, the area is covered with top soil and other soil amelioration strategies to provide fertile ground for planting.

The Group follows the “Sequential Planting Method”, wherein fast growing species are first planted, then provided with a vegetative cover within 12 to 18 months to enable the planting of other species. Another successful method used is by utilizing large planting materials which resulted to more than 90% survival and high growth rate.

Creating a biodiversity area with varied species of vegetation including native fruit bearings trees will eventually be a source of food for a variety of wildlife species that will aid in rehabilitating mine affected areas by way of succession and regeneration. The rehabilitation effort is managed by the Group’s expert foresters with the help from IPs from the locality, and the Group has successfully demonstrated that a totally mined out area can be significantly re-vegetated in just 12 to 18 months.

The end result is a sustainably managed forest far better than the stunted vegetation before, because of the mineralized nature of the soil.

As a means of restoring the disturbed areas from mining operations, the Group requires each mine site to create a decommissioning/closure plan. The closure plan includes the process in which mined-out areas will be rehabilitated and monitored, until the rehabilitation criteria set by MGB are successfully satisfied. The program for final rehabilitation and decommissioning includes social package which include livelihood components for the host communities and the affected employees of our companies. The 5 operating subsidiaries have already developed their respective plans for review and approval of the MGB.

Mine Rehabilitation, a requirement under the Philippine Mining Act of 1995, is part of sustainable development. It forms part of the best practices of the Company’s subsidiaries. Following the “Sequential Planting Method” used by the Group, fast growing species or Pioneer Species such as Batino, Acacia mangium, Acacia auriculiformis and others - all grown and nurtured in the Group’s nurseries - are planted first. These species provide vegetative cover within 3 years to enable the planting of “Climax Species” like Apitong, Ipil, Narra, Almaciga, Agoho, Kamagong and others which need tree shade to grow. They form the core of the new forest stands. Native fruit-bearing trees are also planted to provide a source of food for wild animals that will eventually populate the forest. To ensure the survival of all these trees, the Company’s subsidiaries manage the rehabilitation program through their forestry teams. Composed mostly of indigenous people from the surrounding areas, each forestry team conducts a maintenance program that includes watering the trees during summer, ringweeding cultivation around seedlings, application of compost and other related activities. The work of the forestry teams has resulted in a survival rate of 85%-95% for the trees.

As of December 31, 2022, the Group recognized a provision for mine rehabilitation and decommissioning of ₱791.1 million. Funds for mine rehabilitation and other environmental guarantee funds are established and deposited in trust funds, as required by the Philippine Mining Act. The Group has ₱766.4 million maintained in such trust funds as of December 31, 2022. This amount complies with the minimum requirement under the law.

In 2022 and 2021, the Group planted trees of about 1,061,942 and 689,174, respectively.

O. SOCIAL RESPONSIBILITY

Mining

The Group endeavors to be a valuable partner for economic and social progress. As a corporate citizen, it recognizes the great privilege of sharing the opportunities and the responsibilities afforded by doing business in the country. The principles of sustainable development clearly identify for the Group its obligation to make every effort and ensure that the benefits of development reach every stakeholder.

Social development programs are created and implemented in all the mines. The focus areas of these programs are designed to address needs of communities around the mine sites. These programs are carried out through the SDMPs and CSR activities of the Group. The main difference between the 2 programs is that the SDMP is required by the government, while CSR is voluntary on the part of the Group.

The Group engages with residents, LGUs, government agencies, local NGOs, international agencies and other interested groups to understand concerns, identify needs and design projects that will facilitate long-term and beneficial resource development. Each of its operating mines manages their social expenditures through its respective SDMPs. These are 5 year programs that contain a list of priority projects identified and approved for implementation, in consultation with the host communities. Each mine site has a community relations team that is in charge of identifying and implementing SDMPs, and maintaining strong relationships with communities. Annually, the Group sets aside a budget for SDMP projects that focus on health, education, livelihood, public utilities, and socio-cultural preservation. The implementation of the programs is monitored, audited, and evaluated by the MGB.

The Group also recognizes the rights of the IPs and ICC and in compliance with the Indigenous Peoples Rights Act, its subsidiaries entered into agreements for royalty payments and other assistance for their socio-economic well-being.

The Group respects and values each of our employees and observes the fundamental tenets of human rights, occupational safety and non-discrimination in the workplace. The Group implements a Safety and Health Program in all of its operating mines and provides the equipment, training and resources necessary to enable its employees to perform their work safely and without risk to their health. The Group has committees and labor management groups that monitor its health and safety programs. The Group believes that security goes hand in hand with safety in the workplace and has adopted security policies and systems founded on the protection of basic human rights and respect for people.

Beyond the mandatory SDMP programs, the Group carries out its own CSR programs. The details of the Group's Social Responsibility initiatives are set forth in the Sustainability Report attached to and made an integral part of this Annual Report.

P. EMPLOYEES

As at December 31, 2022, we had a total of 2,223 regular employees. Of these, 1,920 are employed in mining operations and projects and 60 are employed in power plant operations.

The tables below show the distribution of our workforce (full time regular employees only):

Head Office

	NAC	CMC	HMC	TMC	RTN	CEXCI	DMC	CDTN	EPI	JSI	BGI	MGPC	Total
Senior Management	31	1	1	-	1	1	-	-	5	-	-	-	**40**
Managers	25	2	1	3	1	2	-	-	6	-	-	-	**40**
Supervisors	22	2	1	1	6	1	1	-	10	2	-	-	**46**
Rank & File	75	6	6	6	7	9	2	-	3	3	-	-	**117**
Total	**153**	**11**	**9**	**10**	**15**	**13**	**3**	**-**	**24**	**5**	**-**	**-**	**243**

Minesite/Project Field Office

	NAC	CMC	HMC	TMC	RTN	CEXCI	DMC	CDTN	EPI	JSI	BGI	MGPC	Total
Senior Management	1	1	1	1	1	-	1	-	-	-	-	-	**6**
Managers	-	12	14	61	26	-	11	4	-	4	1	1	**134**
Supervisors	6	14	13	144	77	-	37	10	-	7	-	-	**308**
Rank & File	8	214	160	470	441	-	16	191	-	23	4	5	**1,532**
Total	**15**	**241**	**188**	**676**	**545**	**-**	**65**	**205**	**-**	**34**	**5**	**6**	**1,980**

Each mine site and project field office also provide work opportunities for the communities. The tables below show a breakdown of the workforce (full time, contractual, probationary, and casual) hired from the local communities in each area of operation:

Minesite	Manpower from local community	Indigenous People
Regular	1,408	76
Probationary	18	-
Project-based/Seasonal	428	43
Total	**1,854**	**119**

Plantsite	Manpower from local community	Indigenous People
Regular	39	2
Probationary	2	1
Project-based	-	-
Total	**41**	**3**

The Group complies with all government standards on the wages and labor regulations in the Philippine mining and renewable energy industries. We also ensure that we are aligned with the specific regulations from the respective DOLE regional offices. In the case of unions, employment conditions for rank and file employees are provided by Collective Bargaining Agreements (CBA) which are negotiated at the mine level. Generally, these CBAs have terms of 5 years (with a provision for wage renegotiation after 3 years).

RTN is the only operating company with 2 unions: supervisors and rank and file. RTN and its supervisors union successfully renegotiated their CBA supplemental agreement covering the last 2 years, from June 5, 2021 to June 4, 2023, of their 5-year term. The two-tiered salary increase scheme wherein the daily wage increase was divided into an across the board and performance-based increase based on the performance-driven rating of an employee, was negotiated and mutually agreed for implementation. The full 5-year term CBA will expire on June 5, 2023 and due for renewal before its expiration. We are currently implementing the early negotiation schedule, starting with RTN supervisors union. Proposals were submitted as early as October 2022. For the RTN workers union (rank and file), the first 3 years of their 5-year term CBA will expire on December 31, 2023. Target date of re-negotiation for the last 2 years will be in the 4th quarter of 2023.

The 5-year CBA of Hinatuan Mining Labor Union (rank and file) and HMC expired last December 31, 2022. The union submitted their economic and non-economic proposals last October 2022 with a labor relations record of only 8 proposals. The first negotiation started last January 14, 2023 and is due for signing in April-May 2023.

The last 2 years of the 5-year term between Taganito Labor Union (rank and file) and TMC expired last January 31, 2023. The re-negotiation was completed after 3 sessions which started last December 5-7, 2022, and concluded in March 10-11, 2023. The CBA Supplemental Agreement was signed last March 24, 2023.

For Cagdianao Mining Workers Union (rank and file), the first 3 years of their 5-year term CBA will expire on December 31, 2023. Target date of re-negotiation for the last 2 years will be in the 4th quarter of 2023.

The CBA negotiations of CDTN Company Workers Union (rank and file) is still on-going due to numerous proposals from the union. The union was certified by DOLE as sole and exclusive bargaining agent of the company last May 23, 2022 after a certification election among the rank and file employees.

The compensation of the Group is among the best in the Philippine mining industry and its relations with employees and unions are very productive. We have received awards for Union and Management partnering programs. The Group continues to forge and sustain productive partnerships with our unions and their federations.

Pension Costs

The Group provides its regular employees with a retirement benefit as part of its employment benefits. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries. The assumptions include among others, discount rates and future salary increase rates.

Defined benefit costs comprise the following:

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

These amounts are calculated periodically by independent qualified actuaries.

Q. RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Risks Related to the Group's Mining Business and Industry

The Group's business is sensitive to the volatility of LME nickel prices

The Group's revenue is largely dependent on the world market price of nickel as the sales price of nickel ore is correlated with the world market price of nickel.

Nickel prices are subject to volatile price movements over time and are affected by numerous factors that are beyond the Group's control. These factors include global supply and demand; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the U.S. dollar; market speculative activities; and global or regional political and economic events, including changes in the global economy. A growing world nickel market and increased demand for nickel worldwide have attracted new entrants to the nickel industry, spurred the development of new mines and expansion of existing mines in various regions, including Australia, Indonesia, and New Caledonia, and resulted in added production capacity throughout the industry worldwide. An increasing trend in nickel prices since early 2003 has encouraged new or existing international nickel producers to expand their production capacity. An increased rate of expansion and an oversupply of nickel in world nickel markets in the future could reduce future nickel prices and the prices the Group receives under the Group's nickel ore supply agreements. For example, due to the implementation of Indonesia's ore export ban effective January 2020 and strong growth of the Chinese stainless steel sector in 2021, China's demand for nickel ore from the Philippines and the price at which such nickel ore was sold increased in 2021, and such a trend continued in 2022. The Group also believes that the continued growth of stainless steel production (and in particular by China) and the increase in demand for EV worldwide will sustain higher LME nickel prices. Just recently, the US Government signed into law the Inflation Reduction Act which includes, among other climate change programs, tax credits on EV purchases which is expected to drive greater access to and demand for EV.

If the sales price of the Group's nickel ore falls below the Group's production costs, the Group will sustain losses and, if those losses continue, the Group may curtail or suspend some or all of the Group's mining and exploration activities. The Group would also have to assess the economic impact of any sustained lower nickel prices on recoverability and, therefore, the cut-off grade and level of the Group's nickel reserves and resources. These factors could have an adverse impact on the Group's business, results of operations and financial condition.

There is currently no spot market for nickel ore and as a result, the Group's failure to source purchasers of the Group's nickel ore would materially and adversely affect the Group's business, results of operations and financial condition

The Group's mining operations business primarily involves the production and sale of nickel ore. Nickel ore is not a finished metal product and there is no established spot market where the Group's product can be sold. The Group must sell the Group's nickel ore through negotiated contractual arrangements with third parties. Accordingly, the Group's failure to source purchasers for the Group's nickel ore would have a material adverse effect on the Group's business, results of operations and financial condition.

Changes in Chinese demand may negatively impact world nickel demand and prices and could have an adverse effect on the Group's business, results of operations and financial condition.
Approximately 66% of the Group's revenue in 2022 was derived from sale of nickel ore into China. While this increase represents a significant business opportunity, the Group's exposure to China's economy and economic policies has increased. The Group's exposure to the Chinese market and its short-term supply agreements with Chinese customers have resulted in increased volatility in its business. In addition, increased Chinese demand for commodities has led to high volatility in the freight rates for shipping the Group's nickel ore. High freight rates can discourage customers outside the Philippines from entering into long-term supply agreements with the Group due to the unpredictability of future shipping costs and can also affect the price Chinese customers are willing to pay for its nickel ore.

China, in response to its increased demand for commodities, is increasingly seeking self-sufficiency in key commodities, including nickel, through investments in nickel mining operations in other countries. In addition, nickel ore is used in the production of stainless steel and a slowdown in the stainless steel industry in China, or China's economic growth in general, could result in lower Chinese demand for the Group's products and therefore reduce its revenue. In the event that the demand for the Group's nickel ore from the Group's Chinese customers materially decreases and the Group is unable to find new customers to replace these customers, the Group's business, results of operations and financial condition could be materially and adversely affected.

More than a quarter of China's GDP comes from its real estate industry. If the current issues affecting China's real estate industry persists, experts believe that other industries may get affected. These include the engineering and construction industry and other small scale steel producers. Consequently, the country's demand for nickel ore may slow down.

Further, the slowdown in China's economy as a result of stricter COVID-19 containment policies, including periodic lockdowns, may have an adverse effect on demand for nickel and on the Group's mining revenues.

The Group's reserves may not be replaced, and failure to identify, acquire and develop additional reserves could have an adverse impact on its business, results of operations and financial condition
The Group's sources of nickel ore are currently limited to the Rio Tuba, Taganito, Cagdianao, Tagana-an and Dinapigue mines. The Group's profitability depends substantially on its ability to mine, in a cost-effective manner, nickel ore that possesses the quality characteristics desired by its customers. Because the Group's reserves decline as it mines its nickel ore, its future success and growth depend upon its ability to identify and acquire additional nickel ore resources that are economically recoverable. Currently, the Group has 3 nickel mining exploration properties in the Philippines and if it fails to define additional reserves on any of its existing or future properties, its existing reserves will eventually be depleted.

A failure to discover new nickel resources and define reserves on such resources, enhance the Group's existing reserves or develop new operations to maintain or grow the Group's reserves would materially and adversely affect the Group's business, results of operations and financial condition.

If the Group is unable to supply customers with nickel ore in the agreed volume or with the agreed characteristics, the Group's business, results of operations and financial condition would be adversely affected
Sales of the Group's nickel ore are made through contractual arrangements with third parties. These ore supply agreements typically contain provisions requiring the Group to deliver nickel ore with certain specified characteristics, such as nickel content, iron content and moisture content. Failure to meet any of these specifications or other quality thresholds could result in economic penalties, including price adjustments, rejection of deliveries or termination of such agreements. In addition, the Group may not be able to deliver the agreed quantities of nickel ore to the Group's customers under the Group's agreements with them because of adverse weather, which could affect the Group's ability to mine the nickel ore or to load the Group's nickel ore onto barges and LCTs, equipment and machinery failures and operational difficulties, difficulties in acquiring essential machinery, equipment and spare parts or disputes with the Group's employees or contractors. If the Group is unable to supply the Group's customers with nickel ore in the agreed volume or with the agreed characteristics in the future, the Group's business, results of operations and financial condition would be adversely affected.

The Group's reserve and resource estimates may not accurately reflect the Group's nickel deposits, and inaccuracies or future reductions in the Group's reserve or resource estimates could have an adverse impact on the Group's business, results of operations and financial condition

Reserve and resource figures are estimates and no assurances can be given that the indicated levels of nickel ore will be produced or that the Group will receive the price assumed in determining the Group's reserves. These estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Group believes that the reserve and resource estimates are well established, by their nature reserve and resource estimates depend, to a certain extent, upon statistical inferences which may ultimately prove inaccurate and require adjustment.

Furthermore, fluctuations in the market price of nickel, increased capital or production costs or reduced recovery rates, change to life of mine plans and changes in applicable laws and regulations, including environmental laws and regulations, may render ore reserves uneconomic and may ultimately result in a reduction of reserves. The extent to which resources may ultimately be reclassified as proved or probable reserves is dependent upon the determination of their profitable recovery, which determination may change over time based on economic and technological factors. Accordingly, no assurances can be given that any reserve estimates will not be reduced in the future or that any resource estimates will ultimately be reclassified as proved or probable reserves.

If the Group's reserve or resource figures are reduced in the future, this could have an adverse impact on the Group's business, financial condition, results of operations and prospects.

The Group's actual production may not meet the Group's estimates, which could have an adverse impact on the Group's business, results of operations and financial condition

The Group prepares estimates of future production and future production costs for particular operations. No assurance can be given that production estimates will be achieved. The accuracy of these production estimates is based on, among other things, the following factors: reserve estimates; assumptions regarding ground conditions and physical characteristics of ore materials, such as the presence or absence of particular metallurgical characteristics; estimated rates and costs of mining; and weather condition assumptions.

Actual production may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the nickel ore reserves, such as the need for sequential development of nickel ore bodies and the processing of new or different nickel ore grades; risk and hazards associated with mining; natural phenomena, such as inclement weather conditions, earthquakes, landslides and erosion; and unexpected inability to obtain spare parts, labor shortages or strikes.

Failure to achieve production estimates could have an adverse impact on the Group's business, financial condition, results of operations and prospects.

The Group's future exploration and development activities may not be successful, and, even if the Group makes economic discoveries of nickel ore deposits, unexpected problems during the start-up phase of any new operations could have an adverse impact on the Group's business, results of operations and financial condition

Exploration for and development of nickel properties involve financial risks which may not be eliminated even with a combination of careful evaluation, experience and knowledge. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into productive mines. The Group can provide no assurance that the Group's current exploration and development programs will result in profitable commercial mining operations or will replace production at the Group's existing mining operations. Also, the Group may incur expenses on exploration projects that are subsequently abandoned due to poor exploration results or the inability to define reserves that can be mined economically. In addition, the Group may compete with other mining companies to acquire rights to exploit attractive mining properties.

The economic feasibility of development projects is based upon many factors, including the accuracy of reserve estimates; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental protection; and nickel prices, which are highly volatile. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

Development projects have no operating history upon which to base estimates of future cash flow. Estimates of proved and probable reserves and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. The Group also conducts feasibility studies which derive estimates of capital and operating costs based upon many factors, including anticipated tonnage and grades of nickel ore to be mined, the configuration of the mine, ground and mining conditions and anticipated environmental and regulatory compliance costs.

It is possible that actual costs and economic returns of current and new mining operations may differ materially from the Group's best estimates. It is not unusual for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated. These additional costs could have an adverse impact on the Group's business, results of operations and financial condition. If the Group's exploration program is not successful, the Group's business, financial condition, results of operations and prospects would be adversely affected.

The Group plan to undertake the exploration of gold and copper and the resources applied to any such undertakings may not necessarily generate revenues in the future

The Group's growth strategy involves the exploration for gold and copper through CExCI. The Group's gold and copper exploration strategy will depend on, among other things, the Group's ability to assess these and other potential mining properties, the Group's ability to secure the rights to mine such properties upon discovery of commercially viable deposits, and the Group's ability to successfully finance the development of such properties. Although a number of the Group's managers and technical staff have experience in gold and copper mining, the Group's expertise is open pit mining of nickel ore and the Group may not be successful in the Group's gold and copper exploration strategy.

Whether any mineral deposits to which the Group acquires mining rights will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade, metallurgy and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of any of these factors may result in the Group not receiving an adequate return on invested capital.

If the Group discovers a viable gold or copper deposit, it usually takes several years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production may change. Moreover, the Group will use the evaluation work of professional geologists, geophysicists, and engineers for estimates in determining whether to commence or continue mining. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralization. There is no certainty that any expenditures made by the Group towards the search and evaluation of gold or copper deposits will result in discoveries of commercial quantities of ore. To the extent that the Group identifies gold or copper resources on the Group's exploration properties, the Group intends to estimate any gold or copper resources and reserves in accordance with the Philippine Mineral Reporting Code 2020 (PMRC).

The Group faces competition in selling nickel ore

The Group competes with both domestic Philippine nickel ore suppliers and foreign nickel ore suppliers in world nickel ore markets. Notable domestic competitors include CTP Construction & Mining, Toledo Mining, PGMC and Global Ferronickel Holdings, Inc., while foreign competitors mainly include PT Aneka Tambang. The Group competes with other nickel ore suppliers primarily on the basis of ore quality, price, transportation cost and reliability of supply. The Group's inability to maintain the Group's competitive position based on these or other factors could materially and adversely affect the Group’s business, financial condition, results of operations and prospects.

Fluctuations in transportation costs and disruptions in transportation could result in significant changes in nickel ore prices

Transportation costs, which can represent a significant portion of the total cost of nickel ore purchased by the Group’s customers, are an important factor in their purchasing decisions. Transportation costs can vary for a number of reasons, including changes in global demand for commodities, the size of the global shipping fleet and fuel costs. Under the terms of the Group’s ore supply agreements, the customer is responsible for paying transportation costs. Any future increases in freight costs could make it uneconomical for the Group’s customers to purchase and ship the Group’s nickel ore and could result in a significant decrease in the volume of nickel ore that the Group sells to customers outside the Philippines.

The Group depends upon ships to deliver nickel ore to the Group’s international customers. While these customers typically arrange and pay for transportation of nickel ore from transshipment areas to the point of use, disruptions to these transportation services because of weather-related problems, distribution problems, labor disputes or other events could temporarily restrict the ability to supply nickel ore to customers or could result in demurrage claims by ship-owners for loading delays. Any of the foregoing events could materially and adversely affect the Group’s business, results of operations and financial condition.

Failure to obtain, sustain or renew the Group’s mineral agreements, operating agreements and other permits and licenses necessary for the Group’s business could have an adverse effect on the Group’s business, results of operations and financial condition

The Group relies on permits, licenses (including MPSAs), operating agreements with third-party claim owners and land access agreements to conduct the Group’s mining operations. Specifically, the issuance of EO No. 79 led to a moratorium on the issuance of new permits pending legislation rationalizing the existing revenue sharing schemes and mechanism. However, this moratorium on new permits was lifted by EO No. 130 issued on April 14, 2021. Moreover, the MPSAs and operating agreement with respect to its operating mines expire at different times between 2017 and 2047 and require renewal upon expiration. The Group believes that its subsidiaries and affiliates currently hold or have applied for all necessary licenses, permits, operating agreements and land access agreements to carry on the activities that it is currently conducting under applicable laws and regulations, licenses, permits, operating agreements and land access agreements. The Group may be required to prepare and present to government authorities data pertaining to the impact that any proposed exploration or production of ore may have on the environment, as well as efficient resource utilization and other factors that its operations may influence. The process of obtaining environmental approvals, including the completion of any necessary environmental impact assessments, can be lengthy, subject to public input and expensive. Regulatory authorities can exercise considerable discretion in the terms and the timing of permit issuance or whether a permit may be issued at all. Accordingly, the approvals needed for the Group’s mining operations may not be issued or renewed or, if issued or renewed, may not be issued in a timely fashion, or may involve requirements that may be changed or interpreted in a manner which restricts its ability to conduct its mining operations profitably.

Furthermore, new laws or regulations, or changes in the enforcement or interpretation of existing laws or regulations, may require substantial increases in the Group’s equipment and operating costs in order to obtain approvals required by, or to otherwise comply with the conditions imposed by, such new or revised laws and regulations. The need to obtain such new or revised approvals or to comply with additional conditions may also cause material delays or interruptions of one or more of the Group’s current or planned operations or developments or, to the extent such approvals or conditions cannot be obtained or met on an economical basis, the curtailment or termination of such operations or developments.

In addition, the local governments where the Group’s mines or exploration properties are located may impose additional restrictions on its operations. For example, on March 30, 2020, as a preemptive measure against the spread of the COVID-19 virus, the Provincial Government of Surigao del Norte issued an EO temporary suspension of mining operations in the province and prohibiting foreign vessels other than those carrying basic goods and necessities from entering the province. The delays that would have affected the mine production schedules of TMC and HMC as a result of the said EO was mitigated by the adjustments made by TMC and HMC on their production schedules and the subsequent lifting of the suspension by the Provincial Government on April 30, 2020. The Group expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines, and laws drawn from a number of different jurisdictions. The Group's facilities operate under various operating and environmental permits, licenses, and approvals to satisfy these conditions. Failure to meet these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties.

Changes in, or more aggressive enforcement of, laws and regulations could adversely impact the Group's mining business

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labor standards, occupational health, waste disposal, protection, and remediation of the environment, mine decommissioning and rehabilitation, mine safety, toxic substances, transportation safety and emergency response and other matters.

Compliance with these laws and regulations involve substantial costs. It is possible that the costs, delays, and other effects associated with these laws and regulations may impact the Group's decision as to whether to continue to operate existing mines, refining and other facilities or whether to proceed with exploration or development of properties. Since legal requirements change from time to time, are subject to interpretation and may be enforced to varying degrees in practice, the Group is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, changes in governments, regulations and policies and practices could have an adverse impact on the Group's business, results of operations and financial condition.

Nickel mining is subject to a number of inherent risks that are beyond the Group's control. The occurrence of any of these risks could have an adverse impact on the Group's business, results of operations and financial condition

The Group's mining operations are influenced by changing conditions that can affect production levels and costs for varying periods and as a result can diminish the Group's revenues and profitability. Inclement or hazardous weather conditions, the inability to obtain equipment necessary to conduct the Group's operations, increases in replacement or repair costs, prices for fuel and other supplies and unexpected geological conditions could have a significant impact on the productivity of the Group's mines and its operating results. Prolonged disruption of production at the Group's mines, transportation of its nickel ore to customers would result in an increase in the Group's costs and a decrease in the Group's revenues and profitability, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Social acceptance of mining activities is necessary to enable the Group to conduct mining activities in the areas where it operates

The acceptance by host communities and neighboring communities of the conduct of the Group's mining activities is considered by regulatory agencies such as DENR and MGB in evaluating whether permits applied for by an operating company should be granted, deferred, or denied. Further, the area where mining and mining-related activities are to be conducted is located within the ancestral domain of a group or group of IPs, the relevant operating company of the Group needs to obtain the IPs' FPIC, and contracts among the operating company, the IPs and the NCIP are executed regarding their agreements on, among others, the operating company's access to the ancestral lands of the IPs, royalties and other benefits to be given to the IPs by the operating company, and the aspects of collaboration between the operating company and the IPs. Opposition by such host communities, neighboring communities, and IPs to proposed or ongoing mining activities could result in suspensions or delays in mining operations.

The Group's operations are prone to local insurgents' attacks from time to time, as well as other incidents and risks due to the location of its mine sites

While TMC experienced an attack in 2011, it has since enhanced its security measures in close coordination with the Philippine National Police and the Armed Forces of the Philippines. However, there are still some minor risks to local insurgent's attacks from time to time given the location of the mine sites and the prevailing socio-economic conditions in these areas.

Other factors affecting the production and sale of the Group's nickel ore that could result in increases in the Group's costs and decreases in the Group's revenues and profitability include:

- equipment failures and unexpected maintenance problems;
- interruption of critical supplies, including spare parts and fuel;
- inclement weather conditions;
- earthquakes or landslides;
- environmental hazards;
- industrial accidents;
- increased or unexpected rehabilitation costs;
- work stoppages or other labor difficulties; and
- changes in laws or regulations, including permitting requirements, the imposition of additional taxes and fees and changes in the manner of enforcement of existing laws and regulations.

The realization of any of these risks could result in damages to the Group's mining properties, nickel ore production, nickel ore transportation facilities, personal injury or death, environmental damage to the Group's properties, the properties of others or the land or marine environments, delays in mining ore, in the transportation of ore, monetary losses and potential legal liability. Particularly, surface mining and related activities present risks of injury to personnel and damage to equipment. The occurrence of any of these risks, conditions or events could have a significant impact on the Group's business, results of operations and financial condition.

Failure to accurately estimate the decommissioning and rehabilitation costs the Group faces could have an adverse effect on the Group's business, results of operations and financial condition

Under the terms of the Group's MPSAs with the Government, as well as the Group's operating agreements with the various holders of MPSAs which cover some of the Group's mines, the Group is required to establish a decommissioning and rehabilitation plan at each of the Group's mine sites. The costs of performing the decommissioning and rehabilitation can be significant and are subject to change. These costs increase as the Group's mining sites expand. The Group cannot predict what level of decommissioning and rehabilitation may be required in the future by regulators. If the Group is required to comply with significant additional regulations or if the actual cost of future decommissioning and rehabilitation is significantly higher than current estimates, this could have an adverse impact on the Group's business, results of operations and financial condition.

The Group is exposed to exchange rate fluctuations. In particular, fluctuations in the exchange rate between the peso and the U.S. dollar could have an adverse effect on the Group's results of operations and financial condition

The Group's nickel ore sales are denominated in U.S. dollar while most of the Group's costs are incurred in Philippine peso. The appreciation of the Philippine peso against the U.S. dollar reduces the Group's revenue in peso terms. Accordingly, fluctuation in exchange rates can have an impact on the Group's financial results. Additionally, in the past the Group have invested in derivative instruments that increased in value as the Philippine peso appreciated relative to the U.S. dollar, and vice versa. While the Group's current policy is not to hedge the Group's exposure to foreign currency exchange risk or invest in this type of derivative instrument, the Group do, and may continue to, invest in U.S. dollar-denominated portfolio investments. Appreciation of the Philippine peso relative to the U.S. dollar could result in a translation loss on the Group's U.S. dollar-denominated assets.

The Group relies to some degree on third-party contractors and failure of any such contractor to comply with its contractual obligations or the unplanned loss of any such contractor's services could increase the Group's costs or disrupt the Group's operations

Contractual disputes with the Group's contractors, the inability of any of the Group's contractors to comply with their contractual obligations or their failure to renew their contracts with the Group on acceptable terms or at all could increase the Group's costs and disrupt the Group's operations and the Group's ability to service the Group's customers in a timely manner. In addition, failure by the Group's contractors to comply with applicable laws could adversely affect the Group's reputation.

Climate change, could significantly increase the Group's operating costs and adversely affect its operations

The Group operates 5 lateritic nickel mines through its subsidiaries: the Rio Tuba mine in Bataraza, Palawan operated by RTN; the Taganito mine in Claver, Surigao del Norte operated by TMC; the Tagana-an mine in Tagana-an, Surigao del Norte operated by HMC, the Cagdianao mine in Cagdianao, Dinagat Islands operated by CMC, and the Dinapigue mine in Isabela operated by DMC. The Group is therefore subject to the local climate patterns of these regions. Exploration, mining production and transportation activities may be susceptible to risks and hazards resulting from sustained precipitation or other weather conditions. An intensification of extreme weather events and longer-term changes in weather patterns may impact operations, resulting in more frequent production delays, increased costs, and increased liabilities.

Regulatory and industry response to climate change could significantly increase the Group's operating costs and adversely affect its operations

Regulatory and industry response to climate change, restrictions, caps, taxes, or other controls on emissions of GHG, including on emissions from the combustion of carbon-based fuels, controls on effluents and restrictions on the use of certain substances or materials, could significantly increase the Group's operating costs. A number of governmental bodies have introduced or are contemplating regulatory changes in response to the potential impacts of climate change. For example, the Philippines and many other nations are signatories to international agreements related to climate change including the 1992 United Nations Framework Convention on Climate Change, which is intended to limit or capture emissions of greenhouse gas, such as carbon dioxide, the 1997 Kyoto Protocol, which established a potentially binding set of emissions targets for developed nations and, most recently, the 2016 Paris Agreement, which extended the potentially binding set of emissions targets to all nations. The Climate Change Act (RA No. 9729) and its Implementing Rules and Regulations (Administrative Order No. 2010-01) provide for a framework for integrating the concept of climate change, in synergy with disaster risk reduction, with policy formulation, development plans, poverty reduction strategies and other development tools and techniques. RA No. 10174 amended the Climate Change Act and established the People's Survival Fund to provide long term finance streams to enable the Government to combat the effects of climate change. The enactment of comprehensive legislation focusing on GHG emissions could adversely affect the Group due to the energy usage involved in the mining process, which can make it uncompetitive in regions with high energy prices.

Although this has not yet presented a significant challenge for the Group's operations, any changes in laws and policies, including in relation to carbon pricing, GHG emissions, energy efficiency or restricting the Group's access to or use of diesel as an energy source, could adversely affect the Group. Further, its compliance with any new environmental laws or regulations, particularly relating to GHG emissions, may require significant capital expenditure or result in the incurrence of fees and other penalties in the event of noncompliance. Shifts in commodity demand may also arise in response to climate risks and opportunities, including a potential decrease in demand for NPI and nickel. It should be noted however that with the Board approval of the Company's ESG Roadmap in November 2021 and subsequently the creation of Sustainability Committee of the BOD and appointment of a Chief Sustainability Officer in August 2022, it has taken steps to account for its GHG emissions and to set science-based reduction targets.

There can be no assurance that future legislative, regulatory, international law, industry, trade, or other developments will not negatively impact its operations and the demand for the NPI that the Group sells. In addition, the Group may be subject to activism from environmental groups and organizations campaigning against its mining and NPI processing activities, which could affect its reputation and disrupt the Group's operations. If any of the foregoing were to occur, the Group's business, financial condition and results of operations may be adversely affected.

Risks Related to the Group's Power Business and Industry

The Group's power generation businesses are exposed to the risks inherent in the Philippines energy market

The Group's prospects and results of operations are highly dependent on the success of the Philippine energy market. Many factors contribute to the fluctuations in demand and prices of energy in the Philippines, including the general demand and supply of energy, season and weather conditions, transmission capacities and upgrades, generation mix, increase and decrease in the economic activity, inflationary pressures, government policies with respect to the procurement of renewable energy and tax incentives.

There can be no assurance that the Philippine energy market will stabilize or continue to expand. Reduced levels of economic growth, adverse changes in the country's political or security conditions, or weaker performance of or slowdown in industrial activities may adversely affect the demand for, and price of, energy generated by the Group's power plants. In particular, the global economic downturn resulting from the COVID-19 pandemic has resulted in an economic slowdown and negative business sentiment, which may continue to affect the outlook on the Philippine energy market, which could materially and adversely affect the Group's results of operations. Moreover, the Group cannot foresee when the disruptions to industrial or business activities caused by the outbreak of COVID-19 will cease.

The operations of the Group's power projects are subject to significant government regulations, and the Group's margins and results of operations could be adversely affected by changes in the law or regulatory schemes

Power operations and activities are subject to extensive laws and regulations. These relate to development, labor standards, occupational health, protection and remediation of the environment, power safety and other matters. Power companies are required to comply with regulations relevant to the power industry as implemented by agencies like the DOE, ERC, Board of Investments, DOLE, DENR, Department of Agrarian Reform, NCIP, Bureau of Internal Revenue, NGCP, Independent Electricity Market Operator of the Philippines, Philippine Electricity Market Corporation, distribution utilities/electric cooperatives, SEC and LGUs. The Group has been able to satisfactorily comply on time with regulatory requirements and considers these activities and the commensurate risks for non-compliance as manageable and will not result in a material adverse impact on the Group's business, results of operations and financial condition. The Group's inability to predict, influence or respond appropriately to changes in law or regulatory schemes, or any inability or delay in obtaining or renewing permits for any facilities, could adversely impact its results of operations and cash flow. Furthermore, changes in laws or regulations or changes in the application or interpretation of laws or regulations in jurisdictions where power projects are located, could adversely affect the Group's business, including, but not limited to:

- adverse changes in tax law;
- change in existing subsidies and other changes in the regulatory determinations under the relevant concessions;
- other changes related to licensing or permitting which increase capital or operating costs or otherwise affect the ability to conduct business; or
- other changes that have retroactive effect and/or take account of revenues previously received and expose power projects to additional compliance costs or interfere with its existing financial and business planning.

Any of the above events may result in lower margins for the affected businesses, which could adversely affect the Group's results of operations.

The Group's uncontracted energy output is currently subject to electricity spot market prices as a price taker in the solar energy business, which can result in fluctuations in the Group's net income

The implementation of the EPIRA has paved the way for a more independent and market-driven Philippine power industry. This has allowed for competition, not limited by location, and driven by market forces. The sale of power and the dispatch of power plants depend on the ability to offer competitively priced power supply to the market. However, as a registered renewable energy generating unit with intermittent renewable energy resources, JSI's solar power plant is classified as "must dispatch" based on available energy and enjoys the benefit of priority dispatch to the grid and WESM. Thus, in the sale of uncontracted solar energy in the spot market, JSI is a price taker and must accept the prevailing price in the market in exchange for electricity. JSI's WESM sales are based on the spot market's 5-minute trading intervals and subject to varying prices. However, the majority of the solar energy output of JSI is contracted via multiple Retail Electricity Suppliers (RES) and is not subject to such changes and provide for a steady and predictable net income. The contracted capacities sold to the RES are negotiated with fixed tariffs. Only a portion of energy output is sold via WESM.

The Group may not be able to complete the construction or expansion of power projects as planned and the operations of its existing and planned power plant facilities could be adversely impacted

EPC arrangements with third-party contractors, which require substantial capital expenditures prior to and during the construction period, and the Group may take many months or several years before it generates positive cash flow through power generation for these projects. As a result, cash outflows due to land acquisition, construction costs and capital expenditure may not be recuperated for a long period of time. Meanwhile, the construction and development of such projects, as well as the time and costs required to do so, may be adversely affected by various factors, including, but not limited to:

- short term or extended delays in obtaining necessary zoning, land use, building, development and other required governmental and regulatory licences, permits and approvals;
- short term or extended delays due to relevant transmission line upgrade delays by the NGCP;
- construction risks, which may include delays in construction and cost overruns, whether from variation to original design plans or any other reason, infrastructure failures or latent design flaws;
- quality control issues;
- shortages or increase in the cost of construction and building materials, equipment as a result of rising commodity prices or inflation or otherwise;
- shortages of contractors and skilled labor;
- disputes with consultants or contractors over the quality of work and general performance and the need to take any remedial action so as to ensure the Group's projects are delivered to specification and consultants or contractors experiencing financial or other difficulties causing delay in performance of their work in relation to the Group's projects;
- disputes between general contractors and subcontractors, leading to a delay in their work performance on the Group's project;
- natural catastrophes;
- inclement weather conditions;
- unforeseen engineering, environmental or geological problems;
- defective materials or building methods; and
- financial difficulties by counterparties to a construction or construction-related contract.

The Group's strategy in developing, executing, and operating solar plants contains the following to mitigate potential risks:

- Development of projects to go through gated decisions wherein each step meets minimum technical and commercial requirements to ensure limited and manageable risks going forward especially those concerning land possessory rights, power interconnections, project technical and commercial feasibility, and permits/licenses.
- Work with best-in-class contractors in a manner that is practicable and responsive to market challenges, for development, EPC, and Operations and Maintenance (O&M) needs.
- Enter into turnkey EPCs with contractors that have dependable track records, have designed using best applicable technologies, have sourced Tier 1 components at competitive prices, have the industry presence and balance sheet to protect the Group's interests against supply chain constraints and disruptions.
- Each project shall have full-time personnel to oversee the construction works from beginning to end and ensure safety, schedule, cost, and risk mitigation targets are met.
- Each power facility shall have full-time personnel to handle the day-to-day operations, maintenance and administration including regulatory compliance and stakeholder relations. O&M activities to include preventive, predictive and corrective actions to ensure continuous safe operations of the facilities.

The Government may amend, revoke, reduce or eliminate subsidies and economic incentives for renewable energy projects, which could impact the profitability of the Group's solar plants and geothermal power plants

Because the power generation business of the Group includes solar energy generating projects, the Group's future profitability is affected by the support of the Government for the renewable energy sector. Under RA No. 9513 or the Renewable Energy Act of 2008, the National Renewable Energy Board is mandated to formulate and promulgate feed-in tariff system rules, which cover, among others, the following:

- priority connections to the grid for electricity generated from emerging renewable energy resources within the Philippines; and
- priority purchase and transmission of, and payment for, such electricity by the grid system operators.

The revocation, reduction, modification or elimination of government mandates and economic incentives could materially and adversely affect the growth of the renewable energy industry or result in increased price competition, either of which could cause the Group's revenues to decline and materially and adversely affect the Group's results of operations.

While the Group believes that solar power projects may continue to offer attractive internal rates of return, any changes that increase effective income tax rates may cause considerable downward pressure on the value of the Group's solar power plants. The Group believes that it is able to manage the foregoing risks as the development of new solar energy technologies for instance has resulted and will continue to result in higher capacity factor and lower capital expenditure for the development of solar power projects and will reduce the importance of government incentives and subsidies in making solar power projects attractive and viable investments in the future. However, there is no assurance that such technologies will continue to be developed, or that the Group will be able to take advantage of such technologies in the future without having to incur significant capital expenditure or at all. The Group also believes that any action by the Government to revoke any incentives will require a significant shift in policy, involving both executive and legislative branches of the Government, and extensive discussions with stakeholders in the renewable energy industry and the financial sector.

A decrease in the cost-competitiveness of solar energy, the development of new technologies to generate solar power and changes to Government laws and applicable rules and regulations may expose the Group to stranded-asset risk

As the Group's power generation business includes the operation of solar power plants, the Group is subject to risks inherent in the solar power generation industry. These risks include the reduction or removal of subsidies and economic incentives for solar energy, the loss of tax exemptions and incentives, new technological innovations, and changes to societal attitudes about existing solar energy generation technologies. There can be no assurance that reduced Government support of the solar energy industry, the adoption of new technologies, changes to environmental laws and regulations or other developments in the future will not result in the Group having to incur additional capital expenditures or operating expenses to upgrade, supplement or relocate their solar energy generation projects. In particular, developments in the downstream energy sector, such as in residential solar photo-voltaic technologies and electricity storage, could materially and adversely affect the growth of those renewable energy companies and consequently materially and adversely affect the Group's results of operations. Thus, a significant portion of the captive market may shift away from solar power plants utilizing existing solar power generation technologies towards those relying on other types of renewable energy technologies or even non-renewable energy sources, which may expose the Group's solar power generating assets to stranded-asset risk (i.e., the hazard of an asset suffering from an unanticipated write-down, devaluation, or conversion to liability).

The Group's power plants are exposed to unscheduled, unplanned and prolonged internal and external outages resulting in potential loss in revenues

Unscheduled or unplanned internal plant outages refers to unexpected breakdown of major equipment resulting in substantial or total power plant shutdown until such equipment is replaced or restored. On the other hand, unscheduled external outages refer to electricity grid outages at the regional or national level that disrupt the transmission of electricity and could result in curtailment of energy offtake below expected levels. For example, there could be failures in the transmission towers, power conductors or insulators of distribution utilities. The occurrence of any prolonged unscheduled internal or external outages would reduce the revenue of the Group's power plants, which could result in a material adverse effect on the Group's business, prospects, financial condition, results of operations and cash flows.

Each power plant has and shall have full-time personnel to handle the day-to-day operations and maintenance activities, including preventive, predictive and corrective actions to ensure continuous safe operations of the facilities. Furthermore, spare parts for critical equipment are on-hand at the site and agreements with Original Equipment Manufacturers to keep the same parts in stock are in place to ensure quick return to service from unplanned internal outages.

The Group's power generation business may be unable to maintain sufficient operating cash for maintenance and other similar costs of power plants, and such businesses' operating cash may be insufficient to cover necessary costs of the Group's power plants

The Group expects to keep its power plants in good working order. Accordingly, the Group may from time to time expend funds to complete routine maintenance, as well as extraordinary maintenance, in the event of damage from weather disturbances such as typhoons, earthquakes, floods or from other unforeseen events.

However, there can be no guarantee that the Group will be able to maintain operating cash at the desired level or that the Group's operating cash will be sufficient to cover maintenance and other similar costs in the event of an extraordinary occurrence. Insufficient operating cash may have an adverse effect on the Group's business, prospects, financial condition, and results of operations.

The loss of the Group's key customers could have an adverse effect on the Group's financial condition and results of operations

The Group's diesel power plant's only customer is SURNECO. Although the revenues of the Group would be reduced should SURNECO become bankrupt or insolvent or should there be any other material disruption to SURNECO's business, such reduction in revenue is not expected to have any material effect on the Group's revenues. In addition, if a key customer decides not to renew its PSA or to terminate its PSA before it expires, the financial condition and results of operations of the Group may be adversely affected.

JSI's operations are affected by seasonal weather changes

JSI's revenues are directly correlated to the amount of electricity generated and sold by its solar power plant, which in turn is dependent upon irradiance and weather conditions generally. Irradiance and weather conditions have natural variations from season to season and from year to year and may also change permanently because of climate change or other factors.

Risks and delays relating to the development of greenfield power projects could have a material adverse effect on the Group's operations and financial performance

The development of greenfield power projects involves substantial risks that could give rise to delays, cost overruns, unsatisfactory construction or development in the projects. Such risks include the inability to secure adequate financing, inability to negotiate acceptable offtake agreements, and unforeseen engineering and environmental problems, among others. Any such delays, cost overruns, unsatisfactory construction or development could have a material adverse effect on the business, financial condition, results of operation and future growth prospects of the Group.

For the Group's power projects under development, the estimated time frame and budget for the completion of critical tasks may be materially different from the actual completion date and costs, which may delay the date of commercial operations of the projects or result in cost overruns. For example, due to the impact of COVID-19 and related travel and movement restrictions in the Philippines, construction of certain renewable energy projects in the country, including the Group's projects, were interrupted, resulting in a delay in commercial operations date.

The Group is expanding its power generation operations and there are projects in its energy portfolio under construction. These projects involve environmental, engineering, construction, and commission risks, which may result in cost overruns, delays or performance that is below expected levels of output or efficiency. In addition, projects under construction may be affected by the timing of the issuance of permits and licenses by government agencies, any litigation or disputes, inclement weather, natural disasters, accidents or unforeseen circumstances, manufacturing and delivery schedules for key equipment, defect in design or construction, and supply and cost of equipment and materials. Further, project delays or cancelations or adjustments to the scope of work may occur from time to time due to incidents of force majeure or legal impediments.

Depending on the severity and duration of the relevant events or circumstances, these risks may significantly delay the commencement of new projects, reduce the economic benefit from such projects, including higher capital expenditure requirements and loss of revenues, which in turn could have a material adverse effect on the Group's business, prospects, financial condition, results of operations and cash flows.

Grid curtailments may limit the generation capacity of power projects
From time-to-time, national grid operators curtail the energy generation for a number of reasons, including to match demand with supply and for technical maintenance reasons, including as a result of grid infrastructure that is not up to international standards. In such circumstances, a power project's access to the grid and thus its generation capacity can be reduced. Such reductions result in a corresponding decrease in revenue, which if prolonged or occur frequently could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is reliant on existing power transmission infrastructure operated by NGCP
The Group is reliant on existing power transmission infrastructure operated by NGCP. Generally, in respect of the distribution of electricity from a power plant to the customer in the Philippines, the governing law is EPIRA which segregates and privatized generation, transmission, and distribution. The generator declares its available capacity and bids "blocks" of energy generation to the grid which is operated by NGCP as transmission system operator. The WESM, through a price stacking mechanism, determines the required energy volume (by stacking demand from distribution utilities and directly connected loads) gives a dispatch signal to all plants. The energy is transmitted via high voltage lines to distribution utilities and electric cooperatives which through lower voltage lines and transformers, transmit electricity to consumers.

Risks Related to the Group

The interests of joint venture partners for the Group's various projects may differ from the Group's
A joint venture involves special risks where the joint venture partner may have economic or business interests or goals inconsistent with or different from the Group's. The joint venture partner may also take actions contrary to the Group's instructions or requests, or in direct opposition to the Group's policies or objectives with respect to the Group's investments, or the joint venture partner may not meet its obligations under the joint venture arrangements. Disputes between the Group and its joint venture partners could arise after significant capital investments in a project have been made, which could result in the loss of some or all of the Group's investment in the project. The Group's reliance on joint venture arrangements could therefore have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may experience reduced liquidity and difficulty in obtaining future financing
The further development and exploration of mineral properties in which the Group holds interests or which the Group acquires may depend upon the Group's ability to obtain financing through joint ventures, debt financing, equity financing or other means. For instance, the Group may seek a joint venture partner in connection with the exploration of the Group's gold and copper exploration properties. There is no assurance that the Group will be successful in obtaining required financing as and when needed. Volatile nickel markets may make it difficult or impossible for the Group to obtain debt financing or equity financing on favorable terms or at all. The Group's principal operations are located in, and its strategic focus is on, the Philippines, a country that has experienced past economic and political difficulties and may be perceived as unstable. This may make it more difficult for the Group to obtain debt or equity financing. Failure to obtain additional financing on a timely basis may cause the Group to postpone development plans, forfeit rights in the Group's properties or joint ventures or reduce or terminate the Group's

operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on the Group's business, financial condition, results of operations and prospects.

The Group's strategic acquisitions may be unable to realize the anticipated benefits of such acquisitions, and the Group's growth strategy may not be achieved

Historically, the Group has expanded the Group's business through selective, complementary acquisitions, and the Group intends to continue to evaluate acquisition opportunities with complementary mining operations or exploration and development prospects as they arise. Acquisitions involve a number of risks, including misevaluation of acquired assets, especially with respect to the quantity and quality of ore reserves and resources, diversion of management's attention, failure to retain key acquired personnel and clients, unanticipated events or circumstances, legal liabilities and amortization of acquired intangible assets, some or all of which could harm the Group's results of operations and financial condition.

Continued compliance with safety, health and environmental laws and regulations may adversely affect the Group's business, results of operations and financial condition

The Group expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements drawn from a number of different jurisdictions. The Group anticipate that it will be required to continue to do so in the future as the recent trend towards stricter environmental laws is likely to continue. The possibility of more stringent laws or more rigorous enforcement or new judicial interpretation of existing laws exists in the areas of worker health and safety, the disposition of waste, the decommissioning and rehabilitation of mining sites and other environmental matters, each of which could have a material adverse effect on the Group's exploration, operations or the cost or the viability of a particular project.

The Group's facilities operate under various operating and environmental permits, licenses and approvals that contain conditions that must be met and the Group's right to continue operating the Group's facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties, all of which could have an adverse impact on the Group's business, results of operations and financial condition.

Cost pressure and inaccessibility of raw materials and supplies, including natural gas, diesel fuel, electric power, water, tires or other key inputs, could negatively impact the Group's operating margins

The Group's operations are resource intensive and, as a result, its costs and operating margins could be materially and adversely affected by the lack of availability or increased cost of energy (including electric power), water, fuel (including natural gas and diesel fuel), or other key inputs. The Group buys diesel fuel from Petron Corporation and Phoenix Petroleum Philippines, Inc., and heavy mining equipment such as trucks and excavators from four manufacturers, Volvo, Isuzu, Caterpillar and Komatsu, through their Philippine distributors. In addition, the Company leases LCTs for use at its mine sites during the shipping season. The Company believes that there are a number of alternative suppliers for all of its requirements. For its operations and maintenance, JSI buys spare parts from local and imported manufacturers and buys fuel from a gas station inside SBFZ for its vehicles and standby generator.

The Group may experience interruptions to the supply or increases in prices of electric power, water, diesel fuel or natural or compressed natural gas due to a variety of factors beyond the Group's control, including fluctuations in climate, inadequate infrastructure capacity, interruptions in supply due to effects of the COVID-19 pandemic, equipment failure or other causes and the inability to extend contracts with the Group's suppliers on acceptable terms or at all. As the prices for global seaborne iron ore are determined by the global commodity markets in which the Group operates, it does not generally have the ability to offset any increase in cost pressure through corresponding price increases on the iron ore sold by the Group. The inability to reduce costs sufficiently or expeditiously, or to obtain alternative inputs, could have a material adverse impact on the Group's operating margins for an extended period.

The Group's insurance coverage may not be sufficient to fully cover the risks related to the Group's operations and losses

The Group is not fully insured against all potential hazards incident to the Group's business and if any or all of the Group's mining facilities are damaged and the Group's operations are interrupted for a sustained period, there can be no assurance that the Group's insurance policies would be adequate to cover any or all of the losses that may be incurred as a result of such interruptions or the costs of repairing or replacing the damaged facilities.

The Group's property insurance does not cover acts of terrorism and, in the event of a terrorist attack, the Group's facilities could be damaged or destroyed and the Group's operations curtailed. In recent years, most insurers have created exclusions for losses from terrorism from "all risk" property insurance policies. In the event of a terrorist attack, explosion or other accident impacting one or more of the Group's facilities, the Group could lose sales from the facilities and the facilities themselves. The Group does not carry business interruption insurance. Losses incurred or associated liabilities not covered by the Group's insurance policies could have a material and adverse effect on the Group's business, results of operations and financial condition.

The Group's success depends on the Group's ability to attract and retain qualified personnel and to maintain satisfactory labor relations

Recruiting and retaining qualified personnel is critical to the Group's success. Nickel mining is a labor-intensive industry, and the number of persons skilled in the acquisition, exploration and development of mining properties in the Philippines is limited and competition for such personnel is intense both from within and outside the Philippines. Moreover, efficient management and operations are vital to ensuring that the renewable energy production potential of the Group's power plant is effectively harnessed, optimized, efficiently and fully delivered. To achieve this, the Group has and will continue to require the services of seasoned power plant operations and maintenance managers and their respective teams of qualified personnel. The majority of the members of the Group's senior management team have been involved in the Group's business operations for many years and the loss of key executives could adversely impact the Group's business. As the Group's business grows, it will require additional key financial, administrative, and mining personnel as well as additional operations staff.

Employees from CMC, HMC, RTN, TMC have labor unions. Employees from the Group's renewable energy companies do not have labor unions. While the Group believe that the Group has, in general, good relations with the Group's employees and unions, the Group is subject to union demands for pay rises and increased benefits from time to time. There can be no assurance that work stoppages or other labor-related disputes, demands for increased wages or other terms or other developments will not occur in the future. Any significant labor dispute or labor action that the Group experiences could have a material adverse effect on the Group's business, results of operations and financial condition.

Item 2. PROPERTIES

A. MINING PROPERTIES AND PERMITS

Below is a summary of the Group's mineral agreements and permits, mineral resources and reserves and processing facilities with respect to its mining operations.

RIO TUBA NICKEL MINING CORPORATION

<u>Rio Tuba Mine</u>

MPSA No. 114-98-IV- Amended I - RTN's nickel laterite deposit covering 4,538 hectares, was renewed for another 25 years on December 2, 2021, subject to the conditionality on the issuance of the Certification Precondition from the NCIP. The consent process culminated to MOAs on August 29, 2021 and March 19, 2023 between RTN, the NCIP, and the ICCs/IPs of the Municipality of Bataraza and Rizal, respectively. Furthermore, planned activities within the areas covered by the MOAs were allowed to commence.

MPSA No. 213-2005-IVB for RTN's Limestone Quarry - The MPSA was issued on April 28, 2005 with a validity of 25 years covering 85 hectares. This MPSA covers the Sitio Gotok limestone quarry, whereby limestones are being sold to CBNC and other customers. It has an ongoing application to expand its 13-hectare ECC by another 47 hectares, all within the approved MPSA.

HINATUAN MINING CORPORATION

A. <u>Taganaan Mine</u>

MPSA 246-2007-XIII - On July 25, 2007, HMC was granted a MPSA covering 774 hectares of mineral land in Hinatuan Island, Barangay Talavera, Taganaan, Surigao del Norte within Parcel II of the Surigao Mineral Reservation for a period of 25 years renewable for another 25 years subject to mutually agreed upon terms and conditions.

Based on the revised life-of-mine plan, the mine life of the Taganaan mine is expected to last until 2026. Recent market price improvements allowed HMC to dispose of lower-grade materials that were previously considered non-marketable at a profit, effectively extending the mine's life. Moreover, review of HMC's mineral reserves modifying factors allowed for adjustments to the site's mine production plans which yielded increases in the total mineable reserves. Additional studies regarding the feasibility of shipping out lower-grade ores, as initiated by the Group, are also underway and could potentially further lengthen the mine's life if proven to be feasible.

B. <u>Manicani Mine</u>

MPSA No. 012-92-VIII - The Manicani mine is subject to MPSA No. 012-92-VIII granted on August 13, 1992 for 1,165 hectares. It has a term of 25 years and is renewable for another term not exceeding 25 years subject to mutually agreed upon terms and conditions.

On May 1, 2002, the DENR ordered the suspension of mining operations in Manicani pending a conduct of investigation in view of the complaints of the Roman Catholic Bishop. In a decision dated August 2, 2004, an arbitral panel of the Mines Adjudication Board, MGB Region 8, the MPSA was ordered cancelled. The basis for the decision of the Board was the alleged violation of the ECC. As a result, mining operations in Manicani remain suspended. The mining operations were found by the Board to be causing pollution of the seawater of Manicani Island. A Memorandum of Appeal dated December 23, 2004 was filed by HMC and its MPSA was upheld by the Mines Adjudication Board on September 4, 2009. Incidentally, a Letter of Authority to Dispose Nickel Stockpile was issued by MGB on July 1, 2014. From May to August of 2016, 5 shipments were realized for the disposal of said stockpiles, after which, shipments were suspended by MGB. This left behind almost 900,000 WMT of stockpiles which were already approved for disposal.

On May 23, 2016, HMC applied for the renewal of its MPSA in Manicani which expired on October 28, 2017. On March 2, 2022, the DENR approved the renewal of the MPSA extending the first 25-year term for another 15 years from the date of approval.

TAGANITO MINING CORPORATION

A. <u>Taganito Mine</u>

MPSA No. 266-2008-XIII SMR Amended - TMC was granted a MPSA on June 18, 2009 for a period of 25 years subject to renewal as may be mutually agreed upon. The MPSA covers an area of 4,863 hectares located at the Barangays of Hayanggabon, Urbiztondo, Taganito and Cagdianao, Municipality of Claver, Province of Surigao del Norte.

B. <u>Kepha Exploration</u>

MPSA No. 284-2009-XIII - On June 19, 2009, Kepha was issued a MPSA covering 6,981 hectares of mineral land situated in the Municipality of Claver, Province of Surigao del Norte within Parcel I of the Surigao Mineral Reservation. The MPSA is for a period of 25 years and renewable for another 25 years as may be mutually agreed upon by the parties.

The terms and conditions of this MPSA mirror the terms of MPSA No. 266-2008-XIII SMR Amended granted to TMC.

An Operating Agreement dated February 14, 2007 was executed by and between TMC and Kepha for a term of 25 years from February 14, 2007, whereby TMC shall maintain the mining rights covering the mineral property in good standing for and on behalf of Kepha.

During the validity of the MPSA, the ICCs of CADT 048 sent a resolution to NCIP to revise the MOA of Kepha to include ICC groups in CADT 048 that were not previously included and to renegotiate some provisions in the MOA. The revised MOA was agreed upon and signed on November 29, 2021 and is at the level of the NCIP Regional Office 13 for review and will be subsequently endorsed to the NCIP Central Office for deliberation and approval.

CAGDIANAO MINING CORPORATION

Cagdianao Mine

MPSA No. 078- 97- XIII - On November 19, 1997, East Coast was granted a MPSA for a period of 25 years and renewable upon such terms and conditions as may be mutually agreed upon. The MPSA covers an area of 697 hectares situated at Barangay Valencia, Municipality of Cagdianao, Province of Dinagat Islands, Surigao del Norte.

On the same date, a MOA was executed between CMC, as Operator, and East Coast for a period of 10 years from the effectivity of the MOA whereby East Coast grants CMC the exclusive right to explore, develop and utilize the mineral property covered by the MPSA. On November 19, 2007, the MOA was renewed for a period of 15 years, covering the remaining term of the MPSA. On December 18, 2015, a Supplemental Agreement was executed by CMC and East Coast, providing for, among others, an automatic renewal of the MOA for another 25 years, or from 2022 to 2047.

On March 2, 2022, the DENR approved the renewal of the MPSA No. 078-97-XIII (SMR) for another 25-year term commencing from November 19, 2022 subject to the same terms and conditions provided in the initial 25-year term of the MPSA.

DINAPIGUE MINING CORPORATION

On July 30, 2007, PGMC and the Government entered into a MPSA, which allows PGMC to explore, develop and mine nickel ore within the contract area covering 2,392 hectares in the Municipality of Dinapigue, Province of Isabela.

On January 6, 2009, PGMC and DMC executed a Deed of Assignment transferring to DMC all the rights, title and interest in and into the MPSA over the contract area.

Under the MPSA, DMC shall pay the Government a 4% excise tax. The MPSA is valid for 25 years from issuance and renewable at the option of DMC, with approval from the Government.

CORDILLERA EXPLORATION CO., INC.

A. Marian

The area covers 6,325 hectares in Cordon, Isabela and Diadi, Nueva Vizcaya. It was converted from APSA-000021-II upon execution of a Deed of Assignment with Royalty Agreement by and between Marian and Olympus and CExCI. The application was denominated as EXPA-000166-II and approved last December 2022. It was submitted to MGB Region 2 for registration and assignment of EP number. Exploration activities will commence once EP has been issued.

B. Mankayan

Denominated as EXPA-116-CAR, it is in the Municipalities of Mankayan and Bakun in the Province of Benguet, covering an area of 5,157 hectares. The 2 areas were separated due to the difference in the progress of the FPIC process. CExCI is currently working under a Motion for Reconsideration in the Mankayan AD after the Mankayan AD-Wide Decision-Making in December 2021 resulted into a Resolution of Non-Consent. The next Consensus Building and Decision Meeting of Mankayan AD is set next. In the interim, CExCI is continuously engaging the communities of Mankayan.

The Bakun AD gave their consent on the Consensus Building and Decision Meeting to the proposed exploration project last March 2022. Negotiations for the MOA commenced immediately but was stopped after 2 meetings due to FPIC-related issues raised by some members of the community. CExCI together with the NCIP is continuously engaging the impact communities to facilitate the resumption of the MOA negotiations.

C. Cervantes

The area covering 6,012 hectares and located in Cervantes, Ilocos Sur is denominated as EXPA-116-I. The MOA negotiations and Strategic Agricultural and Fisheries Development Zones survey were postponed as advised by the LGU of Cervantes to give way to the May 2022 elections. CExCI continues to engage with the NCIP in Region I and various stakeholders for the start of the MOA negotiations.

D. Mountain Province and Benguet

This covers 3 areas within CAR which were officially converted from AFTA-008 on December 17, 2020 and were denominated as follows: EXPA No. 119 (Besao) with an area of 3,645 hectares in Besao and Tadian, Mountain Province; EXPA No. 120 (Bedbed) covering an area of 2,835 hectares in Mankayan, Benguet and Tadian, Mountain Province; and EXPA No. 121 (Sadanga) covering an area of 5,751 hectares in Bontoc and Sadanga, Mountain Province. The applications will be withdrawn in 2023 based upon the recommendation of an external consultant who showed that it is difficult to acquire a social license to operate in the areas.

E. Aluling

Situated in Cervantes, Ilocos Sur, it covers an area of 2,835 hectares. Its conversion to EXPA has been approved by MGB Region 1 and denominated as EXPA-123-I. Activities for Aluling, if warranted, will be deferred until after the conclusion of the MOA negotiations in Cervantes.

NEWMINCO PACIFIC MINING CORPORATION

Newminco, which was acquired by CExCI in December 2015, holds an EP for copper, gold, and related base and precious metals denominated as EP 001-2015-III. It covers an area located in Cabangan, San Felipe, and San Marcelino in the province of Zambales. The decision to acquire Newminco was made following the discovery of outcropping quartz veins, the sampling of which in part returned good assays for gold.

The second year of EP-001-2015-III from first renewal until its expiry was spent on the review of data for the different prospects within the tenement. The second renewal of EP 001-2015-III was approved last September 2022. A drone magnetic survey was conducted and completed in December 2022.

B. MINERAL RESOURCES AND RESERVES

As of December 31, 2022, the Group's Total Mineral Resources and Ore Reserves in accordance with PMRC are as follows:

Ore	Class	Tonnes (kWMT)	Tonnes (kDMT)	% Ni	% Fe	Contained Ni (kt)
*Ore Reserves**						
CMC						
Saprolite	Proved and Probable	4,779	3,107	1.44	17.25	45
Limonite		6,871	4,466	1.09	37.50	48
TMC						
Saprolite	Proved and Probable	40,160	27,762	1.39	11.52	386
Limonite		80,089	53,659	0.99	45.79	533
RTN						
Saprolite	Proved and Probable	37,232	25,190	1.46	14.10	368
Limonite		37,093	26,138	1.14	35.83	298
HMC						
Saprolite	Proved and Probable	4,455	3,029	1.37	18.41	41
Limonite		2,090	1,421	0.93	49.01	13
DMC						
Saprolite	Proved and Probable	33,540	21,801	1.41	15.19	306
Limonite		27,020	17,563	1.02	46.41	179
*Mineral Resources***						
Saprolite	Measured and Indicated	159,795	103,449	1.45	14.86	1,504
Limonite		235,778	151,325	1.03	43.29	1,561
Saprolite	Inferred	32,583	20,710	1.38	15.45	285
Limonite		7,581	4,846	1.03	39.35	50

** The ore reserves estimates were prepared by Engr. Franciso J. Arañes Jr., Resident Mine Manager - CMC; Engr. Artemio E. Valeroso, Resident Mine Manager - TMC; Engr. Ronelbert A. Suguitan, Resident Mine Manager - RTN; and Engr. Rolando R. Cruz, Vice President - Nickel Mining Business. They are Competent Persons under the definition of the PMRC and have sufficient experience as to the type of deposit and mineralization. They are licensed mining engineers with Professional Regulation Commission registration numbers 2305 (Engr. Arañes), 2641 (Engr. Valeroso), 2534 (Engr. Suguitan) and 1803 (Engr. Cruz). They have given their consent to the attachment of this statement to the 17-A 2022 Annual Report concerning Ore Reserve Estimation.*

*** The mineral resources estimate was prepared by Ms. Kristine Grace C. Victoria, Assistant Vice President - Geologic Management. Ms. Victoria is a Competent Person under the definition of the PMRC and has sufficient experience as to the type of deposit and mineralization. She is a licensed geologist with License number 1721. She has given her consent to the attachment of this statement to the 17-A 2022 Annual Report concerning Mineral Resources Estimation.*

C. PROCESSING FACILITIES

CBNC

Facility	Coral Bay HPAL nickel processing plant
Location	In a Special Economic Zone adjacent to Rio Tuba mine
Ownership	NAC (15.62%) SMM (84.38%)
Operations	Commissioned in 2005 with design capacity of 10,000 tonnes per year of contained nickel. Capacity doubled to 20,000 tonnes per year of contained nickel in June 2009 and attained annual capacity of 24,000 tonnes in 2010 due to facility expansion.
Technology	HPAL process
Source of ore	Rio Tuba mine, Cagdianao mine and Dinapigue mine
Product	Nickel-cobalt sulfide sold exclusively to SMM

The Company acquired its 10% equity interest in CBNC, the Philippine's first HPAL nickel processing plant, by way of property dividend distributed by RTN in March 2014. In 2022, the Company purchased additional common shares of CBNC from SMM thereby increasing its equity ownership to 15.62%. SMM holds the remaining 84.38% equity interest. The plant was constructed adjacent to the Rio Tuba mine in an area designated as a Special Economic Zone by the Philippine Export Zone Authority (PEZA). As such, CBNC enjoys tax incentives, including a tax holiday. Most of the limonite ore required by the plant is supplied by RTN from its extensive stockpile and from newly mined ore. RTN also supplies limestone. The plant produces a nickel sulfide precipitate containing approximately 57% nickel and 4% cobalt, which is sold exclusively to SMM for refining at its Nihama refinery. The facility uses proprietary SMM technology under a non-exclusive license.

THNC

Facility	Taganito HPAL nickel processing plant
Location	In a Special Economic Zone adjacent to the Taganito mine
Ownership	NAC (10%) SMM (75%) Mitsui and Co., Ltd. (Mitsui; 15%)
Operations	Commenced commercial operations at full capacity in October 2013; with annual capacity of approximately 30,000 tonnes of mixed nickel-cobalt sulfide over an estimated thirty (30) year project life
Technology	HPAL process
Source of ore	Taganito mine
Product	Nickel-cobalt sulfide sold exclusively to SMM

Following the success of the Coral Bay HPAL facility and taking into account the stockpile and reserves of limonite ore owned by TMC, SMM conducted a feasibility study in September 2009 on a 30,000 tonnes-per-year HPAL plant to be located adjacent to the TMC mine site. The completion of the study led to the signing of a Memorandum of Understanding (MOU) in September 2009 between NAC, TMC, and SMM to proceed with the project. The Company expects that the plant will use technology similar to that used at the Coral Bay HPAL facility but will be triple the original size of the Coral Bay plant. TMC is expected to supply all the limonite ore required for the plant and the nickel-cobalt sulfide product will be sold exclusively to SMM for refining in Japan.

Pursuant to the Taganito HPAL Stockholders Agreement that NAC entered into on September 15, 2010, the project will be undertaken by THNC, a company that will be jointly owned by NAC (as to 22.5%), SMM (as to 62.5%) and Mitsui (as to 15%). The agreement contains a term sheet with principal terms of an offtake agreement to be entered into between THNC and TMC for the supply of limonite ore. Similar to the Coral Bay HPAL facility, the plant is located in a Special Economic Zone approved by the PEZA and enjoy tax incentives. The operation of the facility provides an additional dedicated customer for limonite ore from our Taganito mine which allows us to benefit from the higher percentage of payable nickel available further downstream in the nickel value chain.

The estimated total cost is US$1.7 billion, which includes capital expenditures of US$1.6 billion for the plant, working capital and US$100.0 million of interest accrued during the construction phase. Under the terms of the Stockholders Agreement, we will be required to guarantee a portion of such debt financing equal to our 22.5% equity interest in THNC. On September 15, 2010, we entered into an agreement with SMM whereby SMM will guarantee our pro-rata portion of THNC's loan obligation in exchange for the payment of an annual guarantee service fee to SMM of 1% of our pro-rata share of the outstanding loan obligation.

In 2016, we made a strategic decision to reduce our ownership in the Taganito HPAL plant from 22.5% to 10%, the same equity level that we have then in the Coral Bay plant. The reduction in our equity was achieved by a sale of shares to the majority owner of the plant and one of the major shareholders, SMM. In line with NAC's equity reduction in THNC, NAC and SMM also agreed to reduce the guarantee service fee rate from 1% to 0.60%.

D. REAL PROPERTIES

TMC owns the following parcels of land located in Surigao City:
1) a parcel of land with a total area of 43,237 square meters in Barangay Rizal and with Transfer Certificate of Title (TCT) No. 162-2011000392; and
2) a parcel of land with a total area of 88,640 square meters in Barangay Ipil and with TCT No. 162-2012000481, which is intended for leasing to THNC in the future

Likewise, HMC owns a parcel of land with a total area of 3,500 square meters located in Barangay Luna, Surigao del Norte under TCT No. 162-2013000096. HMC constructed a building on the said land which is currently being used as a liaison office of the Group's mining companies in Surigao.

NAC owns a parcel of land with a total area of more or less 20,000 square meters which is located in Barangay Quezon, Surigao del Norte. NAC constructed its diesel power plant on the said land.

MGPC has purchased some 48 hectares of its geothermal project site in Naujan, Oriental Mindoro.

E. SERVICE CONTRACTS

The Group's power companies hold the following service contracts:

Solar Energy Service Contract No. 2013-10-039
On October 31, 2013, JSI entered into a SESC with the DOE. The SESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan, which is part of the SBFZ. The SESC is for a period of 25 years, inclusive of a 2 year pre-development stage, and renewable for another 25 years. The government share under the SESC shall be 1% of the gross income from the sale of electricity generated from the solar energy operations.

On August 28, 2015, JSI was granted a Certificate of Confirmation of Commerciality by the DOE for its 100MW Solar Project located in Mt. Sta Rita, SBFZ. The certificate converts the project's SESC from exploration/pre-development stage to the development/commercial stage.

On March 11, 2016, JSI's Certificate of Confirmation of Commerciality originally rated for the 100MW was amended by DOE to 7MW and 93MW Solar Project Phase 1 and 2, respectively.

JSI commenced operation in May 2016.
On April 11, 2017, JSI applied to the DOE for the amendment of the Amended Confirmation of Commerciality rated 7MW and 93MW to 32MW (consolidating Phase 1 at 7MW and Phase 2 at 25MW) and 68MW as Phase 3 based on JSI's progress on the EPC revised timetable.

On January 20, 2021, the DOE issued the Amended Confirmation of Commerciality No. SCC-2015-09-021-B to develop, operate and maintain the 100MW Bataan Solar Project (Phase 1 - 7MW; Phase 2 - 25MW; Phase 3A - 30MW and Phase 3B - 38MW).

Solar Energy Operating Contract No. 2021-01-577
In February 2020, JSI applied for a second 100MW solar service contract also located at the SBFZ.

On February 3, 2021, JSI entered into a SEOC with the DOE covering an area of 351 hectares, a portion of the area in SESC No. 2013-10-039, also located in Morong and Hermosa, Bataan. JSI secured from DOE a Certificate of Registration as RE Developer of 100MW / 86MW Subic New PV Power Plant Project.

On May 13, 2022, the DENR granted the request of JSI for the increase in capacity, from 150MW to 200MW solar capacity, and area, from 800 hectares to 815 hectares, located at Mt. Sta. Rita, SBFZ, with ECC Reference No. R03-1501-0043 amended on October 1, 2015.

In relation to this, JSI started the construction of Phase 4A - 72MW on November 25, 2022, with target start date of test and commissioning activity on November 1, 2023. Phase 4B - 28MW will start after the completion and energization of Phase 4A, which is estimated at around the last quarter of 2023 or the first quarter of 2024.

As of December 31, 2022, this project is still in the pre-development stage.

Geothermal Renewable Energy Service Contract No. 2016-02-060
GRESC No. 2010-02-013, which covers an approximate area of 3,914 hectares in the 3 barangays of Montelago, Montemayor and Melgar-B in Oriental Mindoro, involves the development of geothermal well clusters and a power plant. The steam extracted from the geothermal wells will power a geothermal power station with an output capacity of at least 20MW. Once completed, the addition of geothermal power into the present mix of Mindoro's electricity sources will have a stabilizing effect on the grid where the entire island is located.

The Project is in the exploration stage as at December 31, 2022.

As RE Developer, EPI undertakes to provide financial, technical, or other forms of assistance with the DOE, and agrees to furnish the necessary services, technology, and financing for the geothermal operations. EPI shall assume all financial risks such that if no geothermal resources in commercial quantity is discovered and produced, EPI shall not be entitled to reimbursement for any expenses incurred in connection with the GRESC.

Certificate of Registration No. 2014-02-054 shall remain in force for the remainder of 25 years from date of effectivity if geothermal resources in commercial quantity are discovered during the pre-development stage, or any extension thereof. Moreover, if EPI has not been in default in its obligations under the GRESC, the DOE may grant an additional extension of 25 years, provided that the total term is not to exceed 50 years from the date of effectivity.

On November 24, 2014, EPI and MGPC entered into a Deed of Assignment for the assignment of EPI's rights and obligations under the GRESC to MGPC. On December 5, 2014, EPI applied with the DOE to transfer the GRESC to MGPC. The DOE approved EPI's application on February 16, 2016 under Certificate of Registration No. 2016-02-060.
The Project is currently at the exploration phase and is expected to have an operating capacity of 40MW. The geothermal plant will supply electricity to Oriental Mindoro and Occidental Mindoro at 20MW capacity each.

On February 26, 2019, MGPC received the Confirmation of Commerciality for the 10MW Project from the Philippine Government, through the DOE.

On September 6, 2021, MGPC entered into a MOA with SRE on the conduct of flow test and resource assessment to demonstrate the commercial viability of the drilled production wells in the Montelago geothermal field. Should the flow test be successful based on MGPC engineer's assessment and overall viability of the project, SRE intends to participate as financial and technical partner of MGPC for the development of the modular geothermal power plant system.

As at December 31, 2022, the flow testing is expected to commence in the second quarter of 2023, and if successful, the first modular plant will be installed with a target power generation and operation of 2MW in the first quarter of 2024.

Geothermal Renewable Energy Service Contract No. 2010-02-010
By virtue of RA 9513 known as the Renewable Energy Act of 2008, on February 1, 2010, the DOE issued to BGI GRESC No. 2010-02-010, converting its Geothermal Services Contract (GSC-09) issued on July 10, 2008 for the exploration, development and exploitation of geothermal resources covering the geothermal field in Biliran Province (previously a municipality of Leyte). By virtue of such agreement, BGI is entitled to enjoy an income tax holiday for a period of 7 years from the start of its commercial operation, duty free importation of machinery for 10 years, and 0% VAT, among others.

On December 28, 2014, BGI received the Confirmation of Commerciality for the Biliran Geothermal Project from the DOE. There are a total of 8 wells drilled, with vertical, deviated or directional well tracks. BGI has continued to conduct activities for maintenance of the existing wells and secure the necessary permits and licenses related to the Project.

On July 24, 2021, BGI entered into a Project Funding, Build and Transfer Agreement with SRE for SRE to (i) finance, design, construct, install and transfer to BGI a geothermal powerplant in phases, using the existing geothermal wells and (ii) finance, design, construct, rehabilitate and upgrade the existing 13.2kV distribution lines of Biliran Electric Cooperative, Inc. for the purpose of evacuating power from the geothermal facility to the grid. The agreement is effective upon its signing and, unless earlier terminated or extended, shall be for a period of 25 years from the project's commercial operation date.

Geothermal Renewable Energy Service Contract No. 2017-03-056
On March 30, 2017, BGI entered into a GSC No. 2017-03-056 with the DOE. The GSC, dubbed as Biliran 2 Geothermal Power Project, covers an area of approximately 12,792 hectares in the municipalities of Kawayan, Almeria, Culaba and Naval in the province of Biliran. The GSC is for a period of 25 years, inclusive of a 5-year pre-development stage period and is renewable for another 25 years.

On April 3, 2020, BGI opted to convert its GSC in accordance with DOE's DC2019-10-001 which took effect on November 22, 2019. Pre-development stage shall now be for 7 years.

F. LIENS AND ENCUMBRANCES

Except for the property and equipment pledged as collateral for the loans of JSI with Industrial and Commercial Bank of China (ICBC) and Security Bank Corporation (SBC), there were no other property and equipment pledged as collateral for the Group's borrowings as at December 31, 2022.

Item 3. LEGAL PROCEEDINGS

In the ordinary course of the Group's business, its subsidiaries and affiliates are a party to various legal actions that are mainly labor cases that it believes are routine and incidental to the operation of its business. The Group does not believe that it is subject to any ongoing, pending or threatened legal proceeding that is likely to have a material effect on our business, financial condition or results of operations. However, there are a few cases that are now pending with the Courts.

<u>Asiacrest Marketing Corporation (Asiacrest) - First Integrated Bonding and Insurance Co. (FIBIC) Case</u>
On May 30, 2016, JSI filed a complaint against Asiacrest and FIBIC before the Construction Industry Arbitration Commission (CIAC), docketed as CIAC Case No. 23-2016, for Asiacrest's breach of its EPC Contract for the 100MW solar power plant in Subic. JSI sought to hold Asiacrest liable for amounts not to exceed ₱1,458.0 million. JSI sought to hold FIBIC, being the surety, which secured Asiacrest's performance of its obligation, jointly and severally liable to the extent of the value of the performance bond of ₱727.5 million. On March 10, 2017, the Arbitral Tribunal rendered a final award in JSI's favor. On March 29, 2017, JSI moved for the issuance of a writ of execution with the CIAC.

On March 23, 2017, FIBIC filed a Petition for Review with application for the issuance of a Temporary Restraining Order (TRO) with the Court of Appeals (CA) which was granted on April 10, 2017, conditioned upon FIBIC posting a bond equivalent to the award adjudged against it in the Final Award of CIAC. On April 18, 2017, FIBIC moved to reduce the injunction bond to 1% of the amounts adjudged against it under the Final Award, which was opposed by JSI on May 2, 2017.

In the meantime, the CIAC ordered the issuance of a writ of execution against Asiacrest on May 8, 2017, and against FIBIC on June 13, 2017. On July 10, 2017, the CA granted the Motion of FIBIC to reduce the bond and thereafter, August 10, 2017, issued a TRO to enjoin the execution of the Final Award. The TRO expired on October 9, 2017. On November 29, 2017, the CA denied FIBIC's application for a writ of preliminary injunction.

On December 29, 2017, JSI received FIBIC's Petition for Certiorari with the Supreme Court (SC). FIBIC contests the resolution of the CA denying its application for a writ of preliminary injunction. This Petition for Certiorari was denied by the SC for failure of FIBIC to show any reversible error in the CA Resolution. On June 6, 2018, the SC's resolution became final and executory and recorded in the Book of Entries of Judgments. The CA subsequently issued a Joint Decision on the merits of the Petition for Review of Asiacrest and FIBIC. The Joint Decision dismissing the said Petition for Review and affirmed the Final Award with some modifications (CA Decision). FIBIC filed a Petition for Certiorari in the SC assailing the CA Decision.

As of February 8, 2019, there is no court-issued TRO or writ of preliminary injunction which would serve to enjoin the execution of the Final Award, whether against Asiacrest or FIBIC. However, the Insurance Commission (IC) has placed FIBIC under conservatorship and on July 24, 2018, issued a Notice of Stay Order suspending all payment of claims against FIBIC effective August 3, 2018, except on prior approval by the IC or until further notice. Also, on January 21, 2019, CIAC issued an Order staying the execution of the CIAC Final Award against FIBIC during the effectivity of the Stay Order issued by the IC.

On June 26, 2019, EPI and JSI signed a deed of assignment, wherein JSI assigns, transfers, and conveys to EPI, on a non-recourse basis, all its rights, title and interest in and to Asiacrest and FIBIC in partial payment of EPI's advances to JSI, to the extent of ₱514.7 million. As a result of the increased credit risk associated to Asiacrest, EPI provided an allowance for impairment losses on advances to a contractor amounting to ₱514.7 million as at December 31, 2022.

MGPC's Petition for Interim Measure of Protection

On March 13, 2019, MGPC was involved in a legal case after receiving a "Notice of Seller Default" from Occidental Mindoro Electric Cooperative, Inc. (OMECO) and, alleging therein that MGPC has failed to comply with its main obligation under the PSA for the supply of 20MW electricity.

As a result of OMECO's threatened termination of the PSA, on June 10, 2019, MGPC filed a Petition for Interim Measure of Protection (Petition) with the Branch 67 of Regional Trial Court (RTC) of Pasig City in order to forestall the termination of the PSA. After trial, sans presentation by OMECO of its testimonial evidence because it was not ready to present the same, the trial court denied the Petition on the ground that case is arbitrable and should observe the dispute resolution mechanism under the PSA between the parties, thus, MGPC filed a Motion for Reconsideration on the ground that pending any arbitration proceedings the trial court can exercise jurisdiction to grant interim measure of protection to prevent OMECO from terminating the PSA, but the motion for reconsideration was denied per Order dated December 18, 2020. Unsatisfied, on January 28, 2021, MGPC filed a Petition for Review under Rule 19 of A.M. No. 07-11-08-SC, otherwise known as the Special Rules of Court on Alternative Dispute Resolution with the CA, praying for the reversal of the Decision dated November 3, 2020. The petition was raffled to the CA Seventeenth Division. On July 31, 2021, OMECO belatedly filed a Motion to Admit Comment. In response, MGPC filed a Reply on October 11, 2021. The Court has yet to render a decision on the Petition.

MGPC's Petition for Indirect Contempt for Disobeying the Temporary Order of Protection (TOP) and Status Quo Order (SQO)

On December 4, 2019, MGPC filed a Petition for Indirect Contempt (Petition) against OMECO for the latter's Competitive Selection Process (CSP) activities for its full load power requirement, which violates the TOP and SQO issued by Branch 67 of the Pasig City RTC.

After trial, the trial court denied the Petition on the ground that the conduct of the CSP by OMECO is not included in the TOP and SQO, thus, MGPC filed a Motion for Reconsideration on February 5, 2021 but was denied per Order of the trial court dated March 4, 2021. On May 24, 2021, MGPC filed its Petition for Certiorari with the CA, challenging the Decision and Order of the Lower Court dated December 16, 2020 and March 4, 2021, respectively. On October 18, 2021, MGPC filed a Manifestation on why the instant petition should not be consolidated with those docketed a CA-G.R. No. 166764 and CA-G.R. SP No. 162890. The Court has yet to render a decision or any other order in relation to the Petition.

OMECO's Petition for Certiorari and Prohibition

In October 2019, OMECO filed with the CA a Petition for Certiorari and Prohibition (Petition) praying for the following: i) nullifying and setting aside the Orders by the Pasig RTC Branch 67 for having been issued without jurisdiction and in blatant contravention to the provisions of Section 43 (u) and Section 78 of the EPIRA; and ii) prohibiting the Pasig RTC Branch 67 from conducting further proceeding in the Petition for Interim Measure of Protection filed by MGPC and/or from enforcing in whatever manner the assailed Orders. On September 25, 2020, MGPC submitted its comment on the Petition. On November 17, 2021, the Court promulgated its Decision, granting OMECO's Petition for Certiorari and Prohibition and setting aside the Orders of the Lower Court that granted MGPC's Application for the issuance of a TOP. On December 13, 2021, MGPC filed a Motion for Reconsideration. On December 22, 2021, the Court issued a Resolution, referring said Motion for Reconsideration to OMECO for comment. MGPC has not yet received a copy of the comment from OMECO.

Petition for Declaration of Nullity of Provincial Ordinance No. 01-2017 Imposing Real Property Tax on Mining Area Covered by MPSA

TMC filed the instant Petition to declare as null the Provincial Ordinance No. 01-2017 imposing Real Property Tax on mining area covered by MPSA of TMC for being beyond the taxing authority of the local government. Virtual trial was set April 29, 2021, since physical appearance in court is prohibited in view of the COVID-19 pandemic. During the hearing, respondent failed to appear and submit the Pre-Trial Brief, hence, TMC moved for the termination of pre-trial and presentation of TMC's evidence ex-parte which was granted by the court, thus, respondent filed Motion for Reconsideration on April 30, 2021, TMC to file its Comment/Opposition thereto. A Joint Motion that parties agree to forego presentation of evidence and just submit respective memoranda since the issues are purely legal was filed with the court.

Awaiting order from the court allowing parties to submit simultaneous Memoranda on undisputed facts and legal issues.

Petition for Declaration of Nullity of Municipal Ordinance No. 2017-27 Increasing the Business Tax Imposed on Mining Companies from 1% of Gross Receipts to 2% of Gross Receipts

This is TMC's Petition to declare the nullity of the Claver Municipal Ordinance No. 2017-27 which increased the local business tax imposed on mining companies from 1% to 2% of the gross receipts for being violative of Sections 130 and 191 of the Local Government Code. Section 191 expressly limits any increase in business tax rate to a maximum of 10% of the current tax rate every 5 years. The total business taxes paid under protest by TMC is at ₱303.2 million collectively paid from 2018 to 2022. Memorandum was filed via registered mail on May 24, 2022.

Motion to Admit Memorandum w/ the Memorandum attached thereto was filed by the Respondent. Copy of the same was received by TMC on October 20, 2022.
Hearing on the Motion to Admit Memorandum was set on October 24, 2022, however, the Court did not include the same in the calendar of cases. As such, an Opposition to the Motion to Admit Memorandum was filed on October 27, 2022.

The Court has yet to rule on the Motion to Admit. During the Pre-Trial set by the Court on December 1, 2022, external counsel manifested that there was an Order issued to allow the parties to submit their respective Memoranda and that we filed an Opposition to the Motion to Admit. Respondent Municipality of Claver filed an Urgent Motion to Admit Memorandum without further arguments dated January 27, 2023.

On the February 2, 2023, hearing, external counsel manifested that an Opposition was filed. The court has yet to resolve the matter.

Petition to Recall Strategic Environmental Plan (SEP) Clearance
On December 14, 2014, the PCSD issued the SEP Clearance to RTN. However, in July 2019 the Environmental Legal Assistance Center, Inc filed a petition with PCSD to cancel the SEP Clearance, alleging that PCSD's issuance of the SEP Clearance violated the SEP Law , EO 23 and EO 79 and the RTN Project in Mt. Bulanjao has an adverse impact on the environment. After the parties submit their respective Memoranda, the case is now submitted for resolution by the PCSD.

Action for Declaration of Nullity of Dinagat Island Provincial Ordinance No. 08-058 Imposing Soil Depletion Tax
CMC filed the instant case with Surigao City RTC Branch 32, seeking the nullification of Provincial Ordinance No. 08-058 imposing soil depletion tax for being invalid as it is beyond the authority of the provincial government or any LGU to impose soil depletion tax since it is in the nature of an excise tax. This is a limitation on the taxing powers of LGUs expressly provided under Section 133 (h) of the Local Government Code. The case is now archived per Order from the court dated May 16, 2019, as of this date, parties have yet to receive any Order from the court to reactivate the case.

Collection for Sum of Money for Payment of Soil Depletion Tax under Dinagat Island Provincial Ordinance No. 08-058
This is a collection for sum of money case filed by the Province of Dinagat Islands against CMC for payment of the soil depletion tax under Ordinance No. 08-58 for the period June 15, 2009 to October 8, 2014 in the aggregate amount of ₱174.8 million. The case is now archived per Order from the court dated September 18, 2019, as of this date, parties have yet to receive any Order from the court to reactivate the case.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters covered under this item submitted in 2022 to the security holders for a vote.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

A. MARKET INFORMATION

The stock prices for the Parent Company's common equity for the last three (3) years, after the effect of stock dividends, are as follows:

	High	Low
2020		
1st Quarter	₱3.21	₱1.36
2nd Quarter	₱1.95	₱1.36
3rd Quarter	₱3.36	₱1.70
4th Quarter	₱5.60	₱2.98
2021		
1st Quarter	₱6.32	₱4.70
2nd Quarter	₱5.70	₱5.01
3rd Quarter	₱6.21	₱5.27
4th Quarter	₱5.70	₱4.90
2022		
1st Quarter	₱9.52	₱5.07
2nd Quarter	₱8.42	₱6.10
3rd Quarter	₱6.33	₱5.01
4th Quarter	₱5.84	₱4.76

The share price of the Parent Company's stocks was at ₱6.97 per share as of March 14, 2023.

B. HOLDERS

The Company has 97 shareholders as of December 31, 2022, with outstanding common shares of 13,630,850,117. The top 20 stockholders of the Company as at December 31, 2022 are as follows:

Name	Citizenship	Shares	% of Ownership
PCD Nominee Corporation (Filipino)	Filipino	7,271,522,191	53.13%
Sumitomo Metal Mining Philippine Holdings Corporation (SMMPHC)	Filipino	2,600,384,267	19.00%
PCD Nominee Corporation (Non-Filipino)	Foreign	2,560,813,713	18.71%
Nonillion Holding Corp.	Filipino	1,136,000,000	8.30%
Gerard H. Brimo	Filipino	23,047,282	00.17%
William T. Enrile &/or William R. Enrile II &/or Nelly R. Enrile	Filipino	12,880,000	00.09%
Ricardo Sy Po or Angelita Tan Po or Leonardo Arthur Tan Po	Filipino	8,508,377	00.06%
William T. Enrile or Nelly R. Enrile or Edwin R. Enrile or William R. Enrile II	Filipino	3,000,000	00.02%
Ronaldo B. Zamora	Filipino	2,340,403	00.02%
Megastar Real Estate Corporation	Filipino	2,340,000	00.02%
Harvey T. Ang	Filipino	2,000,000	00.01%
Koh Teng Ong Chong	Filipino	1,967,040	00.01%
CHS Capital Holdings, Inc.	Filipino	750,000	00.01%
Eva Policar-Bautista	Filipino	658,123	00.00%
Rolando R. Cruz	Filipino	614,952	00.00%
Yee Men Siao or Charlene Sarte Yee or Dixie Jill Sarte Yee	Filipino	600,000	00.00%

Name	Citizenship	Shares	% of Ownership
Jose B. Anievas	Filipino	573,750	00.00%
Josephine Chua Lim	Filipino	457,200	00.00%
RMJ Development Corporation	Filipino	405,000	00.00%
Ludwig Heinrich Alfred Maulbecker	German	350,000	00.00%

C. DIVIDENDS

The following table shows the dividends declared and paid to common shareholders for the years ended December 31, 2022, 2021 and 2020:

Cash Dividends

Year	Date			Dividend Per Share	Amount Declared (in millions)
	Declaration	Record	Payment		
Regular					
2022	March 10, 2022	March 24, 2022	April 7, 2022	₱0.17	₱2,317.2
2021	March 11, 2021	March 25, 2021	April 8, 2021	0.09	1,226.8
2020	March 13, 2020	March 27, 2020	April 8, 2020	0.08	1,090.6
Special					
2022	November 10, 2022	November 24, 2022	December 9, 2022	₱0.23	₱3,135.1
2022	March 10, 2022	March 24, 2022	April 7, 2022	0.05	681.5
2021	November 4, 2021	November 18, 2021	December 2, 2021	0.22	2,998.8
2021	March 11, 2021	March 25, 2021	April 8, 2021	0.14	1,908.3
2020	August 7, 2020	August 24, 2020	September 4, 2020	0.22	2,998.8

NAC declares dividends to shareholders of record, which are paid from its unrestricted retained earnings. The Company's dividend policy entitles holders of shares to receive annual cash dividends of up to 30% of the prior year's recurring attributable net income based on the recommendation of its BOD. Such recommendation will take into consideration factors such as dividend income from subsidiaries, debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments and acquisitions, appropriate reserves and working capital, among others. Although the cash dividend policy may be changed by the BOD at any time, the Company's current intention is to pay holders of its shares annual cash dividends at this ratio. Additionally, in the event that new investments, acquisitions or other capital expenditure plans do not materialize, the BOD plans to review the dividend policy and consider increasing the dividend ratio above 30% of the prior year's recurring net income.

NAC's subsidiaries pay dividends subject to the requirements of applicable laws and regulations and availability of unrestricted retained earnings, without any restriction imposed by the terms of contractual agreements. Notwithstanding the foregoing, the declaration and payment of such dividends depends upon the respective subsidiary's results of operations and future projects, earnings, cash flow and financial condition, capital investment requirements and other factors.

Cash dividends are paid to all shareholders at the same time and within 30 calendar days from declaration date. Stock dividends are also issued to all shareholders at the same time but subject to shareholder's approval.

D. RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

No unregistered securities were sold in 2022.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussions and analysis are based on the audited consolidated financial statements as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020, prepared in conformity with Philippine Financial Reporting Standards and accompanying Notes to the Consolidated Financial Statements and should be read in conjunction with the audited consolidated financial statements.

The Group has not, in the past five (5) years and since its incorporation, revised its financial statements for reasons other than changes in accounting policies.

Summary Financial Information

The Consolidated Financial Statements as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 are hereto attached.

The following tables set forth the summary financial information for the three (3) years ended December 31, 2022, 2021 and 2020 and as at December 31, 2022, 2021 and 2020:

Summary of Consolidated Statements of Income

	For the Years Ended December 31			Horizontal Analysis			
	2022	2021	2020	Increase (Decrease)		Increase (Decrease)	
		(In Thousand Pesos)		2022 vs 2021	%	2021 vs 2020	%
Revenues	₱28,003,150	₱27,404,115	₱21,771,581	₱599,035	2.19%	₱5,632,534	25.87%
Costs	(9,237,117)	(8,294,584)	(8,161,793)	942,533	11.36%	132,791	1.63%
Operating expenses	(6,126,572)	(6,316,527)	(5,692,925)	(189,955)	-3.01%	623,602	10.95%
Finance income	188,622	162,075	238,293	26,547	16.38%	(76,218)	-31.98%
Finance expense	(306,783)	(244,081)	(274,502)	62,702	25.69%	(30,421)	-11.08%
Equity in net income of associates	942,143	557,863	190,447	384,280	68.88%	367,416	192.92%
Other income (charges) - net	841,806	701,593	(263,209)	140,213	19.98%	964,802	-366.55%
Provision for income tax - net	(3,429,136)	(3,332,280)	(2,318,850)	96,856	2.91%	1,013,430	43.70%
Net income	₱10,876,113	₱10,638,174	₱5,489,042	₱237,939	2.24%	₱5,149,132	93.81%
Net income attributable to:							
Equity holders of the Parent	₱7,931,150	₱7,812,575	₱4,068,732	₱118,575	1.52%	₱3,743,843	92.01%
Non-controlling interests	2,944,963	2,825,599	1,420,310	119,364	4.22%	1,405,289	98.94%
	₱10,876,113	₱10,638,174	₱5,489,042	₱237,939	2.24%	₱5,149,132	93.81%

Summary of Consolidated Statements of Financial Position

				Horizontal Analysis			
	2022	2021	2020	Increase (Decrease)		Increase (Decrease)	
		(In Thousand Pesos)		2022 vs 2021	%	2021 vs 2020	%
Current assets	₱20,955,174	₱24,011,065	₱22,011,970	(₱3,055,891)	-12.73%	₱1,999,095	9.08%
Noncurrent assets	28,803,868	27,689,817	26,901,320	1,114,051	4.02%	788,497	2.93%
Total assets	₱49,759,042	₱51,700,882	₱48,913,290	(₱1,941,840)	-3.76%	₱2,787,592	5.70%
Current liabilities	₱4,772,920	₱11,924,982	₱10,944,323	(₱7,152,062)	-59.98%	₱980,659	8.96%
Noncurrent liabilities	4,455,303	3,446,700	3,372,178	1,008,603	29.26%	74,522	2.21%
Non-controlling interests	4,842,184	3,389,433	3,554,393	1,452,751	42.86%	(164,960)	-4.64%
Equity attributable to equity holders of the Parent	35,688,635	32,939,767	31,042,396	2,748,868	8.35%	1,897,371	6.11%
Total liabilities and equity	₱49,759,042	₱51,700,882	₱48,913,290	(₱1,941,840)	-3.76%	₱2,787,592	5.70%

	For the Years Ended December 31		
	2022	2021	2020
	(In Thousand Pesos)		
Net cash flows from (used in):			
Operating activities	₱12,876,402	₱9,676,373	₱8,777,806
Investing activities	(3,898,505)	(2,819,360)	(2,858,174)
Financing activities	(8,824,192)	(8,048,264)	(5,841,773)
Net increase (decrease) in cash and cash equivalents	153,705	(1,191,251)	77,859
Cash and cash equivalents, beginning	10,826,806	11,835,201	11,943,128
Effect of exchange rate changes in cash and cash equivalents	(171,485)	182,856	(185,786)
Cash and cash equivalents, end	₱10,809,026	₱10,826,806	₱11,835,201

RESULTS OF OPERATIONS

Calendar year ended December 31, 2022 compared with calendar year ended December 31, 2021

Revenues
The Group's total revenues in 2022 was ₱28,003.1 million, higher by ₱599.0 million or 2% compared to ₱27,404.1 million in 2021 because of higher nickel ore prices buoyed by high demand, favorable exchange rates and higher revenue from services.

Sale of Ore
The Group sold a total of 15.9 million WMT of nickel ore at the weighted average realized price of $29.17 per WMT in 2022, compared to 17.9 million WMT at $29.13 per WMT in 2021. The drop in sales volume was almost in direct proportion to unrealized workable days caused by unfavorable weather that adversely affected the Group's mining operations during the year.

Breaking down the ore sales, the Group exported 8.1 million WMT of saprolite and limonite ore to customers at the average price of $39.39 per WMT in 2022 from 10.8 million WMT at $40.40 per WMT in 2021. Likewise, The Group delivered 7.8 million WMT of limonite ore to the Coral Bay and Taganito HPAL plants, the prices of which are linked to the LME, and realized an average price of $11.64 per pound of payable nickel in 2022. This compares to 7.1 million WMT at $8.35 per pound of payable nickel in 2021. Expressed in US$ per WMT, the average price for the deliveries to the 2 HPAL plants were $18.72 and $12.03 in 2022 and 2021, respectively.

On a per mine basis, the Group's Taganito mine accounted for 50% of the total WMT of ore sold in 2022. The mine shipped 3.2 million WMT of saprolite ore and delivered 4.7 million WMT of limonite ore to the Taganito HPAL plant, or a combined shipment and delivery of 7.9 million WMT. The comparable figures for 2021 were 4.3 million WMT of saprolite ore and 4.0 million WMT of limonite ore to the Taganito HPAL plant, or a combined shipment and delivery of 8.3 million WMT.

The Rio Tuba mine accounted for 26% of the total ore sold in 2022, consist of 1.5 million WMT of saprolite ore and 2.7 million WMT of limonite ore delivered to the Coral Bay HPAL plant or a total of 4.2 million WMT. The comparable figures for 2021 were 1.9 million WMT and 2.9 million WMT or a total of 4.8 million WMT.

Shipments from the Group's Hinatuan mine was 1.4 million WMT in 2022 compared to 1.8 million WMT in 2021. On the other hand, the Cagdianao mine shipped 2.1 million WMT in 2022 as against 3.0 million WMT in 2021.

The realized Peso/US$ exchange rate for ore sales was ₱54.90 in 2022, an 11% increase from ₱49.48 in 2021.

Sale of Limestone
Rio Tuba's revenue from sale of limestone went down to ₱215.6 million in 2022 from ₱244.9 million in 2021 because of the 15% decrease in volume delivered to customers.

Sale of Quarry Materials
Starting the last quarter of 2021, TMC discontinued the deliveries of quarry materials to THNC due to MGB's advisory that it will discontinue the issuance of permit to quarry. The last delivery of TMC of quarry materials was in October 2021 wherein it delivered 387,677 bank cubic meter (bcm) and earned ₱151.1 million in revenue.

Services and Others (excluding sale of quarry materials)
The Group's revenue from services and others improved by 131% to ₱1,490.7 million from ₱646.1 million mainly because of the services provided to CBNC's TSF-3 project, which resulted to an increase in the volume of materials handled. Services revenue largely consists of payments made in consideration for hauling, manpower and other ancillary services that RTN and CDTN provide to CBNC and TMC to THNC, and usage fee charged by TMC to THNC for the use of its pier facility.

Sale of Power
Revenue from the sale of power amounted to ₱773.4 million in 2022, higher by 52% from ₱507.9 million in 2021. Energy generated by JSI in 2022 increased by 56%, attributable mainly to the energization and subsequent commercialization of the additional 38MW capacity installed. The average WESM price for 2022 was 36% higher at ₱8.60/kilowatt-hour (kWh) compared to 2021 of ₱6.32/kWh. The spikes in global fuel prices in 2022 increased the offer prices of coal and other thermal plants. This factor, coupled with thin supply margin, led to higher WESM prices for the year. On the other hand, PSA average price in 2022 was 10% higher at ₱4.31/kWh compared to 2021 at ₱3.92/kWh. On a combined basis, the average selling price for 2022 is ₱5.31/kWh for both WESM and PSA, or 14% above of last year's ₱4.64/kWh.

<u>Costs</u>
The Group's costs went up by 11% or ₱942.5 million, from ₱8,294.6 million to ₱9,237.1 million.

Cost of Sales
Despite the 11% drop in sales volume caused by the late start of shipment, particularly in the Surigao mines due to unfavorable weather that adversely affected the Group's mining operations, the Group's cost of sales slightly increased by 4% to ₱7,931.0 million in 2022 from ₱7,611.8 million in 2021. The movement in the cost of sales was significantly driven by the spikes in global fuel prices, which led an increase in fuel costs by 80% based on the average cost per liter.

Cost of Services
Cost of services rose by 181% to ₱902.2 million from ₱321.6 million following the increase in outside services due to payments made to subcontractors for the TSF-3 project of CBNC.

Cost of Power Generation
Cost of power generation went up by 12% to ₱403.9 million in 2022 from ₱361.1 million in 2021 following the completion of Phase 3A of the solar project in June 2021 and Phase 3B in June 2022, which increased depreciation by 18%, and on account of higher energy generated and delivered/sold in 2022.

<u>Operating Expenses</u>
The Group's operating expenses amounted to ₱6,126.6 million in 2022 compared to ₱6,316.5 million in 2021, a decrease of ₱190.0 million, or 3%.

Excise Taxes and Royalties
The Group's excise taxes and royalties slid by 8% to ₱2,486.3 million from ₱2,705.9 million because of the decrease in royalties paid to a claim owner of CMC. CMC's revenue, which was the basis for the royalty payments, was lower by 25% in 2022 compared to last year.

Shipping and Loading Costs
Shipping and loading costs went down by 4% because of the 25% decline in the volume of ore export sales. Compared to last year, shipments for this year started late due to inclement weather conditions, particularly in the Surigao mines. Relative to this, LCT rental, stevedoring, wharfage, and ship loading personnel costs were lower in the current year.

General and Administrative
General and administrative expenses increased by 14% from ₱1,145.9 million to ₱1,306.3 million on account of the initial contribution made to NAC Foundation Inc. and higher taxes due to several inward remittances received and documentary stamp tax, registration, and filings fees for the incorporation of GRHI. Legal fees and other service fees were also incurred in 2022 in relation to the project green metal. Moreover, due to the ease of pandemic restrictions, business costs are starting to normalize.

Marketing
The marketing cost, which includes commission and is based on a certain percentage of revenue, was lower by 18% in 2022. The commission is based on CMC's revenue only, which was 25% lower compared to last year.

Finance Income
The Group's finance income climbed by 16%, to ₱188.6 million from ₱162.1 million, following the increase in the net yield of time deposit placements from an average of 0.55% in 2021 to an average of 2.21% in 2022 for peso placements and 0.15% in 2021 to 2.14% in 2022 for US$ placements. Aside from this, the average principal placements were higher in 2022.

Finance Expenses
The Group's finance expenses rose by 26%, to ₱306.8 million from ₱244.1 million, driven by the increase in the London Inter-Bank Offered Rate (LIBOR) from an average of 0.21% to 1.75% and because of the significant jump in the average foreign exchange rate from ₱50.28/US$1 to ₱54.50/US$1. Likewise, the domestic borrowing rate rose from an average of 5.23% to an average of 5.44% and loan principal grew due to additional loans obtained from ICBC, SBC and TBEA.

Equity in Net Income of Associates,
Owing to the higher LME nickel prices, the Group recognized gains from its equity share in investments in the 2 HPAL plants in the combined amount of ₱942.1 million in 2022 compared to ₱557.9 million in 2021.

Other Income - Net
The Group's other income - net went up by 20% in 2022 to ₱841.6 million from ₱701.6 million in 2021 due to the stronger US$ against the peso, from an average of ₱50.28/US$ in 2021 to ₱54.50/US$ in 2022. The Group recognized net foreign exchange gains from its US$ denominated net financial assets in the amount of ₱1,215.2 million in 2022 compared to ₱558.9 million in 2021. However, the increase was partially offset by the losses on mark-to-market valuation of financial assets amounting to ₱493.3 million in 2022, a major turnaround from gains of ₱69.4 million in 2021. Moreover, a gain amounting to ₱46.4 million was also recognized from the partial disposal of interest in a subsidiary leading to a loss of control.

Provision for Income Tax - Net
The Group's net provision for income tax was 3% higher due to higher taxable income base on account of higher revenue in 2022.

Net Income
As a result of the foregoing, the Group's consolidated net income was ₱10,876.1 million in 2022 compared to ₱10,638.2 million in 2021. Net of non-controlling interests, our net income was ₱7,931.1 million in 2022, slightly higher by 2% compared to ₱7,812.6 million in 2021.

Calendar year ended December 31, 2021 compared with calendar year ended December 31, 2020

Revenues
The Group's total revenues in 2021 was ₱27,404.1 million, higher by ₱5,632.5 million or 26% compared to ₱21,771.6 million in 2020 as a result of higher ore sales prices. At the same time, the surging demand for nickel fueled by doubling in sales of electric vehicles and strong growth in stainless steel production coupled with lower than expected nickel production, particularly out of Indonesia, resulted in nickel deficit of about 150,000 tonnes rather than a projected surplus and this has been a significant tailwind for the global nickel industry and for the Group.

Sale of Ore
The Group sold a total of 17.9 million WMT of nickel ore at the weighted average realized price of $29.13 per WMT in 2021, compared to 18.2 million WMT at $22.46 per WMT in 2020.

Breaking down the ore sales, the Group exported 10.8 million WMT of saprolite and limonite ore to customers in Japan and China at the average price of $40.40 per WMT in 2021. This compares to 10.0 million WMT at $33.99 per WMT in 2020. Likewise, The Group delivered 7.1 million WMT of limonite ore to the Coral Bay and Taganito HPAL plants, the prices of which are linked to the LME, and realized an average price of $8.35 per pound of payable nickel. This compares to 8.2 million WMT at $6.22 per pound of payable nickel in 2020. Expressed in US$ per WMT, deliveries to the 2 HPAL plants generated $12.11 and $8.33 per WMT in 2021 and 2020, respectively.

On a per mine basis, the Group's Taganito mine accounted for 46% of total shipments in 2021. The mine shipped 4.3 million WMT of saprolite ore and delivered 4.0 million WMT of limonite ore to the Taganito HPAL plant, or a total combined shipment of 8.3 million WMT. The comparable figures for 2020 were 3.6 million WMT of saprolite ore and 4.9 million WMT of limonite ore to the Taganito HPAL plant, or a combined shipment of 8.5 million WMT.

The Rio Tuba mine accounted for 27% of total shipments, consist of 1.9 million WMT of saprolite ore and 2.9 million WMT of limonite ore delivered to the Coral Bay HPAL plant or a total of 4.8 million WMT. The comparable figures for 2020 were 2.0 million WMT and 3.0 million WMT or a total of 5.0 million WMT.

Shipments from the Group's Hinatuan mine was 1.8 million WMT in 2021 compared to 1.7 million WMT in 2020. On the other hand, the Cagdianao mine shipped 3.0 million WMT in 2021 and 2020.

The realized Peso/US$ exchange rate for ore sales was ₱49.48 in 2021 compared to ₱49.15 in 2020.

Sale of Limestone
Rio Tuba's revenue from sale of limestone went down to ₱244.9 million in 2021 from ₱360.3 million in 2020 because of the 32% decrease in volume delivered to customers.

Sale of Quarry Materials
Revenue from sale of quarry material was 62% lower than last year due to lower deliveries of quarry materials to THNC. In 2021, TMC delivered 387,677 bcm only of quarry materials compared to 1,019,473 bcm in 2020.

Services and Others (excluding sale of quarry materials)
The Group's revenue from services and others improved by 3% to ₱646.1 million from ₱629.5 million following the 17% increase in the materials handled by RTN and CDTN for CBNC and TMC for THNC.

Sale of Power
Revenue from the sale of power amounted to ₱507.9 million in 2021, higher by 76% from ₱288.2 million in 2020. Energy generated by JSI in 2021 increased by 96%, attributable mainly to the energization and subsequent commercialization of the additional 30MW capacity installed. The average WESM price for 2021 was 137% higher at ₱6.41/kWh compared to 2020 of ₱2.70/kWh. WESM retained the low spot prices at the onset of 2021. As the dry season approached, there was a higher demand and persistently thin supply margin which drove WESM prices higher. The WESM also shifted from one (1) hour to a five (5) minute market. With this, prices are more reflective of real-time market and system conditions, including sudden dips and spikes in market prices. On the other hand, PSA average price in 2021 remained similar to 2020 at ₱3.90/kWh. On a combined basis, the average selling price for 2021 is ₱4.64/kWh for both WESM and PSAs, or 41% above of last year's ₱3.30/kWh.

Meanwhile, the energy delivered by the Group's diesel power plant in 2021 was considerably higher by 74% compared to 2020 due to higher load nomination from SURNECO, the sole customer of the diesel power plant. This increase in energy output translates to 8% increase in revenue from the diesel power plant.

Costs
The Group's costs went up by 2% or ₱132.8 million, from ₱8,161.8 million to ₱8,294.6 million.

Cost of Sales
The Group's cost of sales increased by 1% to ₱7,611.8 million in 2021 compared to ₱7,520.0 million in 2020. The production volume of our mines increased, particularly the Surigao mines, due to shorter days of rainfall. But this also led to higher fuel consumption coupled with higher average fuel price per liter and higher contract mining cost. Backfilling cost associated with the uneven or slope terrain and distance of the mined-out-areas also contributed to the increase in our cost of sales. However, this was partially offset by lower quarry materials delivered to THNC in 2021, which was 62% lower compared to 2020.

Cost of Services
Cost of services decreased by 2% to ₱321.6 million from ₱328.6 million despite of the 17% increase in the volume of materials handled due to lower overhead cost.

Cost of Power Generation
Cost of power generation went up by 15% to ₱361.1 million in 2021 from ₱313.2 million in 2020 following the completion of Phase 3A of the solar project in June 2021, which resulted to a 16% increase in depreciation, and on account of higher energy generated and delivered/sold in 2021.

Operating Expenses
The Group's operating expenses amounted to ₱6,316.5 million in 2021 compared to ₱5,692.9 million in 2020, an increase of ₱623.6 million, or 11%.

Excise Taxes and Royalties
The Group's excise taxes and royalties rose by 21% to ₱2,705.9 million from ₱2,244.4 million because of higher revenues resulting from higher ore sales prices.

Shipping and Loading Costs
Shipping and loading costs went up by 6% because of the 8% increase in volume of ore export sales. Advance ship loading activities were conducted by the mines which increased the contracted services for the LCTs. Moreover, the Group incurred higher equipment rental due to late arrival of in-house equipment as a result of the COVID-19 restrictions and increase in fuel consumption in some of the mines due to the long distance from stockpile area to barge/loading area.

General and Administrative
General and administrative expenses increased by 3% from ₱1,117.7 million to ₱1,145.9 million mainly due to the costs incurred in relation to the SAP migration project of 5 companies, such as but not limited to service fees of contractors for system support and maintenance, upgrade of internet connectivity and data storage, and amortization of the software cost.

Marketing
Marketing costs went up by 1% from ₱208.1 million in 2020 to ₱209.1 million in 2021, driven mainly by the slight increase in the commission paid by CMC to its claim owner.

Finance Income
The Group's finance income declined by 32%, to ₱162.1 million from ₱238.3 million, following the significant drop in the net yield of time deposit placements. Also, the average principal placements were slightly lower in 2021.

Finance Expenses
The drop in the Group's finance expenses by 11%, to P244.1 million from ₱274.5 million, was driven by the continuous decline in the LIBOR from an average of 1.23% to 0.21% as a result of the COVID-19 global pandemic. Likewise, domestic borrowing rate fell from an average of 6.19% to an average of 5.23% and guarantee fee rate from 1% to 0.6% starting September 2020.

Equity in Net Income of Associates,
Following higher nickel LME prices, the Group recognized a gain from its equity share in investments in the 2 HPAL plants in the combined amount of ₱557.9 million in 2021 compared to ₱190.4 million in 2020.

Other Income (Charges) - Net
The Group's other income - net went up by 367% in 2021 to ₱701.6 million from other charges - net of ₱263.2 million in 2020 due to the stronger US$ against the peso, from around ₱48/US$ in 2020 to ₱51/US$ in 2021. The Group recognized net foreign exchange gains from its US$ denominated net financial assets in the amount of ₱558.9 million in 2021, a major turnaround from net foreign exchange losses of ₱450.8 million in 2020.

Provision for Income Tax - Net
Despite of the reduced income tax rate from 30% to 25%, the Group's net provision for income tax was higher by 44% due to higher taxable income base on account of higher revenue in 2021.

Net Income
As a result of the foregoing, the Group's consolidated net income was ₱10,638.2 million in 2021 compared to ₱5,489.0 million in 2020. Net of non-controlling interests, our net income was ₱7,812.6 million in 2021, remarkably higher by 92% compared to ₱4,068.7 million in 2020.

Calendar year ended December 31, 2020 compared with calendar year ended December 31, 2019

Revenues
The Group's total revenues in 2020 was ₱21,771.6 million, higher by ₱3,848.3 million or 21% compared to ₱17,923.3 million in 2019. The demand for nickel ore did not slow down despite the pandemic and as Indonesia resumed its ban on direct export of nickel ore at the start of 2020, the Group realized higher prices for its ore exports.

Sale of Ore
The Group exported a total of 10.0 million WMT of nickel ore in 2020, down 4% from 10.4 million WMT in 2019. However, ore export prices increased 45% from $23.52 per WMT of ore sold in 2019 to $33.99 per WMT in 2020.

With respect to ore deliveries to THNC and CBNC plants, the pricing of which is linked to the LME, the Group delivered 8.2 million WMT in 2020 at an average price of $6.22 per pound of payable nickel. This compares to 8.4 million WMT in 2019 at an average price of $6.23 per pound of payable nickel.

On a combined basis, the Group sold a total of 18.2 million WMT at $22.46 per WMT and 18.8 million WMT at $16.69 per WMT in 2020 and 2019, respectively. The significant improvement in the realized nickel price of the combined ore exports and ore deliveries to the 2 plants in 2020 more than offset the slight decline in sales volume and the less favorable Peso to US$ exchange, resulting to total revenues increasing by 21%.

On a per mine basis, the Group's Taganito mine accounted for 47% of total shipments in 2020. The mine shipped 3.6 million WMT of saprolite ore and delivered 4.9 million WMT of limonite ore to the Taganito HPAL plant, or a total combined shipment of 8.5 million WMT. The comparable figures for 2019 were 4.2 million WMT of saprolite ore and 5.0 million WMT of limonite ore, of which 4.9 million WMT were delivered to the Taganito HPAL plant, or a combined shipment of 9.2 million WMT.

The Rio Tuba mine accounted for 28% of total shipments, consist of 2.0 million WMT of saprolite ore and 3.0 million WMT of limonite ore delivered to the Coral Bay HPAL plant or a total of 5.0 million WMT. The comparable figures for 2019 were 1.5 million WMT and 3.4 million WMT or a total of 4.9 million WMT.

Shipments from the Group's Hinatuan mine amounted to 1.7 million WMT in 2020 compared to 2.0 million WMT in 2019. On the other hand, the Cagdianao mine shipped 3.0 million WMT in 2020 as against 2.8 million WMT in 2019.

The realized Peso/US$ exchange rate for ore sales was ₱49.15 in 2020 compared to ₱51.72 in 2019.

Sale of Limestone
Rio Tuba's revenue from sale of limestone went down to ₱360.3 million in 2020 from ₱414.2 million in 2019 because of the 6% decrease in volume delivered to customers particularly to CBNC.

Sale of Quarry Materials
Pursuant to the Materials Supply Agreement entered by TMC and THNC, which commenced during the last quarter of 2019, for the supply of construction materials for the expansion of THNC's tailing storage facility, TMC earned ₱397.3 million and ₱179.6 million for the sale of quarry materials in 2020 and 2019, respectively.

Services and Others (excluding sale of quarry materials)
The Group's revenue from services and others declined by 8% to ₱629.5 million from ₱681.7 million following the 4% decrease in the materials handled by RTN for CBNC.

Sale of Power
Revenue from the sale of power amounted to ₱288.2 million, lower by 27% from ₱392.3 million in 2019. Although energy volume of JSI increased by 17% compared to 2019, the average selling prices for both WESM and PSAs dropped. The average WESM price for 2020 was 55% lower, at ₱2.70/kWh compared to 2019 price of ₱5.99/kWh. The decrease in market prices was driven by lower demand for electricity starting mid-March, brought by the community-wide lockdowns due to the COVID-19 pandemic. The impact of this decline in WESM prices was cushioned by the new and existing PSAs with Retail Electricity Suppliers. The average PSA tariff of ₱3.91/kWh pulled the JSI effective tariff to ₱3.30/kWhr, a 22% premium over WESM.

On the other hand, the energy delivered by the Group's diesel power plant in 2020 was around 5% only of the energy delivered in 2019 due to very low load nomination from SURNECO. Sale of power also includes capital recovery fee (CRF) billed to SURNECO which amounted to ₱134.3 million in 2020 as against ₱111.9 million in 2019. CRF is a fixed fee which pertains to the amount billed for the recovery of capital investments for the project and this is computed based on the contracted capacity. In 2019, the plant is operating at 2/3 of its contracted capacity compared to 2020 wherein the plant is operating at full contracted capacity of 10MW.

<u>Costs</u>
The Group's costs went up by 4% or ₱346.6 million, from ₱7,815.2 million in 2019 to ₱8,161.8 million in 2020.

Cost of Sales
The Group's cost of sales increased by 6% to ₱7,520.0 million in 2020 compared to ₱7,105.9 million in 2019 mainly on account of the cost of quarry materials which commenced operations during the last quarter of 2019.

Cost of Power Generation
Cost of power generation dropped by 17% to ₱313.2 million from ₱377.5 million mainly on account of both the average selling price and the volume sold were below the 2019 numbers. Also, a portion of the plant's capacity was on extended outage due to equipment upgrading starting last quarter of 2019 up to May 2020.

Cost of Services
Cost of services fell by 1% to ₱328.6 million from ₱331.8 million.

<u>Operating Expenses</u>
The Group's operating expenses amounted to ₱5,692.9 million in 2020 compared to ₱4,867.4 million in 2019, an increase of ₱825.5 million, or 17%.

Excise Taxes and Royalties
The Group's excise taxes and royalties were up by 26% to ₱2,244.4 million from ₱1,787.3 million triggered by higher revenues as a result of improved ore export prices.

Shipping and Loading Costs
Shipping and loading costs went up by 20% due to net demurrage incurred amounting to ₱70.0 million in 2020 compared to ₱23.1 million in 2019. Aside from this, LCT with bigger capacities were chartered in 2020. The Group also shared in the charter fee during the quarantine period of the affected LCT's. However, the increase was partially offset by the decline in fuel consumption due to COVID-19 pandemic, coupled with the decrease

in fuel price by around 25%.

General and Administrative

General and administrative expenses slid by 3% from ₱1,156.0 million to ₱1,117.7 million because of lower taxes paid in 2020. Moreover, domestic and foreign travels were also lessened due to travel restrictions in response to the COVID-19 outbreak. Generally, costs went down because of the pandemic due to the limited movements during 2020.

Marketing

Marketing costs went up by 33%, from ₱157.0 million to ₱208.1 million in 2020, driven mainly by the 38% increase in the commission paid by CMC to its claim owner.

Finance Income

The Group's finance income fell by 41% to ₱238.3 million from ₱405.6 million due to lower interest rates, and short-term cash placements in 2020.

Finance Expenses

The Group's finance expenses dropped by 20% to ₱274.5 million from ₱343.7 million because of lower interest from domestic borrowings as a result of full settlement of loans with Landbank of the Philippines in 2019 and decline in the average domestic borrowing rate from 7.00% to 6.17%. The LIBOR also declined from 4.48% to 3.21% due to the economic shock of the COVID-19 pandemic. Aside from that, the guarantee fee rate charged by SMM to NAC decreased from 1% to 0.60% per annum of the average outstanding balance of THNC's loans. The reduced rate became effective in September 2020.

Equity in Net Income of Associates

The Company's equity share in net income of the 2 HPAL plants climbed from ₱10.4 million to ₱190.4 million since THNC posted a net income in both years as a result of cheaper sub-materials in 2020 and lower LIBOR rates on loans, however, this was partially offset by the net loss position of CBNC in both years.

Other Income (Charges) - Net

The Group's other charges - net went up by 256% to ₱263.2 million charges from ₱168.8 million income due to the ₱53.5 million mark to market loss from the Group's portfolio investments in 2020, a significant turnaround from a gain of ₱347.7 million in 2019. The said loss arose from the investment portfolio's performance in 2020, as the spread of COVID-19 profoundly affected markets globally. Aside from this, the loss was also attributable to the continuous appreciation of the peso vis-à-vis the US$ which resulted to an increase in net foreign exchange losses by ₱187.1 million.

Provision for Income Tax - Net

The Group's net provision for income tax was higher by 40% due to higher taxable income base on account of higher revenue in 2020.

Net Income

As a result of the foregoing, the Group's consolidated net income was ₱5,489.0 million in 2020 compared to ₱3,826.4 million in 2019. Net of non-controlling interests, our net income was ₱4,068.7 million in 2020, considerably higher by 52% compared to ₱2,685.0 million in 2019.

FINANCIAL POSITION

Calendar year as at December 31, 2022 and 2021

As at December 31, 2022, the Group's total assets reduced by 4% to ₱49,759.0 million from ₱51,700.9 million as of the end of 2021.

Current assets as of the end of 2022 was lower by 13% at ₱20,955.2 million compared to ₱24,011.1 million as of the end of 2021 due to acquisitions of additional shares of CBNC from SMM amounting to ₱1,530.3 million and advances or downpayments made for the acquisitions of property and equipment for the Manicani and Dinapigue mining operations and for JSI's Phase 4A of the solar project and other projects of the renewable energy business units.

Noncurrent assets improved by 4% from ₱27,689.8 million to ₱28,803.9 million which was attributable mainly from the favorable results of operations of the Parent Company's associates in 2022, additional shares or investment in CBNC and the impact of foreign exchange in the balances of associates since the associate's reporting currency is in US$.

Current liabilities significantly declined by 60% to ₱4,772.9 million from ₱11,925.0 million following the loss of control of EPI in BGI resulting to the derecognition of the liabilities of BGI in the group consolidation.

Noncurrent liabilities rose by 29% to ₱4,455.3 million from ₱3,446.7 million due to the additional loans obtained by JSI from ICBC, SBC and TBEA for the Phase 3 expansions of the solar project.

The Group's equity net of non-controlling interests as at December 31, 2022 improved by 8% to ₱35,688.6 million due to the Group's continued profitable operations net of cash dividends paid and the impact of the translation adjustments on the balances of the associates.

Calendar year as at December 31, 2021 and 2020

As at December 31, 2021, the Group's total assets climbed by 6% to ₱51,700.9 million from ₱48,913.3 million as of the end of 2020.

Current assets in 2021 was higher by 9% at ₱24,011.1 million as of the end of 2021 compared to ₱22,012.0 million as of the end of 2020 due to the cash dividends received from the subsidiaries wherein the excess cash were placed either in short-term cash investments or investments under managed funds.

Noncurrent assets improved by 3% from ₱26,901.3 million to ₱27,689.8 million which was attributable mainly from the favorable results of operations of the Parent Company's associates in 2021.

Current liabilities rose by 9% to ₱11,925.0 million from ₱10,944.3 million due to higher cash dividends payable to non-controlling interests of TMC and RTN in December 2021 compared to the same period in 2020.

Noncurrent liabilities slightly rose by 2% to ₱3,446.7 million from ₱3,372.2 million following the adjustments made in the capitalized cost of mine rehabilitation and decommissioning.

The Group's equity net of non-controlling interests as at December 31, 2021 improved by 6% to ₱32,939.8 million due to the Group's continued profitable operations net of cash dividends paid.

Calendar year as at December 31, 2020 and 2019

As at December 31, 2020, the Group's total assets slightly climbed to ₱48,913.3 million from ₱48,262.0 million as of the end of 2019.

Current assets were almost the same at ₱22,012.0 million as of the end of 2020 compared to ₱22,023.3 million as of the end of 2019.

Noncurrent assets improved by 3% from ₱26,238.7 million to ₱26,901.3 million due to the adjustments in the capitalized cost of mine rehabilitation and decommissioning amounting to ₱155.9 million and net asset acquisitions of ₱2,130.6 million in 2020.

Current liabilities rose by 10% to ₱10,944.3 million from ₱9,920.5 million since the income tax payable at the end of 2020 was higher by ₱476.9 million compared to the tax payable at the end of 2019. Moreover, trade payables by end of 2020 were higher by ₱502.8 million.

Noncurrent liabilities increased by 5% to ₱3,372.2 million from ₱3,210.2 million due to the adjustments in the capitalized cost of mine rehabilitation and decommissioning.

The Group's equity net of non-controlling interests as at December 31, 2020 slid by 1% to ₱31,042.4 million because the cash dividends declared/paid in 2020 was higher than the profit from operations.

CASH FLOWS

Calendar years ended December 31, 2022, 2021 and 2020

Net cash flows from operating activities in 2022 amounted to ₱12,876.4 million compared to ₱9,676.4 million in 2021 and ₱8,777.8 million in 2020. Proceeds from sale of ore in 2022 and 2021 were higher than 2020 because of higher revenues in the 2 most recent years.

Net cash used in investment activities arose mainly from net acquisitions and/or disposals of property and equipment and financial assets pertaining to debt and equity securities. In 2022, the Parent Company's net proceeds from disposals of debt and equity securities amounted to ₱2,113.7 million, whereas in 2021 and 2020 the net acquisitions of debt and equity securities amounted to ₱986.7 million and ₱813.2 million, respectively. On the other hand, the net acquisitions of property and equipment were ₱2,475.3 million ₱1,758.3 million and ₱2,130.6 million, in 2022, 2021 and 2020, respectively. In 2022, the Parent Company also acquired additional shares of CBNC from SMM for a total consideration of ₱1,530.3 million and advances and downpayments were made for the acquisitions of property and equipment for the mining business and for the expansion of the solar project. Due to these, cash flows used in investing activities amounted to ₱3,898.5 million in 2022, ₱2,819.4 million in 2021 and ₱2,858.2 million in 2020.

Cash used in financing activities were spent mainly for payments of cash dividends, short-term and long-term debts plus the related interest which amounted to a total of ₱12,015.2 million, ₱9,526.1 million, and ₱7,431.3 million in 2022, 2021 and 2020, respectively. In 2022 and 2021, higher cash dividends were paid because of the two special cash dividends, whereas in 2020, there was only one. However, this was partially offset by JSI's loan proceeds from TBEA, ICBC, and SBC, amounting to ₱1,367.7 million, for the expansion of Phase 3's 68MW solar project.

As at December 31, 2022, 2021 and 2020, cash and cash equivalents amounted to ₱10,809.0 million, ₱10,826.8 million, and ₱11,835.2 million, respectively.

TOP FIVE KEY PERFORMANCE INDICATORS

1) ***SALES VOLUME***

The volume of saprolite ore that the Group sells largely depends on the grade of saprolite ore that it mines. The volume of limonite ore that it sells to customers in China largely depends on the demand for NPI and carbon steel in China. PAMCO purchases high-grade saprolite ore that the Group can extract and ship at any given time. With respect to low-grade saprolite and limonite ore, in periods when the Group can extract more ore than it is able to ship, it generally continues its mining operations and stockpiles such ore for sale when demand improves or when prices rise to more attractive levels. As stated above, the volume of the Group's low-grade saprolite and limonite ore sales to Chinese customers is roughly correlated with the LME nickel price, with volume increasing as nickel prices rise. In addition to sales of nickel ore to PAMCO and customers in China, the Group sells limonite ore from its Rio Tuba, Cagdianao and Dinapigue mines to the Coral Bay HPAL facility, in which NAC has a 15.62% equity interest, and from Taganito mine to the Taganito HPAL facility, in which the Parent Company holds a 10% equity interest. CBNC purchases an amount of limonite ore from the Group sufficient to meet its ore requirements. The annual capacity of its Coral Bay HPAL facility was originally 10,000 tonnes of contained nickel and was expanded to 20,000 tonnes of contained nickel in the second half of 2009, resulting in a higher volume of limonite ore sales from RTN. In 2010, the Coral Bay HPAL facility was able to attain an annual capacity of 24,000 tonnes as a result of the facility's expansion in 2009 which became fully operational in 2010. The Taganito HPAL facility has an annual capacity of 30,000 tonnes of mixed nickel-cobalt sulfide over an estimated 30 year project life.

<u>Type and Grade of Ore that the Group Mines</u>

The Group realizes higher sales prices for saprolite ore than for limonite ore. Accordingly, the type and grade (which is a factor of nickel content) of the ore that the Group mines affects its revenues from year to year. The quantity of saprolite ore that it mines annually depends on the customer demand and the availability of such ore at its mine sites. The mix between high-and low-grade saprolite ore at the Group's mine sites coupled with its long-term mining plan determines the quantities of each that it extracts on an annual basis. The quantity of limonite ore that it mines on an annual basis depends on the amount of such ore that needs to be removed in order to extract the saprolite ore, as well as market demand.

In 2022 and 2021, the Group sold an aggregate of 15.9 million WMT and 17.9 million WMT, respectively.

2) TOTAL COST PER VOLUME SOLD

The total cost per volume of ore sold provides a cost profile for each operating mine and allows the Group to measure and compare operating performance as well as changes in per unit costs from year to year.

The total cost includes cost of sale of ore, excise taxes and royalties, shipping and loading costs, general and administrative expenses and marketing incurred by the Group.

The average total cost per volume sold in 2022 is ₱853.24 per WMT based on aggregate costs of ₱13,599.2 million and a total sales volume of 15.9 million WMT of ore. This compares to ₱749.37 per WMT in 2021 based on aggregate costs of ₱13,440.2 million and a total sales volume of 17.9 million WMT of ore.

3) ATTRIBUTABLE NET INCOME

Attributable net income represents the portion of consolidated profit for the year, net of income taxes, which is attributable to the Parent Company. This is a relevant and transparent metric of the information contained in the consolidated financial statements. The net income attributable to equity holders of the Parent Company is ₱7,931.1 million in 2022 compared to ₱7,812.6 million in 2021.

4) NUMBER OF HECTARES OF OPEN AREA PER MILLION WMT SOLD

The Group adheres to the principles and practices of sustainable development. The Group is committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of its operations. In 2018, the DENR, through the issuance of DAO 2018-19, prescribes Guidelines for Additional Environmental Measures for Operating Surface Metallic Mines and provides limits of maximum disturbed areas for nickel mines depending on the scale of their mining operations. The DAO also requires that temporary revegetation be immediately implemented on the disturbed areas. All NAC operating companies are well within the norm of the DENR which is 26 hectares per million WMT sold. In 2022 and 2021, the open hectares per million WMT sold was 16.61 and 14.01, respectively.

5) FREQUENCY RATE

Health and safety are integral parts of the Group's personnel policies. Its comprehensive safety program is designed to minimize risks to health arising out of work activities and to assure compliance with occupational health and safety standards and rules and regulations that apply to its operations. The Group measures its safety effectiveness through the Frequency Rate which is the ratio of lost-time accidents to total man-hours worked for the year. In 2022 and 2021, the Group's frequency rate is nil in both years.

<u>OFF-BALANCE SHEET ARRANGEMENTS</u>

Under the Suretyship Agreement executed by and between the Parent Company and SBC on August 4, 2015, the Parent Company, solidarily with EPI, guarantees and warrants to SBC, its assigns and successors-in-interest, prompt and full payment and performance of EPI's obligations to SBC (see Note 14 to the Consolidated Financial Statements).

On August 2, 2021, JSI entered into an Omnibus Loan and Security Agreement to document the syndicated loan with 2 banks as lenders, i.e., ICBC and SBC, with the Parent Company forming part of the Share Collateral Security Grantors and Sponsors together with EPI and TBEA (see Note 14 to the Consolidated Financial Statements).

Item 7. FINANCIAL STATEMENTS

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

Item 8. INFORMATION ON INDEPENDENT ACCOUNTANTS AND OTHER RELATED MATTERS

The Group's consolidated financial statements have been audited by SyCip Gorres Velayo & Co. (SGV & Co.), a member practice of Ernst & Young Global Limited), independent auditors, as stated in their reports appearing herein.

Ms. Eleanore A. Layug is the Company's current audit partner. The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period.

Audit and Audit-Related Fees
For the years 2022, 2021 and 2020, SGV & Co. was engaged primarily to express an opinion on the financial statements of the Parent Company and its subsidiaries.

Non-Audit Services Fees
Non-audit services fees pertain to fees paid to SGV & Co. for the limited review, transfer pricing study and tax seminar fees.

The following table sets out the aggregate fees incurred in 2022 and 2021 for professional services rendered by SGV & Co.:

	2022	2021
	(In Thousands)	
Audit and Audit-Related Services	₱18,413	₱16,702
Non-Audit Services	5,580	2,226
Total	₱23,993	₱18,928

Audit Committee's Approval of Policies and Procedures
Prior to the commencement of the year-end audit work, SGV & Co. present their program and schedule to the Company's Audit Committee, which include discussion of issues and concerns regarding the audit work to be done. At the completion of the audit works, the Group's audited financial statements for the year are likewise presented by SGV & Co. to the Audit Committee for committee approval and endorsement to the BOD for final approval. The Audit Committee pre-approve the terms of the annual audit services engagement. They also approve, if necessary, any changes in terms resulting from changes in audit scope.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

A. LIST OF DIRECTORS, EXECUTIVE OFFICERS AND COMMITTEES OF THE ISSUER

The BOD is principally responsible for the Company's overall direction and governance. The Company's Articles of Incorporation provide for 9 members of the BOD, who shall be elected by the stockholders. At present, 2 of the Company's 9 directors are independent directors. The BOD holds office for 1 year until their successors are elected and qualified in accordance with the by-laws.

DIRECTORS

The following are the present directors of the Company:

Name	Age	Citizenship	Position	Date First Elected	Date Last Elected	No. of Years served as Director
Gerard H. Brimo	71	Philippine National	Executive Director, Chairman of the Board	August 1, 2009	June 3, 2022	13 years and 5 months
Maria Patricia Z. Riingen	56	Philippine National	Vice Chairman	May 20, 2019	June 3, 2022	3 years and 8 months
Martin Antonio G. Zamora	50	Philippine National	Executive Director, President, and Chief Executive Officer (CEO)	June 16, 2010	June 3, 2022	12 years and 7 months
Harvey T. Ang	49	Philippine National	Director	June 3, 2022	June 3, 2022	7 months
Yusuke Niwa	55	Japanese National	Non-Executive Director	August 5, 2021	June 3, 2022	1 year and 5 months
Shiro Imai	49	Japanese National	Non-Executive Director	June 30, 2022	June 30, 2022	5 months
Leonides Juan Mariano C. Virata	41	Philippine National	Non-Executive Director	June 30, 2022	June 30, 2022	6 months
Florencia G. Tarriela	75	Philippine National	Lead Independent Director	August 4, 2022	August 4, 2022	5 months
Angelo Raymundo Q. Valencia	54	Philippine National	Independent Director	May 8, 2020	June 3, 2022	2 years and 8 months

Certain information on the business and working experience of the Company's Directors and Executive Officers is set out below:

GERARD H. BRIMO is the Chairman of the BOD of the Company since August 7, 2018. He is the Chairman of the Corporate Governance Committee of the Company. He is also the Chairman of CMC, DMC, HMC, CExCI, Newminco, CDTN, and an Independent Director of SBC and Commonwealth Foods, Inc. Prior to his career in mining, he worked for Citibank for 8 years and was a Vice President in the bank's Capital Markets Group in Hong Kong, prior to joining Philex Mining Corporation as Vice President - Finance. Mr. Brimo served as Chairman and CEO of Philex Mining Corporation from 1994 to his retirement in December 2003. He served as President of the Chamber of Mines of the Philippines from 1993 to 1995, as Chairman from 1995 to 2003 and from 2017 to 2021. He received his Bachelor of Science degree in Business Administration from Manhattan College, U.S. and his Master of Business Management degree from the Asian Institute of Management.

MARIA PATRICIA Z. RIINGEN, Vice Chair of the Company, was first elected as a Director of the Company on May 20, 2019. She is a member of the Sustainability Committee of the Board. She is also the Vice Chair of RTN and TMC and a Director of DMC, CDTN and CExCI. She is the President of Manta Equities, Inc. (Manta) and Manta Foundation, Inc. and a Director of Mantra Resources, Inc. She is also a Director of EPI and GRHI. Prior thereto, she held various positions with the Western Union Company, and was the Senior Vice President and Regional Head for Asia Pacific. Her other previous roles were as Executive Director and a member of the BOD at the Asian Development Bank, Vice President at Citibank N.A., and Brand Manager of Procter & Gamble. She is a member of the Young President's Organization. She was among Asia's Top 20 People in Cash Management selected by Finance Asia in 2011 for being one of the region's most influential power players and up-and-coming executives in the cash management industry. In 2013, Ms. Riingen was recognized as one of the 100 Most Influential Filipinas in the World for her accomplishments as a Filipina senior executive working in a global company. In the same year, she received the Pinnacle Group's CSR Award for spearheading a range of initiatives for better access to financial services in the Philippines. Ms. Riingen obtained her Bachelor of Science in Business Administration, major in Marketing, Magna Cum Laude, from the University of the Philippines.

MARTIN ANTONIO G. ZAMORA is the President and CEO of the Company. He is the President of all the mining subsidiaries of the Company and the Chairman of EPI and its subsidiaries. He is the Chairman of the Sustainability Committee and Nominations Committee, and a member of the Board Risk Oversight Committee of the Board. Before joining NAC in 2007, Mr. Zamora was the Philippine Country Manager and a Director of UPC Renewables, a global developer, owner and operator of wind farms and solar facilities. Prior to that, he worked for 10 years for finance and investment banking firms such as CLSA, Robert Fleming & Co. (UK), Jardine Fleming, and SGV & Co. He received his Bachelor of Science in Management from Ateneo de Manila University, his Master of Business Administration from London Business School, and his Master in Organizational Psychology from INSEAD.

HARVEY T. ANG was first elected as a Director of the Company on June 3, 2022. He is also a Director of CMC and HMC. He is the President of Yeeloofa Development Corporation. Prior thereto, he was Business Development Manager of Exchange Properties Resources Corporation from July 2004 to July 2007. He was also the Export Director of Solid Mills, Inc. from July 1999 to October 2003. Aside from his experience in the real estate and textile industries, he has had significant experience in the logistics, retail and marketing industries. Mr. Ang obtained his Bachelor of Science in Management, minor in Legal Management, from the Ateneo De Manila University.

YUSUKE NIWA is the General Manager of the Nickel Sales and Raw Materials Department, Non-Ferrous Metals Division of SMM. He has more than 30 years of experience in SMM's non-ferrous metals and materials businesses, specializing in the fields of accounting, project management and administration. He likewise held significant posts relative to the Sierra Gorda copper mine of SMM in Chile.

Mr. Niwa is also an incumbent director of the Company's affiliates, THNC, CBNC and NAHI. He obtained his Bachelor of Science degree in Political Science and Economics from Waseda University in Tokyo, Japan.

SHIRO IMAI was first elected as a Director effective June 30, 2022. He is the Chairman of the Related Party Transactions Committee, and a member of the Audit Committee and Nominations Committee of the Board. Mr. Imai is the Executive Vice President of SMMPHC, CBNC, and THNC. He has been working for SMM since 1995. He was with the Sales and Marketing Section of the Electronics Division from April 1995 to January 2001 and the Sales and Marketing Section of the Advanced Materials Division from February 2001 until October 2009. In November 2009, Mr. Imai became a member of the Nickel Sales and Raw Materials Department of the Non-Ferrous Metals Division until June 2014, when he was assigned as SMM's Chief Representative of its London Office. He was the Manager of the Copper and Precious Raw Materials Department from June 2016 until September 2019. He obtained his Bachelor's degree in Economics from Tohoku University in Miyagi, Japan.

LEONIDES JUAN MARIANO C. VIRATA was first elected as Director effective June 30, 2022. He is a member of the Corporate Governance Committee of the Board. Mr. Virata is the CEO of Cavitex Holdings Inc. and the Managing Director of MTC Investment Properties. Prior thereto, he was with the Broking Research team of Platinum Securities from 2006 to 2010. He is a member of Makati Business Club. He received his Bachelor of Arts, Major in Philosophy of Religions from University of Pennsylvania.

FLORENCIA G. TARRIELA was first elected as Independent Director on August 4, 2022. She is the Lead Independent Director, Chairman of the Audit Committee, and a member of the Board Risk Oversight, Related Party Transactions, and Corporate Governance Committees of the Board. Ms. Tarriela is a Board Advisor of the Philippine National Bank (PNB), an Independent Director of the LT Group Inc., and a Director of PNB Capital & Investment Corporation, PNB International Investment Corporation, Gozon Development Corporation and Tulay sa Pag-unlad Inc., a microfinance NGO. She is also a liaison director to the Financial Executives Institute's Ethics and Financial Inclusion committees, a fellow of the Institute of Corporate Directors, a GoNegosyo mentor and a member of the Filipina CEO Circle and Women Business Council Philippines. She previously served as Board Chair and Independent Director of PNB for 15 years and Undersecretary for the Department of Finance. She was the first Filipina Vice President in Citibank N.A., President of the Bankers Institute of the Philippines, Director of the Bankers Association of the Philippines, and of the Philippine Bible Society. She has co-authored and compiled several books on ethics, mentorship, and gardening, among others, and continues to be a regular columnist for Manila Bulletin and Business World.

Ms. Tarriela obtained her Bachelor of Science in Business Administration, major in Economics, from the University of the Philippines and Master's degree in Economics from the University of California, Los Angeles.

ANGELO RAYMUNDO Q. VALENCIA was first elected as an Independent Director of the Company on May 8, 2020. He is the Chairman of the Board Risk Oversight Committee and a member of the Related Party Transactions, Sustainability, and Nominations Committees of the Board. Mr. Valencia is a Senior Fellow at the Development Academy of the Philippines, and a Lecturer at the Armed Forces of the Philippines Command Staff Graduate Course. He also serves as Senior Advisor to the NOLCOM Heroes Foundation, Philippine Marine Corps and Armed Forces of the Philippines Leadership Development Center. Mr. Valencia is also an Independent Director at Country Bankers Life and Non-Life Insurance Corporation. He is also the Managing Director of Community Sustainability Ventures, Inc., President and Chairman of YD Trucking Services Corp. and Shitamachi Ramen Philippines, Inc., Director of Just Projects Philippines, Inc. and Mashiglia Inc., and Compliance Officer of A Plus Credit and Lending Group of Companies. He was also a Senior Corporate and Tax Counsel of LTG and Chief Operating Officer of Mindanao Grains Processing Co., Inc. Mr. Valencia has received numerous awards and citations for his public service endeavors. He founded the project *Klasrum ng Pag-asa*, a private sector initiative that builds, augments and reconstructs public school structures nationwide. He obtained his Juris Doctor from the Ateneo School of Law in 1998. He is a member of the Philippine Bar.

EXECUTIVE OFFICERS

The Company's Executive Officers, together with its Executive Directors, are responsible for its day-to-day management and operations. The following table sets forth information regarding the Company's Executive Officers.

Name	Age	Citizenship	Position as of December 31, 2022	Position as of March 14, 2023
Jose Bayani D. Baylon	60	Philippine National	Senior Vice President – Sustainability, Public Affairs, and Communications Group; Chief Sustainability Officer	Senior Vice President - Sustainability, Risk Management and Corporate Affairs, Chief Sustainability Officer, and Chief Risk Officer
Georgina Carolina Y. Martinez	56	Philippine National	Senior Vice President - Compliance and Corporate Support Services; Chief Compliance Officer; Chief Governance Officer; Assistant Corporate Secretary	Senior Vice President - Corporate Support and Compliance Services, Chief Compliance Officer, Chief Governance Officer, and Assistant Corporate Secretary
Maria Angela G. Villamor	57	Philippine National	Senior Vice President - Finance and Revenue Management Group; Chief Financial Officer	Senior Vice President - Finance and Revenue Management Group; Chief Financial Officer
Rolando R. Cruz	62	Philippine National	Vice President - Corporate Planning and Revenue Assurance	Vice President - Nickel Mining Business
Rommel L. Cruz	59	Philippine National	Vice President - Mine Strategic Planning and Officer-in-Charge, Vice President - Revenue Generation	Vice President - Mine Center of Excellence and Strategic Projects
Andre Mikael L. Dy	40	Philippine National	Assistant Vice President - Treasury and Investor Relations Sector	Vice President - Treasury, Investor Relations and Sales
Christopher C. Fernandez	59	Philippine National	Vice President - Information and Communications Technology	Vice President - Process and Technology Innovation
Patrick S. Garcia	48	Philippine National	Assistant Vice President – Internal Audit; Chief Audit Executive	Vice President - Internal Audit; Chief Audit Executive
Koichi Ishihara	49	Japanese National	Vice President - Mine Services Group	Vice President, Officer-in-Charge, Chief Commercial Officer – Mining Business
Ryan Rene C. Jornada	44	Philippine National	Assistant Vice President - Public and Social Affairs Sector	Vice President - Corporate and Regulatory Affairs and Community Relations
Maria Fatima C. Mijares	55	Philippine National	Vice President - Human Resources	Vice President - Human Resources
Arnilo C. Milaor	63	Philippine National	Officer-in-Charge - Mine Production Center	Vice President - Nickel Mining Business
Gerardo Ignacio B. Ongkingco	64	Philippine National	Vice President - NAC Development Sector	Vice President - NAC Development Sector
Romeo T. Tanalgo	61	Philippine National	Vice President - Security and Administrative Services; Chief Risk Officer; Officer-in-Charge of Risk and Assurance Group	Chief Security Adviser and Vice President - Internal Security

Name	Age	Citizenship	Position as of December 31, 2022	Position as of March 14, 2023
Bimbo T. Almonte	41	Philippine National	Assistant Vice President - Occupational Health	Assistant Vice President - Occupational Health
Salvador C. Cabauatan	58	Philippine National	Assistant Vice President - General Administrative Services	Assistant Vice President - Facility Management and Aviation
Remedios C. Camo	37	Philippine National	Assistant Vice President - Industrial Safety and Officer-in-Charge, Assistant Vice President - Environment	Assistant Vice President - Safety, Health, and Environment
Jeffrey B. Escoto	47	Philippine National	Assistant Vice President – Technical Services	Assistant Vice President - Technical Services
Fernando P. Cruz	56	Philippine National	N/A	Assistant Vice President - Mining Comptroller
Rodrigo G. Gazmin, Jr.	62	Philippine National	Assistant Vice President - Material Management	Assistant Vice President - Material Management
Marnelle A. Jalandoon	52	Philippine National	Assistant Vice President - Business Applications	Assistant Vice President - Business Applications
Reynold DG. Mata II	44	Philippine National	N/A	Assistant Vice President - Business Development and Strategic
Christine Joanne C. Navarro	42	Philippine National	Assistant Vice President - Legal and Data Protection Officer	Assistant Vice President - Legal and Data Protection Officer
Edwin P. Nerva	47	Philippine National	N/A	Assistant Vice President - Sustainability
Iryan Jean U. Padillo	41	Philippine National	Officer-in-Charge, Assistant Vice President - Accounting and Financial Reporting Center	Assistant Vice President - Business Comptroller
Jessie N. Pagaran	60	Philippine National	Assistant Vice President - Employee, Labor, and Industrial Relations Division	Assistant Vice President - Employee, Labor, and Industrial Relations Division
Walter B. Panganiban	46	Philippine National	Assistant Vice President - Risk Management Sector	Assistant Vice President - Risk Management Sector
Teody A. Pascual	58	Philippine National	Assistant Vice President - Service Management Sector	Assistant Vice President - Service Management Sector
Jessie A. Payuyo	47	Philippine National	Assistant Vice President - Accounting and Financial Reporting	Assistant Vice President - Mining Comptroller
Kristine Grace C. Victoria	35	Philippine National	Assistant Vice President - Geologic Management	Assistant Vice President - Geology and Quality Assurance
Charito R. Villena-Co	45	Philippine National	Assistant Vice President - Tax Compliance and Advisory Services Sector	Assistant Vice President - Tax Compliance and Advisory Services Sector
Barbara Anne C. Migallos	67	Philippine National	Corporate Secretary	Corporate Secretary

Information on the business and working experience of our Executive Officers is set out below:

JOSE BAYANI D. BAYLON is the Senior Vice President - Sustainability, Risk Management and Corporate Affairs, Chief Sustainability Officer, and Chief Risk Officer of the Company. He is the President of RTN Foundation, Inc. (RTNFI) and NAC Foundation, Inc. He is also a Director of EPI, JSI, MGPC, BHI and NPPGC. Mr. Baylon has over 3 decades of experience in the field of corporate communications and public affairs. Before joining NAC, he was Vice President and Director for Public Affairs and Communications of The Coca-Cola Export Corporation for 14 years, and prior to that, was executive assistant and speechwriter to Mr. Enrique Zobel at E. Zobel Inc. for 9 years. He was a public affairs commentator at Radio Station DWWW 774 KhZ from 2001 to 2011 and has been contributing opinion pieces to the newspaper Malaya Business Insight since 2001. Mr. Baylon obtained his Bachelor of Arts in Political Science from the University of the Philippines.

GEORGINA CAROLINA Y. MARTINEZ, is the Senior Vice President - Corporate Support and Compliance Services, Chief Compliance Officer, Chief Governance Officer, and Assistant Corporate Secretary of the Company. She is primarily responsible for the Company's legal and compliance, human resources, information and communications technology, and administration and facilities management concerns. She is likewise the Corporate Secretary of CMC, DMC, HMC, RTN, TMC, EPI and its subsidiaries JSI, MGPC, BHI, GRHI, and the Assistant Corporate Secretary of CExCI and Newminco. Prior to joining the Company, Ms. Martinez was the Senior Vice President for Legal, Human Resources, and Administration of EPI. She obtained her Juris Doctor from Ateneo de Manila University and is a member of the Philippine Bar. Ms. Martinez has over 25 years' experience in the field of commercial and corporate law.

MARIA ANGELA G. VILLAMOR, is the Senior Vice President, Treasurer, Chief Financial Officer and Head of the Finance and Revenue Management Group of the Company. She oversees the preparation and management of the Group's operating budgets and is responsible for financial reporting activities. She was the Vice President for Group Controllership from May 1 to December 31, 2020 and the Vice President for Internal Audit and the Chief Audit Executive from 2011 to April 30, 2020. She is also a Director of CMC, DMC, HMC, CDTN, EPI, JSI, MGPC, and BHI. Prior to joining NAC in 2011, she was a Senior Director in the Assurance Division of SGV & Co. She also worked as Senior Manager in KPMG UAE. Ms. Villamor obtained her Bachelor of Science in Commerce from the University of San Carlos. She completed the Management Development Program of the Asian Institute of Management.

ROLANDO R. CRUZ is the Vice President - Nickel Mining Business of the Company effective January 1, 2023. He was the Vice President - Corporate Planning and Revenue Assurance from March 10, 2022 until December 31, 2022. He was also the Vice President, Officer-in-Charge of the Strategic Development and Growth Group, and Head of the Research and Technology, Innovations, and Corporate Special Projects Sectors of the Company from January 1, 2021 until March 9, 2022. Mr. Cruz is also the Senior Vice President - Chief Operating Officer of CMC and TMC. Mr. Cruz is a licensed mining engineer in the Philippines with over 25 years of professional experience in both mining operations and project development in gold, copper, chromite, concrete aggregates, nickel, and oil sands deposits using the open pit and underground bulk mining methods. He has held various positions with firms such as Albian Sands Energy, Inc. (Canada), Berong Nickel Corporation, Concrete Aggregates Corporation, Philex Mining Corporation, and Benguet Corporation. Mr. Cruz obtained his Bachelor of Science in Mining Engineering and Masters of Science in Geotechnical Engineering from the Mapua Institute of Technology. He also earned a Post-Graduate Certificate in Strategic Business Economics from the University of Asia and the Pacific. Mr. Cruz placed second in the 1982 Licensure Examinations for Mining Engineers.

ROMMEL L. CRUZ is the Vice President - Mine Center of Excellence and Strategic Projects of the Company effective January 1, 2023. He was the Vice President - Mine Strategic Planning Center and Officer-in-Charge, Vice President - Revenue Generation Group from March 10, 2022 until December 31, 2022. He is a Director of CMC, DMC, HMC, CExCI, and CDTN. He was also the Vice President and Head of Operations for DMC, HMC-Manicani Project and CDTN from April 1, 2021 to March 9, 2022. Before joining the Company in October 2018, Mr. Cruz was a key member of the core team of mining professionals of PT Adaro Indonesia, who grew the company to become Indonesia's largest single pit coal mine from 1991 to 2013. Thereafter, he was assigned to other companies within Adaro Energy, first, as Director of Operations of PT Rahman Abdjaya from 2014 to 2016, then as Senior Technical Advisor to the Director of Operations of PT Septaindra Sejati from 2016 to 2017. Prior to his stint in PT Adaro Indonesia and Adaro Energy, he served as Senior Geodetic Engineer of Semirara Coal Corporation from 1989 to 1991. Engr. Cruz obtained his Bachelor of Science in Geodetic Engineering from the University of the Philippines.

ANDRE MIKAEL L. DY is the Vice President – Treasury, Investor Relations and Sales of the Company effective January 1, 2023. He has over 12 years of experience in the finance and banking industry, having held various roles in equity sales, consumer banking, venture capital fund management and financial advisory. He was Associate Director Salesperson of CLSA Philippines since 2017 and was recognized as Philippines' Best Salesperson for Asiamoney/Euromoney for 2019 to 2021 and for Institutional Investor magazine's 2021 broker polls. He was instrumental in the distribution of up to US$1.4 billion for various Initial Public Offerings while he was with CLSA. He helped distribute the pioneering energy transition financing products to help accelerate the retirement of coal plants in the Philippines. Prior to joining CLSA, he worked for Citibank N.A. as a product manager for various bank products.

CHRISTOPHER C. FERNANDEZ, is the Vice President - Process and Technology Innovation. He is a seasoned technology professional with more than 20 years of accumulated executive, managerial and hands-on experience in delivering strategic thought leadership, technology-enabled solutions and transformation to businesses, including Information Technology governance and security, infrastructure, systems, and service management. Before joining the Company, Mr. Fernandez served as Information Technology Head for Makati Medical Center, Armed Forces Police Mutual Benefit Association Inc., G4S Holdings, Inc. Headstrong Philippines, Inc., United Coconut Planters Bank, and Puyat Steel/Sports and Recreation. He obtained his Bachelor of Science in Electronics and Communications Engineering from the University of the East.

PATRICK S. GARCIA is the Vice President - Internal Audit and Chief Audit Executive of the Company effective January 1, 2023. He was the Assistant Vice President - Internal Audit and the Chief Audit Executive of the Company from May 1, 2020 until December 31, 2022. He is responsible for reviewing the Company's organizational and operational controls, risk management policies, and governance. He was previously the Assistant Vice President - Finance of CMC, DMC, and SNMRC. He is a Certified Public Accountant. Mr. Garcia joined the Company in March 2007 as Finance Manager and was promoted to Assistant Vice President - Finance in March 2009. He handled finance matters for various companies within the Group, including HMC, CExCI, and LCSLC until 2012. Before joining the Company, Mr. Garcia served as Finance and Accounting Head of BMW Philippines from 2004 to 2006; of Blue Cross, Inc. in 2003, and of KKC Corporation from 1998 to 2002. He was also an auditor in SGV & Co. from 1995 to 1997, where he handled various clients from the manufacturing and trading industry. Mr. Garcia obtained his Bachelor of Science in Accountancy from the University of Santo Tomas.

KOICHI ISHIHARA, is Vice President, Officer-in-Charge (OIC), Chief Commercial Officer - Mining Business of the Company effective January 1, 2023. He was the Vice President - Mine Services Center from March 10, 2022 until December 31, 2022. He was also the Vice President, Head of the Sales Sector and the Supply Chain and Management Sector from January 1, 2021 until March 9, 2022. Prior to joining NAC in 2011, he was a Manager and Philippine Representative of PAMCO, handling nickel and stainless market analysis and update in Asian countries. He has also supported establishing a Hydro Metallurgical Processing Plant. Mr. Ishihara received his Bachelor in English Language from Kanda University of International Studies, Japan.

RYAN RENE C. JORNADA is the Vice President - Corporate and Regulatory Affairs and Community Relations of the Company effective January 1, 2023. He was the Assistant Vice President - Public and Social Affairs Sector until December 31, 2022. His previous roles in the Company include Head of Public Affairs, Head of Government Relations and Head of Regulatory and Claims Management. Prior to joining the Company in 2011, he was an associate at a law firm, Belo Gozon Elma Parel Asuncion and Lucila, and was an Election Assistant for the Commission on Elections and Political Affairs Officer of the Congressional Representative of the Second District of Iloilo. A member of the Philippine Bar, Mr. Jornada obtained his Bachelor of Law from the University of Santo Tomas.

MARIA FATIMA C. MIJARES, Vice President - Human Resources Sector, is a seasoned HR professional with over 25 years of experience in HR management, including organizational development, learning and development, leadership development and succession planning, performance and rewards management, and talent acquisition. She was the Senior Director and Chief Human Resource Officer of Ayala Foundation from 2016 until she joined the Company in 2021. She held various positions in the HR departments of SM Retail, Inc., SM Mart, Inc. Genpact Development, Bank of the Philippine Islands, Ayala Land, Inc., Colgate-Palmolive Philippines, Avon Cosmetics, and Mercury Group of Companies. She obtained her Bachelor's degree in Psychology from the University of Santo Tomas and completed the Leadership Excellence Acceleration Program of Harvard University.

ARNILO C. MILAOR, Vice President - Nickel Mining Business effective January 1, 2023, was previously the Officer-in-Charge - Mine Production Center of the Company. Prior to joining the Company in March 2022, he was Assistant Vice President and Resident Mine Manager of CMC for almost 6 years, and Resident Mine Manager of HMC for 1 year before being assigned to CMC. He worked at the MGB for almost 28 years and was Division Chief of MGB's Mining Environment and Safety Division before becoming Resident Mine Manager of HMC. He was also appointed by the DENR Secretary during his MGB years as Chairman of the Provincial Mining Regulatory Board of Romblon Province. Engr. Milaor obtained his Bachelor of Science in Mining Engineering from Mapua Institute of Technology.

GERARDO IGNACIO B. ONGKINGCO, Vice President - NAC Development Sector, was the Vice President, Head of the Human Resources Sector and the Data Protection Officer of the Company and its mining subsidiaries until March 9, 2022. His career in Human Resources started in the early 1980s and has been enriched with exposure to various industries, including government, manufacturing, agriculture and hospitality. He was previously President of the Philippine Quality and Productivity Movement, Davao Chapter. He earned his Bachelor in Community Development and Master in Industrial Relations from the University of the Philippines.

ROMEO T. TANALGO, is the Chief Security Adviser and Vice President - Internal of the Company. He was the consultant of the Company for security matters from May 1, 2019 until his appointment as Vice President on August 6, 2019. He was the Chief of the Armed Forces of the Philippines, North Luzon Command from March 10, 2016 until his retirement on September 4, 2017. Prior thereto, he was appointed as Vice Chief of Staff at Armed Forces of the Philippines on October 20, 2015. He also served as Commandant, Philippine Marine Corps from April 2013 to December 2015. Gen. Tanalgo is a member of the Philippine Military Academy "Matikas" Class of 1983 and obtained his Master in Development Management from the Asian Institute of Management and his Master in Maritime Studies from the University of Wollonong in Australia.

BIMBO T. ALMONTE, Assistant Vice President - Occupational Health Sector, served as the Occupational Health Physician, Internal Medicine Specialist and Medical Director of RTNFI Hospital and Occupational Health Physician of RTN, CBNC and affiliated contractors before assuming his current position. He began his career in RTNFI in 2002 as a Medical Technologist Reliever. He is a licensed Medical Technologist and Physician. He obtained his Bachelor of Medical Technology from Far Eastern University - Dr. Nicanor Reyes Memorial Foundation and Doctor of Medicine from Our Lady of Fatima University. He received his specialization in Internal Medicine from St. Luke's Medical Center Global City and Master in Management in Hospital Administration from Philippine Christian University.

SALVADOR C. CABAUATAN, Assistant Vice President - Facility Management and Aviation, was the General Administrative Manager of TMC from October 2019 until his appointment in the Company, and of CMC from July 2012 until September 2019. Before joining the Group, he worked for Philip Morris Philippines Manufacturing Inc. as Supervisor in its Export Operations Services Department. He obtained his Bachelor of Science in Commerce, major in Accounting, from Laguna College of Business and Arts; Master in Business Administration from St. Paul University - Surigao; and Doctor of Philosophy, major in Business and Management from St. Paul University - Surigao.

REMEDIOS C. CAMO, Assistant Vice President - Safety, Health, and Environment, previously served the Company as OIC - Industrial Safety Sector Head prior to her promotion. She served RTN in various capacities, including MESH Division Manager, Safety Manager, and IMS Project-in-Charge. Prior thereto, she was employed as a Safety and Health Department Head of Carrascal Nickel Mining Corporation. She is a licensed Mining Engineer. She earned her Bachelor of Science in Mining Engineering from University of the Philippines - Diliman.

FERNANDO P. CRUZ is the Assistant Vice President - Mining Comptroller of HMC, CMC, and DMC effective January 1, 2023. He has over 30 years of professional experience in accounting and finance. He began his career as an Accounting Clerk in RTN and eventually became an Accounting Manager. A Certified Public Accountant, Mr. Cruz obtained his Bachelor of Science in Accountancy from St. Joseph College, Maasin, Southern Leyte.

JEFFREY B. ESCOTO, is the Vice President - Technical Services of the Company and the Chief Operating Officer of CDTN. Prior to his appointment as Head of the Technical Services Sector of the Company in 2019, he was the Technical Services Group Manager of HMC from December 2013 until August 5, 2019 and the Technical Services Head of CMC from 2009 to 2013. He also served as Site Manager of Maxima Machineries, Inc. on various project sites, managing an on-site support team in Masbate Gold Project from 2008 to 2009, in Oceana Gold's Didipio Gold Copper Mining Project in 2008 and in Rapu Polymetallic Mine Project of Lafayette Mining in Albay from 2005 to 2008. Mr. Escoto obtained his Bachelor in Mechanical Engineering from the University of Nueva Caceres in Naga City.

RODRIGO G. GAZMIN, JR., is the Assistant Vice President - Material Management Sector since March 10, 2022. He was the Assistant Vice President, the Head of the Purchasing and Supply Chain Management Sector of the Company from January 1, 2021 to March 9, 2022. He was a Purchasing Supervisor of RTN from 1989 until 2008, the year he joined the Company. Mr. Gazmin obtained his Bachelor of Science, major in Mechanical Engineering, from Lyceum of the Philippines - Manila and has attended the Basic Management Course in Asian Institute of Management in 2015.

MARNELLE A. JALANDOON, Assistant Vice President, heads the Business Applications Division of the Company. Prior to joining NAC in 2008, Mr. Jalandoon was the Technical Operations Director of Concentrix Technologies, Inc, driving both the Technical Department and the Application Development Teams. He has held various IT positions with Grand International Airways, First Internet Alliance, WebScape, I-Next Internet and PSINET Philippines, garnering more than 20 years' experience in IT Infrastructure and Communications. Mr. Jalandoon obtained his Bachelor of Science in Computer Science degree from the Philippine Christian University.

REYNOLD DG. MATA II, is the Assistant Vice President - Business Development and Strategic of the Company effective January 1, 2023. He was the Assistant Vice President-Legal and Business Development, and Chief Compliance Officer of EPI from March 10, 2022 to December 31, 2022. He is a lawyer and a Certified Public Accountant with over 20 years of professional experience in the fields of taxation, litigation, corporate, financial audit, budgeting, and in the power, logistics, and mining industries. He is also a Reservist in the Armed Forces of the Philippines, Reserve Command, Judge Advocate General Services, with the rank of Captain. A member of the Philippine Bar, Mr. Mata obtained his Bachelor of Laws degree from San Beda University and his Bachelor of Science in Accountancy from the same university.

CHRISTINE JOANNE C. NAVARRO, Assistant Vice President - Legal Sector and Data Protection Officer, was the Group Manager for General Legal Services of the Company from 2018 to March 10, 2022. Prior to joining the Company, she worked as legal counsel of MediaQuest Holdings, Inc. and TV5 Network Inc. She obtained her Bachelor of Arts in European Studies from the Ateneo De Manila University and Bachelor of Laws from University of the Philippines - College of Law. She is also a member of the Integrated Bar of the Philippines.

EDWIN P. NERVA is the Assistant Vice President - Sustainability of the Company effective January 1, 2023. He was the Senior Manager of the Sustainability Sector of the Sustainability, Public Affairs and Communications Group from August 1, 2016 to December 31, 2022. He is an experienced management and community development practitioner, and currently handles ESG planning and execution. He was previously the Executive Director of RTNFI. As Executive Director, he ensured that the various departments of the Foundation and its key programs function effectively and efficiently. He also acted as Community Relations Coordinator between the Community Relations Departments of RTN and CBNC. He has more than 20 years' experience working in international and local networks of civil society organizations and coalitions. Mr. Nerva obtained his Bachelor of Science in Agriculture, Major in Horticulture degree from the University of the Philippines, Los Baños. He completed his Diploma in Community Development from St. Francis Xavier University, Nova Scotia, Canada and Diploma in Urban and Regional Planning from University of the Philippines Diliman. He is currently completing his requirements for the degree of Master of Science in Environmental Science from University of the Philippines Los Baños.

JESSIE N. PAGARAN is the Assistant Vice President - Employee, Labor and Industrial Relations Division of the Company. He was the Employee Relations Group Manager of the Company from July 1, 2019 until his promotion. He was also Human Resource Manager of CMC from October 2017 to June 2019 and served as Consultant on Permitting and Government Relations, Community Relations, and Labor Relations for several corporations from 2009 to 2017; and served in various capacities in Associated Labor Unions - Trade Union Congress of the Philippines from 1991 to 2015. Mr. Pagaran obtained his Bachelor of Science in Commerce, Major in Accounting from San Beda College and his Bachelor of Laws from Manuel L. Quezon University.

WALTER B. PANGANIBAN is the Assistant Vice President - Risk Management Sector of the Company. He is a communications and public relations professional with over 20 years of experience in strategic internal and external communications. Prior to joining NAC, he was the Securities Operations Manager of Amazon (through Pinkerton). He was also the co-founder and Chief Communications Officer of start-up social enterprise, Resilient.PH. Mr. Panganiban also taught subjects on communication at the collegiate level. He graduated Magna Cum Laude from St. Paul Seminary in 1998 with a double degree in AB Mass Communication and Philosophy. He also completed his Executive Master in Disaster Risk and Crisis Management from the Asian Institute of Management.

IRYAN JEAN U. PADILLO, is the Assistant Vice President - Business Comptroller of the Company. She is responsible for the Company's financial reporting and direct supervision of accounting and financial functions. Ms. Padillo is a Certified Public Accountant. Prior to joining the Group in May 2012 as Senior Finance Manager, she was an Associate Director in the Assurance Group and worked as part of the Finance Group of SGV & Co. She obtained her Bachelor of Science in Accountancy from the University of the East.

TEODY A. PASCUAL, Assistant Vice President - Service Management Sector, was the Purchasing Manager of the Company prior to his promotion. He has over 11 years of experience in the field of purchasing as a manager overseeing the purchasing of materials and services to support various operating companies of the Group. Before joining the Company, he was employed as a Production Development Head of Batong Angono Aggregates Corporation. He is a licensed Electronics and Communications Engineer. He obtained his Bachelor of Science in Electronics and Communications Engineering from University of Santo Tomas.

JESSIE A. PAYUYO, Assistant Vice President - Mining Comptroller, was a Senior Finance Manager of the Company until his promotion. Prior to joining the Group in 2021, he was the Finance Controller of Yara Fertilizer Inc. He has over 20 years' experience in the fields of audit, corporate accounting and controllership. He is a licensed Certified Public Accountant. Mr. Payuyo earned his Bachelor of Science in Accountancy from Central Luzon State University.

KRISTINE GRACE C. VICTORIA, Assistant Vice President - Geology and Quality Assurance, was the Resource Geology Manager of the Company prior to her promotion. She also served as a Resource Geologist in HMC. Prior thereto, she was employed as the Exploration Geologist of FSMRC/Consolidated Mines Inc. She is a licensed Geologist and placed eighth in Geology Licensure Examination. She is the youngest Competent Person in the Philippines to be accredited by PMRC Committee and Geological Society of the Philippines for Exploration and Mineral Reporting of Nickel Laterites. She obtained her Bachelor of Science in Geology, Cum Laude, from University of the Philippines and Management Development Program from Asian Institute of Management.

CHARITO R. VILLENA-CO is Assistant Vice President - Tax Compliance and Advisory Services Sector and has been a tax management professional for over a decade. Prior to joining the Company, she was Assistant Vice President and Group Tax Head for SM Markets from November 2017 to May 2022. She was also former Country Tax and PEZA Head of Accenture Inc. (Philippines), Head of Tax of Philex Mining Corporation and a Tax Management Executive of PLDT, Inc. She obtained her Bachelor of Science in Business Administration and Accountancy, Cum Laude, and Juris Doctor from the University of the Philippines.

BARBARA ANNE C. MIGALLOS is the Corporate Secretary of the Company and its subsidiary CExCI. She is the Managing Partner of Migallos and Luna Law Offices and she was a Senior Partner of Roco Kapunan Migallos and Luna from 1986 to 2006. A practicing lawyer since 1980, Ms. Migallos focuses principally on corporate law, mergers and acquisitions, and securities law. She is a Director and Corporate Secretary of Philex Mining and a Director of Mabuhay Vinyl Corporation, both publicly listed companies. She is also Corporate Secretary of PXP Energy Corporation and of Alliance Select Foods International, Inc. both listed companies. She is a Director of Philippine Resins Industries, Inc. and other corporations, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. Ms. Migallos is a professorial lecturer at the DLSU College of Law and chairs at Mercantile Law and Taxation Department.

No director or senior officer of the Company is or has been in the past 2 years, a former employee or partner of the current external auditor.
Also, the Company discloses the transactions of its directors and officers as required by applicable laws and regulations.

B. SIGNIFICANT EMPLOYEES/EXECUTIVE OFFICERS

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

C. FAMILY RELATIONSHIP

Aside from Mr. Martin Antonio G. Zamora being the son and Ms. Patricia Z. Riingen being the daughter of Mr. Manuel B. Zamora, Jr., and Mr. Ryan Rene C. Jornada being a third civil degree relative by affinity of Mr. Manuel B. Zamora, Jr. and a fourth civil degree relative by affinity of Mr. Martin Antonio G. Zamora and Ms. Patricia Z. Riingen, none of the Company's Executive Officers are related to each other or to its Directors and substantial Shareholders.

D. INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the members of the Company's Board, nor any of its executive officers, has been or is involved in any criminal, bankruptcy or insolvency investigations or proceedings for the past 5 years and up to the date of this report. None of the members of the Board, nor any executive officer, have been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or of any other nation or country. None of the members of the Board nor any executive officers have been or are subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities. None of the members of the Board nor any executive officer have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. EXECUTIVE COMPENSATION AND STOCK OPTION PLAN

The table set out below identifies the Corporation's CEO and 4 most highly compensated executive officers (the "named executive officers") and summarizes their aggregate compensation in 2021 and 2022 and their estimated compensation for 2023. The amounts set forth in the table have been prepared based on what the Company paid for the compensation of its executive officers for the years indicated and what we expect to pay on the ensuing year.

	December 31, 2021[1]			December 31, 2022[2]			December 31, 2023[2] (Estimated)		
	Salary	Bonus	Total	Salary	Bonus	Total	Salary	Bonus	Total
	(In Php Thousands)								
Named executive officers	₱42,383	₱53,915	₱96,298	₱48,121	₱50,643	₱98,764	₱50,518	₱34,096	₱84,614
All other officers and directors as a group unnamed	58,158	40,472	98,630	70,564	50,516	121,080	87,547	36,546	124,093

[1] The named executive officers for the year 2021 are: Gerard H. Brimo (Chairman), Martin Antonio G. Zamora (President and CEO), Jose B. Anievas (Chief Operating Officer), Georgina Carolina Y. Martinez (Senior Vice President - Compliance and Corporate Support Services) and Rolando R. Cruz (Vice President for Research and Technology, Innovations and Corporate Special Projects).
[2] The named executive officers for the years 2022 and 2023 are: Gerard H. Brimo (Chairman), Martin Antonio G. Zamora (President and CEO), Georgina Carolina Y. Martinez (Senior Vice President - Compliance and Corporate Support Services), Maria Angela G. Villamor (Chief Financial Officer), and Rolando R. Cruz (Vice President - Corporate Planning and Revenue Assurance).

COMPENSATION OF DIRECTORS

Each of the directors of the Parent Company is entitled to a director's fee for each meeting attended. In addition, the directors who serve in the committees of the BOD are each entitled to a fee for each committee meeting attended.

The table below shows the net compensation of the Company's Directors for each meeting:

Type	Board/ Stockholder's Meeting	Audit Committee Meeting	Board Risk Oversight	Related Party	Corporate Governance/ Nominations	Stock Option
Executive Director	₱10,000	₱-	₱10,000	₱-	₱10,000	Yes
Non-executive Director	10,000	10,000	-	10,000	10,000	Yes, Except for the Non-Filipino Directors
Independent Director	135,000	45,000/ 22,500	45,000/ 22,500	22,500	22,500	Yes

Currently, there are no arrangements for additional compensation of directors.

STOCK OPTION PLANS

On April 5, 2018 and May 28, 2018, the Company's BOD and stockholders, respectively, approved the 2018 Executive Stock Option Plan (the 2018 ESOP or the Plan) covering up to 155,000,000 shares, which was further increased to 375,000,000 shares, allocated to the Company's directors, officers, corporate secretary and the officers of its operating mining subsidiaries, specifically those with positions of Assistant Vice President and higher, including all Resident Mine Managers of the operating mining subsidiaries, including CExCI. The optionees of the 2018 ESOP may avail of the ESOP shares at 90% of the Offer Price for a number of ESOP Shares equivalent to up to four (4) times the annual salary of the optionees. In case of non-executive directors and the corporate secretary, their grants shall be the average of the highest and lowest grants within the ESOP. The 2018 ESOP shall be valid for 5 years commencing from the date of the approval of the Plan. Options shall vest yearly at a rate of 25% of the entitlement, with the first vesting occurring 1 year after the grant. The optionee can exercise the vested option by giving notice to the Parent Company within the term of the Plan, and can opt to either purchase the shares directly at the

exercise price or request the Parent Company to advance the purchase price and to sell the shares, in which case the participant will receive the sales proceeds less the exercise price.
The cost of share-based payment plan in 2022 and 2021 amounted to ₱49.4 million and ₱31.9 million, respectively.

On September 15, 2022, the SEC approved the exemption from registration of the additional 220,000,000 common shares which shall form part of the 2018 ESOP. On February 3, 2023, the PSE approved the listing of up to 304,345,014 unissued common shares to cover the 2018 ESOP.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

A. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

The following table sets forth the record owners and, to the best knowledge of the BOD and Management of the Company, the beneficial owners of more than 5% or more of the Company's outstanding common share as at December 31, 2022:

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common Stock	PCD Nominee Corporation (Filipino)		Filipino	7,271,522,191	53.13%
Common Stock	Mantra Resources Corporation 30th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig		Filipino	0 - Direct 3,545,743,602 - Indirect	26.01%
Common Stock	Sumitomo Metal Mining Philippine Holdings Corporation 24F Pacific Star Building Makati Avenue, Makati City	Sumitomo Metal Mining Co., Ltd.	Foreign	2,600,384,267 - Direct 1,014,013,620 - Indirect	26.52%
Common Stock	PCD Nominee Corporation (Non-Filipino)		Foreign	2,560,813,713	18.71%
Common Stock	Ni Capital Corporation 28th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig		Filipino	0 - Direct 1,833,078,231 - Indirect	13.45%
Common Stock	Nonillion Holding Corporation 3/F Corporate Business Centre, 151 Paseo de Roxas Makati City		Filipino	1,136,000,000 - Direct	8.33%

B. SECURITY OWNERSHIP OF MANAGEMENT

The beneficial ownership of the Company's directors and executive officers as of December 31, 2022 follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent
Common Stock	Gerard H. Brimo	23,047,282 - Direct 3,672,727 - Indirect	Filipino	0.21%
Common Stock	Harvey T. Ang	2,000,000 - Direct 10,625,640 - Indirect	Filipino	0.09%
Common Stock	Martin Antonio G. Zamora	540 - Direct 5,515,671 - Indirect	Filipino	0.04%
Common Stock	Maria Patricia Z. Riingen	1,000 - Direct 910,800 - Indirect	Filipino	0.01%
Common Stock	Shiro Imai	2,023 - Direct	Japanese	0.00%
Common Stock	Yusuke Niwa	2,023 - Direct	Japanese	0.00%
Common Stock	Florencia G. Tarriela	1 – Direct 16,799 - Indirect	Filipino	0.00%
Common Stock	Angelo Raymundo Q. Valencia	10,000 -Direct 5,000 - Indirect	Filipino	0.00%
Common Stock	Leonides Juan Mariano C. Virata	100 - Direct -	Filipino	0.00%
Common Stock	Jose Bayani D. Baylon	200 - Indirect	Filipino	0.00%
Common Stock	Georgina Carolina Y. Martinez	9,000 - Indirect	Filipino	0.00%
Common Stock	Maria Angela G. Villamor	972,554 - Indirect	Filipino	0.01%
Common Stock	Rolando R. Cruz	614,952 - Direct 1,085,962 - Indirect	Filipino	0.01%
Common Stock	Rommel L. Cruz	-	Filipino	0.00%
Common Stock	Andre Mikael L. Dy	-	Filipino	0.00%
Common Stock	Jeffrey B. Escoto	-	Filipino	0.00%
Common Stock	Christopher C. Fernandez	-	Filipino	0.00%
Common Stock	Patrick S. Garcia	34,333 - Indirect	Filipino	0.00%
Common Stock	Koichi Ishihara	-	Japanese	0.00%
Common Stock	Ryan Rene C. Jornada	259,600 - Indirect	Filipino	0.00%
Common Stock	Ma. Fatima C. Mijares	-	Filipino	0.00%
Common Stock	Arnilo C. Milaor	-	Filipino	0.00%
Common Stock	Gerardo Ignacio B. Ongkingco	-	Filipino	0.00%
Common Stock	Romeo T. Tanalgo	-	Filipino	0.00%
Common Stock	Bimbo T. Almonte	-	Filipino	0.00%
Common Stock	Salvador C. Cabauatan	1,000-Indirect	Filipino	0.00%
Common Stock	Remedios C. Camo	16,000 - Indirect	Filipino	0.00%
Common Stock	Fernando P. Cruz	4,000 - Indirect	Filipino	0.00%
Common Stock	Rodrigo G. Gazmin, Jr.	-	Filipino	0.00%
Common Stock	Marnelle A. Jalandoon	-	Filipino	0.00%
Common Stock	Reynold DG Mata II	-	Filipino	0.00%
Common Stock	Christine Joanne C. Navarro	-	Filipino	0.00%
Common Stock	Edwin P. Nerva	-	Filipino	0.00%
Common Stock	Iryan Jean U. Padillo	4,500 - Indirect	Filipino	0.00%
Common Stock	Jessie N. Pagaran	-	Filipino	0.00%
Common Stock	Walter B. Panganiban	-	Filipino	0.00%
Common Stock	Teody A. Pascual	-	Filipino	0.00%
Common Stock	Jessie A. Payuyo	121,600- Indirect	Filipino	0.00%
Common Stock	Kristine Grace C. Victoria	-	Filipino	0.00%
Common Stock	Charito R. Villena-Co	-	Filipino	0.00%
Common Stock	Barbara Anne C. Migallos	-	Filipino	0.00%

C. VOTING TRUST HOLDERS OF 5% OR MORE

There is no voting trust holder of 5% or more of the Company's stock.

D. CHANGES IN CONTROL

There are no arrangements which may result in a change in control of the Company.

Item 12. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party, 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 enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

All sales and purchases from related parties are made at prevailing market prices.

Nickel Ore Sale Agreements with PAMCO
The Group supplies saprolite ore to PAMCO. PAMCO is a stockholder of the Parent Company, RTN and TMC. All sales made to PAMCO are transacted at prevailing market prices which are benchmarked to China prices on the basis of a negotiated price per WMT of ore. PAMCO shall pay the Group 80% to 90% of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined.

Nickel Ore Sale Agreement with PAMCO and Sojitz Corporation (Sojitz)
RTN supplies saprolite ore to PAMCO, wherein PAMCO appointed Sojitz as agent under a sale agreement, which shall be valid and in effect until December 2020. By the end of the 3rd year, RTN and PAMCO shall jointly assess whether the commercial production of ore at the mine is still possible. Unless the commercial production becomes impossible due to the exhaustion of ore reserves in the mine, RTN, PAMCO and Sojitz shall renew the agreement with 5 years term. Currently, the agreement is valid until December 31, 2026. PAMCO owns 36% and Sojitz owns 4% of the outstanding shares in the capital stock of RTN.

Nickel Ore Supply Agreement with Big Wave
In September 2021, TMC entered into an agreement with Big Wave covering the sale of its ore products. Under the agreement, the end user of the material is PAMCO.

Nickel Ore Supply Agreement with Mitsubishi Corporation RTM International Pte., Ltd. and Mitsubishi Corporation RTM Japan Ltd. (Mitsubishi)
RTN entered into an agreement with Mitsubishi, a Singapore and Japan-based corporations, covering the sale of its ore products. Under the terms of the agreement, the ore sales are benchmarked to China prices on the basis of a negotiated price per WMT of ore. Mitsubishi shall pay 85% of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined. Under the agreement, the end user of the material is PAMCO.

Nickel Ore Sale Agreement with SMM
On January 11, 2021, RTN and SMM entered into an agreement to supply nickel ore to the latter for a fixed tonnage at specific nickel grades and iron content.

Nickel Ore Supply Agreement with CBNC
RTN entered into an agreement with CBNC to supply all of the limonite ore requirements for the Coral Bay HPAL facility until the earlier of the cessation of operations at the Coral Bay HPAL facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. RTN has also entered into an agreement with CBNC to supply limestone and provide ancillary services to the Coral Bay HPAL facility. CBNC is the owner of the Coral Bay HPAL facility.

CMC, HMC and DMC also entered into an agreement with CBNC covering the sale of its ore products with a fixed tonnage at specific nickel grade and iron content.

Nickel Ore Supply Agreement with THNC
TMC entered into an agreement with THNC covering the sale of its ore products. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on LME.

Service Agreements with CBNC
RTN and CDTN entered into various service agreements with CBNC pertaining to materials handling and others.

Materials Handling Agreement with THNC
On October 7, 2013, TMC and THNC executed an agreement wherein TMC will render services related to the handling, hauling and transport of cargo for THNC. THNC shall compensate TMC based on the prices stipulated in the agreement which are agreed annually and determined on the basis of the weight of the cargo. Payment is collected within 15 days from receipt of TMC's billing.

Materials Supply Agreement with THNC
On October 1, 2019, TMC and THNC entered into a materials supply agreement wherein THNC agrees to purchase and take delivery from TMC an aggregate of 1,000,000 compacted cubic meters of suitable and unsuitable construction materials for THNC's expansion of its tailing storage facility. The contract period is from September 1, 2019 to December 31, 2020. On March 25, 2021, TMC and THNC amended the agreement which is valid up to December 31, 2027.

Funding Commitment with THNC
TMC as owner/developer of Taganito Special Economic Zone (TSEZ) incurred a long-term debt to finance the construction of the pier facilities that will be utilized to support the operations of the Taganito HPAL facility. These projects included the jetty, dolphins, rubber fender, jetty bollard and other pier facilities in the Taganito foreshore and offshore areas.

THNC Stockholder's Agreement
On September 15, 2010, NAC, SMM and Mitsui executed a Stockholders Agreement, pursuant to which the parties formed a joint venture company, THNC, to build and operate a plant in Barangay Taganito, Claver, Surigao del Norte for the purpose of producing and selling nickel-cobalt mixed sulfide to be used in the production of electrolytic nickel and electrolytic cobalt.

Pursuant to the Stockholders Agreement, SMM granted THNC a non-exclusive license of technology owned by SMM to produce the products and has undertaken to provide technical assistance to THNC. The Parent Company has undertaken to cause TMC to supply THNC with nickel ore and limestone and to further cause TMC to make available to THNC the use of the land and infrastructure necessary for the production of the products while Mitsui shall assist THNC in procuring materials and equipment necessary for the mine's operations. The Stockholders Agreement shall terminate upon the dissolution of THNC.

The Parent Company, along with the other stockholders of THNC, also agreed to make loans to THNC or guarantee the repayment of THNC's loan obligations in accordance with the financial requirements of THNC, in proportion to their shareholding ratio in THNC.

In a separate agreement dated December 9, 2011, SMM agreed to assume Parent Company's obligation to make loans to, or guarantee the repayment of THNC's loan obligations. The Parent Company, in consideration for this agreement, pays SMM an annual guarantee fee of 1%, which was reduced to 0.6%, of THNC's outstanding loan obligations.

Throughput Agreement with THNC
On October 4, 2010, TMC and THNC executed a Throughput Agreement wherein TMC will construct the pier facilities within the TSEZ pursuant to its role as Developer. The TSEZ is located within the Surigao Mineral Reservation, an area declared for mineral development pursuant to Proclamation 391, under the supervision of the DENR that issued an "Order to Use Offshore Area" dated September 20, 2010 to TMC for the use of such portion of the Surigao Mineral Reservation for the construction of the pier facilities. In relation to this, THNC entered into a Registration Agreement with the PEZA to construct and operate a mineral processing plant within the TSEZ as an Ecozone Export Enterprise.

Under the agreement, TMC will make available the pier facilities and provide certain services to THNC in consideration for usage fees and service fees to be paid by the latter starting April 2011 until 2031, unless terminated earlier. The usage fee amounted to $1.3 million is payable in semi-annual period on or before October 10 and April 10.

THNC also agrees to pay service fee that will be agreed upon by both parties which shall be billed on a monthly basis.

Prior to the commencement date, THNC may also request TMC to use any part of the constructed pier facilities, which is ready for use, upon payment of reasonable compensation which shall be mutually agreed by TMC and THNC.

<u>Memorandum of Understanding</u>
On September 14, 2009, the Parent Company and TMC entered into a MOU with SMM. Pursuant to the terms thereof, the Parent Company and SMM will move ahead on a joint venture basis to build a nickel-cobalt processing plant (the Project) using the HPAL technology to be located within the TMC's mine in Surigao del Norte, while TMC will supply low-grade nickel ore to the plant over the life of the Project. The estimated cost of the Project is US$1,420.0 million, which further increased to US$1,590.0 million, over a 3-year construction period, which started in the last quarter of 2010. The plant will have an annual capacity of 51,000 dry metric tons of mixed nickel-cobalt sulfide over an estimated 30 year project life. The MOU provides that the equity share of the Parent Company and SMM shall be between 20%-25% and 75%-80%, respectively.

Subsequently, the Parent Company, SMM and Mitsui entered into the THNC Stockholders' Agreement on September 15, 2010, which contract provides that the Project will be undertaken by THNC, a company that will be jointly owned by the Parent Company, SMM and Mitsui with equity interest of 22.5%, 62.5% and 15.0%, respectively. Pursuant to the THNC Stockholders' Agreement, SMM granted THNC a non-exclusive license of technology owned by SMM to produce the products and agreed to provide technical assistance to THNC. The Company undertook to cause TMC to supply THNC with nickel ore and limestone and to further cause TMC to make available to THNC the use of the land and infrastructure necessary for the production of the products. Mitsui for its part agreed assist THNC in procuring materials and equipment necessary for the plant's operations.

Pursuant to the sale of 12.5% equity interest of the Parent Company in THNC to SMM in October 2016, the shareholding ratio of the Parent Company and SMM is at 10% and 75%, respectively.

The THNC Stockholders' Agreement also sets forth the respective rights and obligations of the Parent Company, SMM and Mitsui, including their responsibilities in respect of financing the project investment undertaken by THNC.

Also, under the THNC Stockholders' Agreement, the Parent Company, SMM and Mitsui agreed to grant loans to THNC or guarantee the repayment of THNC's obligations in accordance with the financial requirements of THNC and in proportion to their shareholding ratio in THNC.

The THNC Agreement shall terminate upon the dissolution of THNC.

<u>Loan Guarantee/Substitution Agreement</u>
Under a loan guarantee/substitution agreement between the Parent Company and SMM, the latter agreed to substitute for the Parent Company in extending loans or guaranteeing the repayment of THNC's obligation pursuant to the THNC Stockholders' Agreement.

In consideration of the loans and guarantee made by SMM, the Parent Company shall pay to SMM an annual fee equal to 1% of the relevant outstanding amount, which is payable every February 21, March 21, August 21, and September 21 of each year

On October 8, 2020, the Parent Company and SMM agreed to amend the loan guarantee/substitution agreement to reduce the annual fee to 0.6% of the average unpaid balance for payment's due every 21st of February, March, August, and September of each year. However, in consideration of the MUFG Bank Ltd. (formerly known as The Bank of Tokyo - Mitsubishi UFJ, Ltd.) substitution, the annual fee is 1.0% for any payments due before September 21, 2020, which is the effective date of the amendment, and 0.6% for any payments due thereafter.

In case of default by the Parent Company, such loan guarantee/substitution agreements will be terminated, and the Parent Company shall provide loans to THNC or guarantee the repayment of THNC's loans payable. Failure to provide such loans or guarantee shall be considered a default under the THNC Stockholders' Agreement.

<u>Loan Agreements</u>

THNC

On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former an unsecured loan facility amounting to a total of US$35.0 million at a prevailing 180-day British Banker Association LIBOR plus 2% spread, to exclusively finance the construction of the pier facilities within the TSEZ.

The interest on the loan is payable semi-annually, on October 10 and April 10. The total principal is payable in semi-annual installments of US$0.9 million starting on October 10, 2011 up to April 10, 2031.

TBEA

In accordance with the Agreement on Shareholders Advances on June 17, 2020, TBEA granted JSI an unsecured term loan facility of a total cumulative principal amount of US$2.2 million to be used for the Phase 3A - 30MW solar project. The interest on the loan is 5.0% per annum (p.a.) and the principal loan is payable on June 17, 2025, the maturity date of the loan.

On September 23, 2021, NAC, JSI, EPI and TBEA executed the Supplemental Agreement on Shareholder Advances to agree on the shareholder advances for JSI's development of Phase 3B - 38MW. Under the terms of the Supplemental Agreement, TBEA grants JSI a loan facility amounting to US$2.9 million subject to 5% interest p.a. The loan principal and interest are payable within 5 years from the date of remittance to JSI.

<u>Lease Agreements</u>

THNC

On October 31, 2013, TMC and THNC executed a lease agreement wherein TMC will lease the land within the TSEZ to the lessee. The TSEZ leased area of approximately 675 hectares is located at Barangays Taganito and Hayanggabon, Claver, Surigao del Norte. The duration of the lease agreement shall be for a period of 20 years starting January 1, 2013; however, the rental rate shall be annually agreed upon by both parties.

Manta

On March 18, 2013, the Group entered into a lease agreement with Manta for its office and parking space. The lease agreement is effective for a period of 5 years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties. The lease agreement expired in May 2018 and was renewed for another period of 5 years or until May 2023. During the term of the original lease, additional parking and office spaces were leased from Manta which were covered by separate lease agreements.

Notes 14, 32 and 38 of the Notes to Consolidated Financial Statements of the Exhibits in Part IV is incorporated hereto by reference.

PART IV – EXHIBITS AND SCHEDULES

Item 13. EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits
See accompanying Index to Exhibits as well as the Company's Audited Financial Statements for the recently completed fiscal year. These financial statements are reports from the Corporation's Independent Public Accountant, SGV & Co.

Reports on SEC Form 17-C
The Parent Company filed the following reports on SEC Form 17-C during the year 2022.

Items Reported	Date Reported
Notice of Annual Stockholders' Meeting	March 10, 2022
Organizational changes effective on March 10, 2022	March 10, 2022
Declaration of regular cash dividends at Php0.17 per common share to stockholders of record as of March 24, 2022; payable on April 7, 2022	March 10, 2022
Declaration of special cash dividends at Php0.05 per common share to stockholders of record as of March 24, 2022; payable on April 7, 2022	March 10, 2022
Acquisition of additional shares in Coral Bay Nickel Corporation and additional shareholder advances to renewable energy subsidiaries	March 10, 2022
Nickel Asia Corporation announces 2021 Financial and Operating Results	March 10, 2022
Extension of term of MPSA No. 012-92-VIII and renewal of MPSA No. 078-97-XIII	March 14, 2022
Amend: Notice of Annual Stockholders' Meeting	May 4, 2022
Amend: Notice of Annual Stockholders' Meeting	May 5, 2022
Nickel Asia Corporation announces Financial and Operating Results for the Three-Month Period Ended March 31, 2022	May 5, 2022
Results of the 2022 Annual Stockholders' Meeting	June 3, 2022
Results of Organizational Meeting of the Board of Directors held on June 3, 2022, immediately after the Annual Stockholders' Meeting	June 3, 2022
Resignation of Directors, Appointment of New Directors, Appointment of Assistant Vice President-Risk Management	June 28, 2022
Joint Venture between Emerging Power, Inc. and Shell Overseas Investments B.V.	July 1, 2022
Joint Venture between Nickel Asia Corporation's subsidiary, Emerging Power, Inc., and Shell Overseas Investments B.V.	July 6, 2022
Nickel Asia Corporation announces Financial and Operating Results for the Six-Month Period Ended June 30, 2022	August 4, 2022
Matters approved by the Board of Directors of Nickel Asia Corporation on August 4, 2022 a. The issuance by the Company of up to US$300 Million Corporate Bonds b. The conversion of Php1.054 billion advances to equity in EPI c. The creation of the Sustainability Committee and Chief Sustainability Officer Position, and Adoption of the Charter of the Sustainability Committee Bonds d. The approval of the NAC Anti-Bribery Policy	August 4, 2022
Organizational Changes - election of Independent Director; promotion and appointment of Officers	August 4, 2022
Approval of grant of short-term bridge loan to Jobin-SQM Inc.	August 17, 2022
Approval of exemption for registration of common shares for 2018 Stock Option Plan	September 20, 2022
Acquisition of additional 33,046,875 shares of stock in Coral Bay Nickel Corporation	October 3, 2022
Nickel Asia Corporation analysts'/investors' briefing for Financial and	October 28, 2022

Items Reported	Date Reported
Operating Results during the Nine-Month Period Ended September 30, 2022	
Matters approved by the Board of Directors of Nickel Asia Corporation on November 10, 2022 a. Declaration of regular cash dividends at Php0.23 per common share to stockholders of record as of November 24, 2022; payable on December 9, 2022 b. Guarantee of Php2.0 billion loan facility of EPI c. Renewal of Promissory Notes of JSI in favor of the Company	November 10, 2022
Declaration of special cash dividends at Php0.23 per common share to stockholders of record as of November 24, 2022; payable on December 9, 2022	November 10, 2022
Organizational Changes - reassignment of Officers; expansion of the roles of Officers; and appointment of new Officers	November 10, 2022
Nickel Asia Corporation announces Financial and Operating Results for the Nine-Month Period Ended September 30, 2022	November 10, 2022
Amend: Organizational Changes - reassignment of Officers; expansion of the roles of Officers; and appointment of new Officers	November 10, 2022
Amend: Organizational Changes - reassignment of Officers; expansion of the roles of Officers; and appointment of new Officers	November 15, 2022
Extension of option exercise period under the 2018 Stock Option Plan until December 13, 2023	December 21, 2022

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 ~~Taguig~~ on Makati City

APR 1 3 2023, 2023.

By:

MARTIN ANTONIO G. ZAMORA
President and Chief Executive Officer

MARIA ANGELA G. VILLAMOR
Senior Vice President and
Chief Financial Officer

ROMMEL L. CRUZ
Vice President - Mine Strategic Planning
and Officer-in-Charge, Revenue Generation

BARBARA ANNE C. MIGALLOS
Corporate Secretary

IRYAN JEAN U. PADILLO
Assistant Vice President - Business Comptroller

Subscribed and sworn to before me this APR 1 3 2023 day of _________, 2023 affiant (s) exhibiting to me his/their Passport Number/License Number, as follows:

Names	Passport/License No.	Date of Issue	Place of Issue
Martin Antonio G. Zamora	P5236537B	06/18/2020	DFA NCR East
Maria Angela G. Villamor	P9494419B	04/04/2022	DFA Manila
Rommel L. Cruz	P1178472B	03/25/2019	DFA NCR East
Barbara Anne C. Migallos	P7148981A	05/11/2018	NCR South
Iryan Jean U. Padillo	P2919448B	08/31/2019	NCR Central

Doc No. 150 ;
Page No. 31 ;
Book No. 30 ;
Series of 2023 ;

ATTY. ROMEO M. MONFORT
Notary Public City of Makati
Until December 31,2023
Appointment No. M-172 (2022-2023)
PTR No. 9563251 Jan. 3, 2023 Makati City
IBP No. 178089 /2/14/2022 Pasig
MCLE No.VI-0023417 Apr. 14, 2019
Extended Until Apr. 14, 2023, Roll No. 27932
126 Amorsolo Street, Legaspi Village
Makati City

NICKEL ASIA CORPORATION

SEC FORM 17-A

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

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E eafs@bir.gov.ph
To: corpsec@nickelasia.com
Cc: Iryan Jean Padillo

Fri 4/14/2023 2:46 PM

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- EAFS007085191ITRTY122022.pdf
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Transaction Code: **AFS-0-2QX4V4NZ03ZTV1PMNWS143QV06HDLC7EE**
Submission Date/Time: **Apr 14, 2023 02:26 PM**
Company TIN: **007-085-191**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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NAC
NICKEL ASIA CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Nickel Asia Corporation and Subsidiaries** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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.

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

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

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

GERARD H. BRIMO
Chairman of the Board

MARTIN ANTONIO G. ZAMORA
President and Chief Executive Officer

MARIA ANGELA G. VILLAMOR
Chief Financial Officer

Signed this 14th day of March 2023.

SUBSCRIBED AND SWORN to before me this March 27, 2023, at, Taguig City, Philippines, affiants who exhibited to me their competent evidence of identity specified below:

Name	Competent Evidence of Identity	Date and Place Issued
Nickel Asia Corporation By:	TIN No. 007-085-191	
Gerard H. Brimo	Passport No. P7274048B	27 July 2021; DFA NCR East
Martin Antonio G. Zamora	Passport No. P5236537B	18 June 2020; DFA NCR East
Maria Angela G. Villamor	Passport No. P9494419B	4 Apr. 2022; DFA Manila

Doc. No. 333;
Page No. 68;
Book No. 1;
Series of 2023.

CHARLENE MAE C. DACARA
Appointment No. 24 (2022-2023)
Notary Public for and in the City of Taguig
Until December 31, 2023
Roll No. 74631
PTR No. A-5815413 / 20 January 2023 / Taguig City
IBP No. 307531; 01/31/2023; RSM; For year 2023
MCLE Compliance No. VII-0010815, until 14 April 2025
28th Floor, NAC Tower, 32nd Street, BGC, Taguig City

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 Board of Directors and Stockholders
Nickel Asia Corporation
28th Floor NAC Tower, 32nd Street
Bonifacio Global City, Taguig City

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021 and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

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 audit 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 geothermal exploration and evaluation assets

The ability of the Group to recover its geothermal exploration and evaluation assets depends upon the determination of technical feasibility, success of exploration activities and discovery of geothermal resource that can be produced in commercial quantities. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these geothermal exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount exceed the recoverable amount. 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 carrying value as of December 31, 2022 and other information on geothermal exploration and evaluation assets are disclosed in Note 11 to the consolidated financial statements.

Audit response
We inspected the summary of the status of the exploration project as of December 31, 2022, as certified by the Group's technical group head, the type of expenses incurred, and assessed whether ongoing exploration activities exist to support the continued capitalization of these assets under the Group's accounting policies, and compared these with the disclosures submitted to regulatory agencies. We obtained management's assessment on whether there are impairment indicators affecting the recoverability of the geothermal exploration and evaluation assets. We inquired into the status of these projects and their plans on operations. We reviewed contracts and agreements, and budgets for exploration and development costs. We inspected the licenses, permits and correspondences with regulatory agencies of the exploration project, to determine that the period for which the Group has the right to explore in the specific area has not been cancelled or 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.

Impairment testing of solar farm, construction in-progress, and mining properties and development costs

The Group may adversely be affected by the volatility in wholesale electricity and metal prices. In the event that an impairment indicator is identified, the assessment of the recoverable amounts of the solar farm, construction in-progress, and mine and development costs requires significant judgment, involves estimation and use of assumptions. The assessment of the recoverable amounts of the Sta. Rita Solar Power Project and Dinapigue Mining Properties and Development Costs, requires estimation and use of assumptions about future production levels and costs, as well as external inputs such as commodity prices, discount rate, and foreign currency exchange rates. Hence, such assessment is a key audit matter in our audit.

The carrying values of and other information on the Group's solar farm, construction in-progress, and mining properties and development costs as of December 31, 2022 are disclosed in Note 3 to the consolidated financial statements.

Audit response
We involved our internal specialist in evaluating the methodologies and the assumptions used in determining the recoverable amounts. We reviewed the reasonableness of these assumptions, such as future production levels and costs, as well as external inputs such as commodity prices, discount rate, and foreign currency exchange rates. We compared the key assumptions used against the industry benchmark plant life, production reports from operations department, average market price of electricity on Wholesale Electric Spot Market (WESM) and of nickel based on other operating mining companies, current tax laws and Department of Energy regulations and Mines and Geosciences Bureau, Bangko Sentral ng Pilipinas (BSP) forecasted inflation rate, industry debt ratio and discount rate based on industry weighted average capital cost. We tested the parameters used in the determination of the discount rate against the market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amounts of the solar farm, construction in-progress, and mining properties and development costs.

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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 Audit 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 Eleanore A. Layug.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
Tax Identification No. 163-069-453
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 100794-SEC (Group A)
Valid to cover audit of 2021 to 2025 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. 08-001998-097-2020, November 27, 2020, valid until November 26, 2023
PTR No. 9564637, January 3, 2023, Makati City

March 14, 2023

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱10,809,026**	₱10,826,806
Trade and other receivables (Note 5)	**2,687,062**	1,971,096
Inventories (Note 6)	**2,432,224**	2,242,932
Financial assets at (Note 7):		
Fair value through profit or loss (FVTPL)	**3,361,015**	5,266,080
Fair value through other comprehensive income (FVOCI)	**447,975**	1,122,284
Amortized cost	**50,000**	–
Prepayments and other current assets (Note 8)	**1,167,872**	2,581,867
Total Current Assets	**20,955,174**	24,011,065
Noncurrent Assets		
Property and equipment (Note 9)	**13,815,041**	17,238,357
Investments in associates (Note 10)	**7,147,565**	3,812,554
Geothermal exploration and evaluation assets (Note 11)	**1,882,318**	1,849,936
Financial assets at - net of current portion (Note 7):		
FVTPL	**758,760**	731,813
Amortized cost	**410,000**	460,000
Deferred income tax assets - net (Note 35)	**400,605**	309,746
Other noncurrent assets (Note 12)	**4,389,579**	3,287,411
Total Noncurrent Assets	**28,803,868**	27,689,817
TOTAL ASSETS	**₱49,759,042**	₱51,700,882
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**₱2,207,412**	₱9,226,190
Short-term debts (Note 14)	**1,498,266**	1,492,916
Current portion of:		
Long-term debts (Note 14)	**97,571**	89,248
Lease liabilities (Note 33)	**7,621**	35,754
Long-term payable	**–**	6,693
Income tax payable	**625,319**	773,450
Other current liability (Note 38k)	**336,731**	300,731
Total Current Liabilities	**4,772,920**	11,924,982
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debts (Note 14)	**2,119,280**	867,111
Lease liabilities (Note 33)	**603,548**	578,190
Deferred income (Note 38m)	**37,709**	41,899
Provision for mine rehabilitation and decommissioning (Note 15)	**791,060**	823,962
Deferred income tax liabilities - net (Note 35)	**468,263**	511,428
Pension liability (Note 34)	**435,443**	624,110
Total Noncurrent Liabilities	**4,455,303**	3,446,700
Total Liabilities	**9,228,223**	15,371,682

(Forward)

	December 31	
	2022	2021
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 16)	**₱6,849,836**	₱6,849,836
Additional paid-in capital	**8,271,900**	8,271,900
Other components of equity:		
Share in cumulative translation adjustment (Note 10)	**1,400,235**	599,215
Cost of share-based payment plan (Note 17)	**522,837**	473,442
Asset revaluation surplus	**30,182**	30,565
Net valuation gains (losses) on financial assets at FVOCI (Note 7)	**(5,934)**	3,363
Retained earnings:		
Unappropriated	**18,618,593**	16,710,460
Appropriated (Note 16)	**135,000**	135,000
Treasury stock (Note 16)	**(134,014)**	(134,014)
	35,688,635	32,939,767
Non-controlling Interests (NCI)	**4,842,184**	3,389,433
Total Equity	**40,530,819**	36,329,200
TOTAL LIABILITIES AND EQUITY	**₱49,759,042**	₱51,700,882

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2022	2021	2020
REVENUES			
Sale of ore and limestone (Notes 30 and 32)	**₱25,739,009**	₱26,099,020	₱20,456,629
Services and others (Notes 30 and 32)	**1,490,693**	797,163	1,026,794
Sale of power (Notes 30 and 38g)	**773,448**	507,932	288,158
	28,003,150	27,404,115	21,771,581
COSTS			
Cost of sales (Note 19)	**7,930,989**	7,611,841	7,519,981
Services (Note 20)	**902,235**	321,622	328,562
Power generation (Note 21)	**403,893**	361,121	313,250
	9,237,117	8,294,584	8,161,793
OPERATING EXPENSES			
Excise taxes and royalties (Note 22)	**2,486,312**	2,705,929	2,244,402
Shipping and loading costs (Note 23)	**2,161,858**	2,255,570	2,122,779
General and administrative (Note 24)	**1,306,278**	1,145,907	1,117,666
Marketing (Notes 38e and 38l)	**172,124**	209,121	208,078
	6,126,572	6,316,527	5,692,925
FINANCE INCOME (Note 27)	**188,622**	162,075	238,293
FINANCE EXPENSES (Note 28)	**(306,783)**	(244,081)	(274,502)
EQUITY IN NET INCOME OF ASSOCIATES (Note 10)	**942,143**	557,863	190,447
OTHER INCOME (CHARGES) - net (Note 29)	**841,806**	701,593	(263,209)
INCOME BEFORE INCOME TAX	**14,305,249**	13,970,454	7,807,892
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 35)			
Current	**3,604,509**	3,162,852	2,564,732
Deferred	**(175,373)**	169,428	(245,882)
	3,429,136	3,332,280	2,318,850
NET INCOME	**₱10,876,113**	₱10,638,174	₱5,489,042
Net income attributable to:			
Equity holders of the parent	**₱7,931,150**	₱7,812,575	₱4,068,732
NCI	**2,944,963**	2,825,599	1,420,310
	₱10,876,113	₱10,638,174	₱5,489,042
Basic/Diluted Earnings Per Share (EPS; Note 18)	**₱0.58**	₱0.57	₱0.30

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
NET INCOME	**₱10,876,113**	₱10,638,174	₱5,489,042
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods:			
Share in translation adjustment of associates (Note 10)	**861,172**	310,600	(256,271)
Income tax effect	**(60,152)**	(93,376)	25,627
	801,020	217,224	(230,644)
Net valuation gain (losses) on financial assets at FVOCI (Note 7)	**(9,297)**	(54,165)	23,545
Income tax effect (Note 7)	**–**	(243)	1,983
	(9,297)	(54,408)	25,528
Net other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods	**791,723**	162,816	(205,116)
Other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods:			
Remeasurement gains (loss) on pension liability (Note 34)	**217,147**	73,655	(276,917)
Income tax effect	**(54,287)**	(44,700)	83,076
	162,860	28,955	(193,841)
Asset revaluation surplus	**(511)**	(511)	(547)
Income tax effect	**128**	128	164
	(383)	(383)	(383)
Net other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods	**162,477**	28,572	(194,224)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX	**954,200**	191,388	(399,340)
TOTAL COMPREHENSIVE INCOME - NET OF TAX	**₱11,830,313**	₱10,829,562	₱5,089,702
Total comprehensive income attributable to:			
Equity holders of the parent	**₱8,833,477**	₱7,999,522	₱3,727,463
NCI	**2,996,836**	2,830,040	1,362,239
	₱11,830,313	₱10,829,562	₱5,089,702

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 16)	Additional Paid-in Capital	Share in Cumulative Translation Adjustment (Note 10)	Cost of Share-based Payment Plan (Note 17)	Asset Revaluation Surplus	Net Valuation Gains (Losses) on Financial Assets at FVOCI (Note 7)	Retained Earnings: Unappropriated	Retained Earnings: Appropriated (Note 16)	Treasury Stock (Note 16)	Total	NCI	Total
Balances at December 31, 2021	**₱6,849,836**	**₱8,271,900**	**₱599,215**	**₱473,442**	**₱30,565**	**₱3,363**	**₱16,710,460**	**₱135,000**	**(₱134,014)**	**₱32,939,767**	**₱3,389,433**	**₱36,329,200**
Net income	–	–	–	–	–	–	**7,931,150**	–	–	**7,931,150**	**2,944,963**	**10,876,113**
Other comprehensive income (loss)	–	–	**801,020**	–	**(383)**	**(9,297)**	**110,987**	–	–	**902,327**	**51,873**	**954,200**
Total comprehensive income (loss)	–	–	**801,020**	–	**(383)**	**(9,297)**	**8,042,137**	–	–	**8,833,477**	**2,996,836**	**11,830,313**
Cost of share-based payment plan (Notes 17 and 25)	–	–	–	**49,395**	–	–	–	–	–	**49,395**	–	**49,395**
Cash dividends (Note 16)	–	–	–	–	–	–	**(6,133,883)**	–	–	**(6,133,883)**	–	**(6,133,883)**
7% Cash dividends - Preferred share (Note 16)	–	–	–	–	–	–	**(504)**	–	–	**(504)**	–	**(504)**
Cash dividends to NCI (Note 31)	–	–	–	–	–	–	–	–	–	–	**(2,080,000)**	**(2,080,000)**
Investment of NCI in a subsidiary	–	–	–	–	–	–	–	–	–	–	**360,000**	**360,000**
Change due to loss of control over a subsidiary (Note 1)	–	–	–	–	–	–	–	–	–	–	**175,915**	**175,915**
Asset revaluation surplus transferred to retained earnings (Note 9)	–	–	–	–	–	–	**383**	–	–	**383**	–	**383**
Balances at December 31, 2022	**₱6,849,836**	**₱8,271,900**	**₱1,400,235**	**₱522,837**	**₱30,182**	**(₱5,934)**	**₱18,618,593**	**₱135,000**	**(₱134,014)**	**₱35,688,635**	**₱4,842,184**	**₱40,530,819**

See accompanying Notes to Consolidated Financial Statements.

	Capital Stock (Note 16)	Additional Paid-in Capital	Share in Cumulative Translation Adjustment (Note 10)	Cost of Share-based Payment Plan (Note 17)	Asset Revaluation Surplus	Net Valuation Gains (Losses) on Financial Assets at FVOCI (Note 7)	Retained Earnings Unappropriated	Retained Earnings Appropriated (Note 16)	Treasury Stock (Note 16)	Total	NCI	Total
	Equity Attributable to Equity Holders of the Parent											
Balances at December 31, 2020	₱6,849,836	₱8,271,900	₱381,991	₱441,589	₱30,948	₱57,771	₱14,952,425	₱189,950	(₱134,014)	₱31,042,396	₱3,554,393	₱34,596,789
Net income	–	–	–	–	–	–	7,812,575	–	–	7,812,575	2,825,599	10,638,174
Other comprehensive income (loss)	–	–	217,224	–	(383)	(54,408)	24,514	–	–	186,947	4,441	191,388
Total comprehensive income (loss)	–	–	217,224	–	(383)	(54,408)	7,837,089	–	–	7,999,522	2,830,040	10,829,562
Cost of share-based payment plan (Notes 17 and 25)	–	–	–	31,853	–	–	–	–	–	31,853	–	31,853
Cash dividends (Note 16)	–	–	–	–	–	–	(6,133,883)	–	–	(6,133,883)	–	(6,133,883)
7% Cash dividends - Preferred share (Note 16)	–	–	–	–	–	–	(504)	–	–	(504)	–	(504)
Cash dividends to NCI (Note 31)	–	–	–	–	–	–	–	–	–	–	(2,995,000)	(2,995,000)
Reversal of appropriations (Note 16)	–	–	–	–	–	–	54,950	(54,950)	–	–	–	–
Asset revaluation surplus transferred to retained earnings (Note 9)	–	–	–	–	–	–	383	–	–	383	–	383
Balances at December 31, 2021	₱6,849,836	₱8,271,900	₱599,215	₱473,442	₱30,565	₱3,363	₱16,710,460	₱135,000	(₱134,014)	₱32,939,767	₱3,389,433	₱36,329,200

See accompanying Notes to Consolidated Financial Statements.

	Equity Attributable to Equity Holders of the Parent											
							Retained Earnings					
	Capital Stock	Additional Paid-in Capital	Share in Cumulative Translation Adjustment	Cost of Share-based Payment Plan	Asset Revaluation Surplus	Net Valuation Gains on Financial Assets at FVOCI	Unappropriated	Appropriated (Note 16)	Treasury Stock (Note 16)	Total	NCI	Total
Balances at December 31, 2019	₱6,849,836	₱8,262,455	₱612,635	₱370,522	₱31,331	₱32,243	₱13,713,383	₱1,585,576	(₱87,950)	₱31,370,031	₱3,761,230	₱35,131,261
Net income	–	–	–	–	–	–	4,068,732	–	–	4,068,732	1,420,310	5,489,042
Other comprehensive income (loss)	–	–	(230,644)	–	(383)	25,528	(135,770)	–	–	(341,269)	(58,071)	(399,340)
Total comprehensive income (loss)	–	–	(230,644)	–	(383)	25,528	3,932,962	–	–	3,727,463	1,362,239	5,089,702
Cost of share-based payment plan (Note 25)	–	–	–	71,067	–	–	–	–	–	71,067	–	71,067
Cash dividends (Note 16)	–	–	–	–	–	–	(4,089,425)	–	–	(4,089,425)	–	(4,089,425)
7% Cash dividends - Preferred share (Note 16)	–	–	–	–	–	–	(504)	–	–	(504)	–	(504)
Cash dividends to NCI	–	–	–	–	–	–	–	–	–	–	(1,702,000)	(1,702,000)
Acquisition of treasury stock	–	–	–	–	–	–	–	–	(46,064)	(46,064)	–	(46,064)
Reversal of appropriations (Note 16)	–	–	–	–	–	–	1,450,576	(1,450,576)	–	–	–	–
Appropriation of retained earnings (Note 16)	–	–	–	–	–	–	(54,950)	54,950	–	–	–	–
Asset revaluation surplus transferred to retained earnings (Note 9)	–	–	–	–	–	–	383	–	–	383	–	383
Effect of partial disposal of shares in a subsidiary	–	9,445	–	–	–	–	–	–	–	9,445	132,924	142,369
Balances at December 31, 2020	₱6,849,836	₱8,271,900	₱381,991	₱441,589	₱30,948	₱57,771	₱14,952,425	₱189,950	(₱134,014)	₱31,042,396	₱3,554,393	₱34,596,789

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱14,305,249**	₱13,970,454	₱7,807,892
Adjustments for:			
Depreciation, amortization and depletion (Notes 9 and 26)	**1,663,009**	1,620,139	1,445,260
Equity in net income of associates (Note 10)	**(942,143)**	(557,863)	(190,447)
Loss (gain) on:			
Changes in fair value of financial assets at FVTPL (Note 29)	**493,303**	(69,404)	41,800
Sale of investment in a subsidiary (Note 29)	**(46,447)**	–	–
Write-off of input value added tax (VAT; Note 29)	**46,078**	19,321	8,649
Sale of property and equipment (Note 29)	**(9,682)**	(8,360)	4,353
Sale of financial assets at FVOCI (Note 29)	**1,609**	28,262	(47,157)
Casualty (Note 29)	**–**	63,384	–
Write-off of project development cost and other deposits (Note 29)	**–**	–	4,367
Interest expense (Note 28)	**194,042**	137,460	157,587
Interest income (Note 27)	**(188,622)**	(162,075)	(238,293)
Unrealized foreign exchange losses (gains) - net (Note 29)	**163,026**	(241,331)	143,177
Provisions for (reversal of allowance for) impairment losses on (Note 29):			
Input VAT	**55,615**	17,206	–
Inventories	**(27,621)**	(25,962)	(2,749)
Advances to suppliers and contractors	**8,693**	8,072	15,336
Deferred mine exploration cost	**630**	–	–
Accretion of interest on:			
Lease liabilities (Notes 28 and 33)	**54,742**	54,554	54,344
Provision for mine rehabilitation and decommissioning (Notes 15 and 28)	**21,196**	15,074	14,764
Long-term payable (Note 28)	**307**	600	793
Cost of share-based payment plan (Notes 17 and 25)	**49,395**	31,853	71,067
Dividend income (Notes 7 and 29)	**(37,168)**	(32,073)	(33,500)
Movements in:			
Pension liability (Note 34)	**(12,271)**	(6,087)	(9,652)
Deferred income	**(4,190)**	(4,190)	(4,190)
Operating income before working capital changes	**15,788,750**	14,859,034	9,243,401
Decrease (increase) in:			
Trade and other receivables	**(1,161,398)**	(333,077)	(351,071)
Prepayments and other current assets	**1,424,130**	(2,289,269)	72,825
Inventories	**(151,361)**	645,316	1,174,516
Increase in trade and other payables	**728,921**	218,052	725,974
Net cash generated from operations	**16,629,042**	13,100,056	10,865,645
Income taxes paid, including creditable withholding taxes	**(3,752,640)**	(3,423,683)	(2,087,839)
Net cash flows from operating activities	**12,876,402**	9,676,373	8,777,806

(Forward)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES (Note 40)			
Acquisitions of:			
Financial assets at (Note 7):			
FVTPL	**(₱3,643,300)**	(₱5,721,442)	(₱3,251,619)
FVOCI	**(550,113)**	(5,467,059)	(4,662,785)
Amortized cost	**–**	(350,000)	–
Property and equipment (Note 9)	**(2,485,040)**	(1,774,433)	(2,132,848)
Additional investment in an associate (Note 10)	**(1,530,313)**	–	–
Proceeds from sale or redemption of:			
Financial assets at:			
FVTPL	**5,093,617**	3,640,683	1,947,885
FVOCI	**1,213,516**	6,811,108	4,909,068
Amortized cost	**–**	100,000	244,217
Property and equipment	**9,692**	16,108	2,230
Increase in:			
Other noncurrent assets	**(2,447,058)**	(241,653)	(208,303)
Geothermal exploration and evaluation assets (Note 11)	**(32,382)**	(30,077)	(8,148)
Dividends received (Notes 7 and 10)	**292,132**	26,813	33,453
Interest received	**180,744**	170,592	268,676
Net cash flows used in investing activities	**(3,898,505)**	(2,819,360)	(2,858,174)
CASH FLOWS FROM FINANCING ACTIVITIES (Note 40)			
Payments of:			
Cash dividends (Notes 16 and 31)	**(10,189,387)**	(7,854,387)	(5,731,929)
Short-term debt	**(1,500,000)**	(1,500,000)	(1,500,000)
Long-term debts	**(168,117)**	(75,546)	(75,546)
Interest	**(157,689)**	(96,168)	(123,810)
Principal portion of lease liabilities (Note 33)	**(59,739)**	(56,514)	(55,149)
Long-term payable	**(7,000)**	(7,000)	(5,000)
Proceeds from availment of:			
Short-term debts, net of debt issue costs (Note 14)	**1,494,007**	1,488,990	1,488,953
Long-term debts, net of debt issue costs (Note 14)	**1,367,733**	13,321	94,976
Investment of NCI in a subsidiary	**360,000**	–	–
Increase in other current liability	**36,000**	39,040	40,612
Proceeds from sale of NCI in a subsidiary (Note 1)	**–**	–	71,184
Acquisitions of treasury stock	**–**	–	(46,064)
Net cash flows used in financing activities	**(8,824,192)**	(8,048,264)	(5,841,773)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**153,705**	(1,191,251)	77,859
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**10,826,806**	11,835,201	11,943,128
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS (Note 29)	**(171,485)**	182,856	(185,786)
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱10,809,026**	₱10,826,806	₱11,835,201

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Nickel Asia Corporation (NAC; Ultimate Parent Company, Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on July 24, 2008. The Parent Company is primarily engaged in investing in and holding of assets of every kind and description and wherever situated, as and to the extent permitted by law. It is also registered, within the limits prescribed by law, to engage in the business of mining of all kinds of ore, metals and minerals and in the business of generation, transmission, distribution and supply of electricity to cities and other localities and to the public in general.

The common shares of the Parent Company were listed on the Philippine Stock Exchange (PSE) on November 22, 2010. The registered office address of the Parent Company is at 28th floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig City.

The Subsidiaries

Hinatuan Mining Corporation (HMC)

HMC was registered with the SEC on October 9, 1979, is a 100% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Hinatuan Island, Surigao del Norte and Manicani Island, Eastern Samar. HMC is also engaged in the chartering out of Landing Craft Transport (LCT) and providing complete marine services.

Cagdianao Mining Corporation (CMC)

CMC was registered with the SEC on July 25, 1997, is a 100% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Barangay Valencia, Municipality of Cagdianao, Province of Dinagat Islands.

Dinapigue Mining Corporation (DMC)

DMC was registered with the SEC on October 9, 1998, is a 100% owned subsidiary of the Parent Company and is primarily engaged in the exploration, exploitation, and mining of metallic and non-metallic minerals, including, but not limited to, nickel, iron, cobalt, chromite and other associated mineral deposits in Dinapigue, Isabela. In 2021, DMC conducted two (2) test shipments to Coral Bay Nickel Corporation (CBNC) and it started its commercial operation in 2022.

Samar Nickel Mining Resources Corporation (SNMRC)

SNMRC was registered with the SEC on March 11, 2010, is a 100% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of mineral ores. As at March 14, 2023, SNMRC has not yet started commercial operations.

CDTN Services Company Inc. (CDTN)

CDTN was registered with the SEC on December 21, 2020, is a 100% owned subsidiary of the Parent Company and is primarily engaged in general engineering construction, contracting and machinery, and supply sales business in all its phases, extend and receive any contracts or assignments or contracts related thereto or connected therewith, and manufacture and furnish building materials and supplies. It is also engaged in the handling of materials in connection with construction or manufacturing, warehousing, distribution or disposal activities, or other similar activities.

Coral Pearl Developments Limited (CPDL)
CPDL was incorporated on June 18, 2019 in the British Virgin Islands (BVI) under the BVI Business Companies Act 2004, is a 100% owned subsidiary of the Parent Company and is primarily engaged in the leasing of aircraft.

La Costa Shipping and Lighterage Corporation (LCSLC)
LCSLC was registered with the SEC on October 23, 1992, is a 100% owned subsidiary of the Parent Company through HMC and is primarily engaged in the chartering out of LCT and providing complete marine services. In May 2014, the Board of Directors (BOD) of LCSLC authorized the sale of all of its LCTs to HMC.

Falck Exp Inc. (FEI)
FEI was registered with the SEC on November 22, 2005, is an 88% owned subsidiary of the Parent Company through HMC, CMC and Taganito Mining Corporation (TMC), and is primarily engaged in the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic. On August 8, 2014, the BOD of FEI approved the immediate dissolution of FEI. Thereafter, the liquidation process commenced and as a result, FEI changed from going concern to liquidation basis of accounting. On November 17, 2016, the termination of FEI's registration with the Bureau of Internal Revenue (BIR) was approved. Final dissolution will take place after the approval of FEI's application with the SEC. As at March 14, 2023, FEI is still waiting for the approval of the SEC.

Cordillera Exploration Co., Inc. (CExCI)
CExCI was registered with the SEC on October 19, 1994, is a 71.25% owned subsidiary of the Parent Company and is primarily engaged in the business of large-scale exploration, development and utilization of mineral resources. CExCI has several mining properties at various stages of exploration. As at March 14, 2023, CExCI is currently not engaged in any development or commercial production activities.

Newminco Pacific Mining Corporation (Newminco)
Newminco was registered with the SEC on October 9, 2006, is a 71.25% owned subsidiary of the Parent Company through CExCI, and is primarily engaged in the exploration, mining, development, utilization, extraction, beneficiation and marketing of minerals and mineral resources. As at March 14, 2023, Newminco is currently not engaged in any development or commercial production activities.

Taganito Mining Corporation
TMC was registered with the SEC on March 4, 1987, is a 65% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Claver, Surigao del Norte. TMC also provides services which involve the handling, hauling and transportation of materials required in the processing operations of Taganito HPAL Nickel Corporation (THNC).

Rio Tuba Nickel Mining Corporation (RTN)
RTN was registered with the SEC on July 15, 1969, is a 60% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Barangay Rio Tuba, Municipality of Bataraza, Palawan. RTN also provides services which involve the handling, hauling and transportation of materials required in the processing operations of CBNC up to May 2021.

Emerging Power Inc. (EPI)
EPI was registered with the SEC on October 16, 2007, is an 86.29% owned subsidiary of the Parent Company and is primarily engaged in the renewable energy business.

Mindoro Geothermal Power Corporation (MGPC)
MGPC was registered with the SEC on May 7, 2014, is an 86.29% owned subsidiary of the Parent Company through EPI and is primarily engaged in the renewable energy business. On November 24, 2014, by virtue of a Deed of Assignment of rights and obligations of EPI under Geothermal Renewable Energy Service Contract (GRESC) No. 2010-02-013, MGPC acquired the exclusive rights to explore, develop and exploit geothermal resources covering a geothermal field in the municipality of Naujan, Oriental Mindoro. The transfer of GRESC No. 2010-02-013 to MGPC was approved by the Department of Energy (DOE) on February 16, 2016.

On February 26, 2019, MGPC received from the Philippine Government, through the DOE, the Confirmation of Commerciality for the 10-megawatt (MW) project.

MGPC is in the exploration phase and is expected to have an operating capacity of 40MW. The geothermal power plant is intended to supply electricity to the Mindoro Island grid.

As at December 31, 2022, the flow testing is expected to commence in the second quarter of 2023, and if successful, the first modular plant will be installed with a target power generation and operation of 2MW in the first quarter of 2024.

Biliran Holdings Inc. (BHI)
BHI was registered with the SEC on July 31, 2015, is an 86.29% owned subsidiary of the Parent Company through EPI and is primarily engaged in investing in and holding of assets of every kind and description, as and to the extent permitted by law. It is also registered, within the limits prescribed by law, to engage in the business of infrastructure, power generation, real estate, manufacturing, trading and agribusiness and to pay other evidence of indebtedness or securities of this or any other corporation.

Northern Palawan Power Generation Corporation (NPPGC)
NPPGC was registered with the SEC on July 5, 2017, is an 86.29% owned subsidiary of the Parent Company through EPI and is primarily engaged in the renewable energy business and in producing and generating electricity and processing fuels alternative for power generation.

Jobin-SQM, Inc. (JSI)
JSI was registered with the SEC on January 6, 2010, wherein the Parent Company has 38% direct ownership and 44.87% indirect ownership through EPI. JSI is primarily engaged in the power business, including but not limited to power generation, power trading and supply to retail customers and end users. JSI was acquired by EPI on September 11, 2015 and commenced operation in May 2016.

In January 2019, JSI received the Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC) for Phases 1 and 2 - 32MW of the Solar Project, valid for a period of five (5) years from November 2016 to November 2021 until revoked or suspended. The COC was issued after the authorization was granted by the ERC to JSI to develop and own a dedicated point-to-point limited facility to connect the 100MW Solar Project to the Luzon Grid of the National Grid Corporation of the Philippines (NGCP) via a direct connection at NGCP's Subic Substation in December 2018. Pursuant to JSI's COC renewal applications, the ERC extended the Provisional Authority to Operate (PAO) for a period of one (1) year or until November 2023 for Phases 1 and 2, and until June 2023 for Phase 3A.

In June 2022, JSI completed the Phase 3B - 38MW of the Solar Project and it applied for a provisional certificate of approval to connect. The PAO for JSI's Phase 3B - 38MW was granted in November 2022 and valid for a period of one (1) year or until November 2023.

On May 13, 2022, the Department of Environment and Natural Resources (DENR) granted the request of JSI to increase its capacity, from 150MW to 200MW, and area, from 800 hectares to 815 hectares, located at Mt. Sta. Rita, Subic Bay Freeport Zone (SBFZ).

In relation to this, the construction of Phase 4A - 72MW of the Solar Project started in November 2022, with target testing and commissioning in November 2023. Phase 4B - 28MW will start after the completion and energization of Phase 4A, which is estimated at around the last quarter of 2023 or the first quarter of 2024.

As at December 31, 2022, Phases 1, 2 and 3 of the Solar Project with total capacity of 100MW are in commercial operations.

Greenlight Renewables Holdings, Inc. (GRHI)
GRHI was registered with the SEC on August 18, 2022, is a 51.77% owned subsidiary of the Parent Company through EPI. GRHI is primarily engaged in investing in and holding of assets of every kind and description, as and to the extent permitted by law. GRHI is the joint venture of EPI and Shell Overseas Investments B.V.

Biliran Geothermal Incorporated (BGI)
BGI was registered with the SEC on October 31, 2007, is a 51.77% owned subsidiary of the Parent Company through EPI. The principal activities of BGI are to explore, exploit, discover, develop, extract, dig and drill for, produce, utilize, refine, treat, process, transport, store, market, sell, use, supply, experiment with, distribute, manufacture, or otherwise deal in, any substance, minerals or otherwise, which by itself or in contribution with other substances generate or emanate heat or power and to enter into and perform service contracts including geothermal services. On December 28, 2014, BGI received from the Philippine Government through the DOE the Confirmation of Commerciality for the Biliran Geothermal Project. BGI was acquired by BHI on December 17, 2015.

On December 20, 2022, BHI sold its 15% interest in BGI for ₱0.5 million.

<u>Effect of Super Typhoon Odette</u>
On December 16, 2021, super typhoon Odette brought torrential rains, violent winds, landslides, flood and storm surges in the provinces of Surigao del Norte and Dinagat Islands in Mindanao, in provinces of Visayas, and in the island of Palawan in Luzon. On December 21, 2021, the Philippine Government declared a one (1)-year state of calamity over the affected areas such as the Region IVB (MIMAROPA, including Palawan) and region XIII (Caraga) due to the impact and damage caused by the super typhoon.

Super typhoon Odette damaged the Group's inventories and properties and equipment, disrupted the lives of the employees, and destroyed properties and fixtures of the host and neighboring communities. As a result, the Group reported a total casualty loss of ₱63.4 million in 2021. After the typhoon, the Group conducted relief operations, provided employee and community assistance and started repairs of infrastructure damages within the mines, host and neighboring communities. As at March 14, 2023, the Group's affected mines are operating as usual.

The consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 were authorized for issuance by the Parent Company's BOD on March 14, 2023.

2. Basis of Preparation and Consolidation, Statement of Compliance and Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at FVTPL and at FVOCI, which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company and its subsidiaries' (collectively referred to as the Group) functional and presentation (or reporting) currency, except CPDL whose functional and reporting currency is in United States dollar (US$). All amounts are rounded to the nearest thousand (₱000), except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the balances of its subsidiaries and equity share in earnings of its associates:

	Principal Place of Business	Principal Activities	Effective Ownership 2022	Effective Ownership 2021
Subsidiaries				
HMC	Philippines	Mining and Services	**100.00%**	100.00%
CMC	Philippines	Mining	**100.00%**	100.00%
DMC	Philippines	Mining	**100.00%**	100.00%
SNMRC	Philippines	Mining	**100.00%**	100.00%
CDTN	Philippines	Services	**100.00%**	100.00%
CPDL	BVI	Services	**100.00%**	100.00%
LCSLC [(a)]	Philippines	Services	**100.00%**	100.00%
FEI [(b)]	Philippines	Mining	**88.00%**	88.00%
EPI	Philippines	Renewable Energy (RE) Developer	**86.29%**	86.29%
MGPC [(c)]	Philippines	RE Developer	**86.29%**	86.29%
BHI [(c)]	Philippines	Services	**86.29%**	86.29%
NPPGC [(c)]	Philippines	Power Generation	**86.29%**	86.29%
JSI [(d)]	Philippines	Power Generation	**82.87%**	82.87%
CExCI	Philippines	Mining	**71.25%**	71.25%
Newminco [(e)]	Philippines	Mining	**71.25%**	71.25%
TMC	Philippines	Mining and Services	**65.00%**	65.00%
RTN	Philippines	Mining and Services	**60.00%**	60.00%
GRHI [(c,f)]	Philippines	Services	**51.77%**	–
BGI [(c,g)]	Philippines	Power Generation	**–**	51.77%
Associates				
BGI [(c,g)]	Philippines	Power Generation	**38.83%**	–
CBNC (see Note 10)	Philippines	Manufacturing	**15.62%**	10.00%
THNC	Philippines	Manufacturing	**10.00%**	10.00%

(a) Indirect ownership through HMC
(b) Indirect ownership through HMC, CMC and TMC
(c) Indirect ownership through EPI
(d) Direct ownership of 38% and indirect ownership through EPI of 44.87%
(e) Indirect ownership through CExCI
(f) Incorporated on August 18, 2022; a joint venture of EPI and Shell Overseas Investments B.V.
(g) Partially disposed on December 20, 2022

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2022 and 2021. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Subsidiaries
Subsidiaries are entities over which the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group controls an investee if and only if the Group has all of the following:
- 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.

Generally, there is a presumption that a majority of voting rights results in control. 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; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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 financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The consolidated statement of income and each component of consolidated statement of comprehensive income are 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
NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company.

NCI represents the portion of profit or loss and the net assets not held by the Group. Transactions with NCI are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share in the net assets acquired is recognized as an equity transaction.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any NCI;
- 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 the consolidated statement of income; and
- Reclassifies the Parent Company's share of components previously recognized in the consolidated statement of comprehensive income to consolidated statement of income or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

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

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

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to Philippine Accounting Standards (PAS) 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of PFRS, 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*

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

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

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

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

Deferred Effectivity

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

The revised, amended, and additional disclosures or accounting changes provided by the standards and interpretations will be included in the consolidated financial statements in the year of adoption, if applicable.

Summary of Significant Accounting and Financial Reporting Policies

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

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency rate of exchange ruling at the end of the financial reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as at the date of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All differences are taken to “Other income (charges) - net” in the consolidated statement of income.

As at the end of the financial reporting period, the statement of financial position of associates and a subsidiary (whose functional currency is other than the Philippine peso) is translated into the presentation currency of the Group (the Philippine peso) using the rate of exchange prevailing at the end of the financial reporting period and the consolidated statement of income is translated using the weighted average exchange rate for the year. The exchange differences arising on the translation is recognized in other comprehensive income. Upon disposal of such associate or subsidiary, the component of other comprehensive income relating to that associate or subsidiary will be recognized in the consolidated statement of income.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after the end of the financial reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the end of the financial reporting period.

The Group classifies all other assets, including deferred income tax assets - net, as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve (12) months after the end of the financial reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the end of the financial reporting period.

The Group classifies all other liabilities, including deferred income tax liabilities - net, as noncurrent.

<u>Fair Value Measurement</u>
The Group measures financial instruments at fair value at each end of the financial reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the financial reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business at the end of the financial reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the Level of the fair value hierarchy as explained above.

Cash and Cash Equivalents
Cash includes cash on hand, with banks and under managed funds. Cash with banks and under managed funds earn interest at the prevailing bank deposit rates. Cash equivalents pertain to short-term cash investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term cash investment rates.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

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

Financial Assets
Initial Recognition, Classification and Measurement of Financial Instruments
Financial assets are classified, at initial recognition, as subsequently measured at FVTPL, at FVOCI and at amortized cost.

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one (1) year or less, are measured at the transaction price determined under PFRS 15.

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

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

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. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Subsequent Measurement
For purposes of subsequent measurement, the Group's financial assets are classified in the following categories:
- Financial assets at FVTPL
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at amortized cost (debt instruments)

Financial Assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

This category includes debt and equity investments which the Group had not irrevocably elected to classify at FVOCI (see Note 7). Dividends on equity investments are recognized under "Other income (charges) - net" in the consolidated statement of income when the right of payment has been established (see Note 29).

Financial Assets at FVOCI (Debt Instruments)
The Group measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the consolidated statement of income.

The Group's debt instruments at FVOCI include investments in quoted debt instruments such as government and corporate bonds and other similar investments (see Note 7). The Group does not hold equity instruments measured at FVOCI.

Financial Assets at Amortized Cost
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 SPPI on the principal amount outstanding.

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

The Group's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, investment in certain debt instruments, short-term cash investments and negotiable instruments under "Prepayments and other current assets", mine rehabilitation fund (MRF), restricted cash, Social Development Management Program (SDMP) funds, loan receivable and long-term negotiable instruments (see Notes 4, 5, 7, 8 and 12).

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.

Financial assets migrate through the following three (3) stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL. For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the twelve (12)-months after the financial reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired. For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized, and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Determining the Stage for Impairment
At each financial reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the financial reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or

effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a twelve (12)-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to twelve (12)-month ECL.

For cash and cash equivalents, the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on either a twelve (12)-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash and cash equivalents since initial recognition.

The Group computes ECLs using the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) for trade receivables. The Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each end of the financial reporting period.

The Group's debt instruments at FVOCI and at amortized cost comprise of quoted bonds and government securities that are graded in the investment category by either Standard and Poor's, Moody's, Bloomberg or Fitch (collectively referred to as the Credit Rating Agencies), whichever is applicable, and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a twelve (12)-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Credit Rating Agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are thirty (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.

The Group writes-off a financial asset measured at amortized cost, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

The Group writes-off an account when all the following conditions are met:

- the asset is past due for over thirty (30) days, or is already an item-in-litigation with any of the following:
  a. no properties of the counterparty could be attached
  b. the whereabouts of the counterparty cannot be located
  c. it would be more expensive for the Group to follow-up and collect the amount, hence the Group have ceased enforcement activity, and
  d. collections can no longer be made due to insolvency or bankruptcy of the counterparty.

- expanded credit arrangement is no longer possible;
- filing of legal case is not possible; and
- the account has been classified as 'Loss'.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. 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. In that case, the Group also recognizes an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

<u>Financial Liabilities</u>
Initial Recognition, Classification and Measurement of Financial Instruments
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax.

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.

The Group's financial liabilities are in the nature of other financial liabilities. The Group has no financial liabilities classified as at FVTPL and derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement
The measurement of other financial liabilities is as described below:

<u>Other Financial Liabilities</u>
This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated at FVTPL upon the inception of the liability. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any issue cost, and any discount or premium on settlement. The EIR amortization is included under “Finance expense” in the consolidated statement of income.

Other financial liabilities are included in current liabilities if settlement is within twelve (12) months from the end of the financial reporting period, otherwise, these are classified as noncurrent liabilities.

This accounting policy applies primarily to the Group’s trade and other payables, short-term and long-term debts, lease liabilities, long-term payable and other obligations that meet the above definition (excluding government payables and other liabilities that are covered by other accounting standards, such as income tax payable and pension; see Notes 13, 14 and 33).

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

When 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 of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income.

Reclassifications of Financial Instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position 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 assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset, and the right is not contingent on a future event, event of default and event of insolvency or bankruptcy of the Group and all of the counterparties and is legally enforceable in the normal course of business.

Inventories
Inventories, including the long-term stockpile inventory, are valued at the lower of cost or net realizable value (NRV). Cost is determined by the moving average production cost during the year for beneficiated nickel ore and limestone exceeding a determined cut-off grade and average handling costs of limonite ores. The NRV of beneficiated nickel ore and limestone inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Periodic ore inventory survey is performed to determine the volume of ore inventory.

For materials and supplies, cost is determined using the moving average method and composed of purchase price, transport, handling, and other costs directly attributable to its acquisition. The NRV of materials and supplies is the current replacement cost. Any provision for inventory losses is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision or obsolescence.

The long-term stockpile inventory cost is represented by the fair value of the long-term stockpile inventory related to the acquisition of the controlling interest in RTN in August 2006, which also represents its deemed cost as of acquisition date. The fair value was determined using the present value of the estimated cash flows, which RTN will derive from the sale of this inventory to CBNC under its Nickel Ore Supply Agreement with CBNC (see Note 32a). After initial recognition, the long-term stockpile inventory is subsequently charged to "Cost of sale of ore" based on actual tonnage delivered to CBNC. NRV of long-term stockpile inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Prepayments and Other Current Assets

Prepayments and other current assets include input Value Added Tax (VAT), short-term cash investments, advances and deposits, negotiable instruments, prepaid taxes, tax credit certificates, and various prepayments which the Group expects to realize or consume the assets within twelve (12) months after the end of the financial reporting period.

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 consolidated 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 and presented as part of "Prepayments and other current assets" in the consolidated statement of financial position. Deferred input VAT, which represents input VAT on capital assets subject to amortization, and any excess input VAT which: (1) may be utilized against output VAT, if any, beyond twelve (12) months from the end of the financial reporting period; or (2) are being claimed for refund or as tax credits with the BIR and/or Court of Tax Appeals are presented as part of "Other noncurrent assets" in the consolidated statement of financial position. Input VAT is stated at cost less any impairment in value.

Property and Equipment

The Group's property and equipment consists of land and land improvements, mining properties and development costs, machinery and equipment, buildings and improvements, right-of-use (ROU) assets, transmission lines and substations, solar farm and construction in-progress that do not qualify as investment properties.

Property and equipment, except land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and depletion and accumulated impairment loss, if any. The initial cost of property and equipment consists of its purchase price including import duties and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Land is carried at cost less any accumulated impairment loss.

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Construction in-progress represents work under construction and is stated at cost. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for use. This also includes interest on borrowed funds incurred during the construction period.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

Category	Number of Years
Land improvements	5
Machinery and equipment	2-15
Buildings and improvements	2-25
Transmission lines and substations	10-40
Solar farm	5-40

Mining properties and development costs include the capitalized cost of mine rehabilitation and decommissioning and other development cost necessary to prepare the area for operations. Depletion of mining properties is calculated using the unit-of-production method based on the estimated economically recoverable reserves to which they relate to or are written-off if the property is abandoned. Development costs are depreciated using the straight-line method over the estimated useful life of the asset of twenty (20) to thirty (30) years.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are amortized on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term of four (4) to fifty (50) years. ROU assets are subject to impairment.

Depreciation, amortization and depletion of property and equipment, except land, 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, or in case of mining properties, from start of commercial operations upon extraction of ore reserves. Depreciation, amortization, and depletion ceases when the assets are fully depreciated, amortized or depleted, or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

The assets' estimated recoverable reserves, residual values, useful lives and depreciation, amortization and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, residual values, periods and methods of depreciation, amortization and depletion are consistent with the expected pattern of economic benefits from items of property and equipment. If there is an indication that there has been a significant change in depreciation, amortization and depletion rate, useful life, or residual value of an asset, these are revised prospectively to reflect the new expectations.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset revaluation surplus which arose from the acquisition of the controlling interest in RTN in August 2006, relates to the land and building and improvements. The said assets, which are part of the Group's property and equipment, were revalued in connection with the acquisition, and the revalued amounts were subsequently treated as the deemed cost. The related and applicable depreciation on these assets is transferred periodically to retained earnings.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

Borrowing Cost
Borrowing costs directly attributable to the development of the Group's projects that necessarily take a substantial period of time to get ready for its intended use are capitalized. 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 the borrowing cost as part of the cost of the asset: (a) commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress; and (b) ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. Capitalized borrowing costs are based on the applicable borrowing rate agreed in the agreement.

<u>Investments in Associates</u>
Associates are entities over which the Group can exert significant influence. Significant influence is the power to participate in the financial and reporting policy decisions of the investee but has no control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control activities. The Group's investments in associates are accounted for using the equity method, less any impairment in value, in the consolidated statement of financial position.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate. The aggregate of the Group's share in profit or loss of an associate is shown in the consolidated statement of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

If the ownership interest in an associate is reduced, but the investment continuous to be an associate, the Group shall reclassify to the consolidated statement of income the proportionate gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest if that gain or loss would be required to be reclassified to consolidated statement of income on the disposal of the related asset.

The financial statements of the associates are prepared for the same reporting period and using uniform accounting policies as the Group. When necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group.

Geothermal Exploration and Evaluation Assets
The Group follows the full cost method of accounting for its geothermal exploration and evaluation assets determined on the basis of the service contract. Under this method, all exploration costs relating to each service contract are accumulated and deferred under "Geothermal exploration and evaluation assets" account in the consolidated statement of financial position pending the determination of whether the wells have proved reserves. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in the consolidated statement of income when incurred.

If tests conducted on the drilled exploratory wells reveal that these wells cannot produce proved reserves, the capitalized costs are charged to expense except when the management decides to use the unproductive wells, for recycling or waste disposal.

Once the technical feasibility and commercial viability of the project to produce proved reserves have been established and appropriate regulatory approvals have been obtained, the geothermal exploration and evaluation assets are reclassified to property and equipment.

Geothermal exploration and evaluation assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the consolidated statement of income in the year the item is derecognized.

Geothermal exploration and evaluation assets also include interest on borrowed funds that are directly attributable to the construction and development of the Group's projects.

Other Noncurrent Assets
Other noncurrent assets of the Group include advances and deposits, MRF, deferred mine exploration costs, deferred input VAT, restricted cash, SDMP funds, long-term stockpile inventory, project development costs, pension asset, computer software, loan receivable, long-term negotiable instruments, and other deposits. Aside from MRF, SDMP funds and restricted cash, which are restricted as to withdrawal for specified purpose, these are classified as noncurrent since the Group expects to utilize the assets beyond twelve (12) months from the end of the financial reporting period.

Deferred Mine Exploration Costs
Expenditures for the acquisition of property rights are capitalized. Expenditures for mine exploration work prior to drilling are charged to operations. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. Upon the start of commercial operations, such costs are transferred to property and equipment. Capitalized amounts may be written down if future cash flows, including potential sales proceeds related to the property, are projected to be less than the carrying value of the property. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value. Costs incurred during the start-up phase of a mine are expensed as incurred. Ongoing mining expenditures on producing properties are charged against

earnings as incurred. Major development expenditures incurred to expose the ore, increase production, or extend the life of an existing mine are capitalized.

Deferred Stripping Costs
Stripping costs incurred in the development of a mine before production commences are capitalized as part of the cost of constructing the mine which are amortized subsequently. Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e., overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

For stripping costs incurred subsequently during the production stage of the operation, the stripping activity cost is accounted as part of the cost of inventory if the benefit from the stripping activity will be realized in the current period. When the benefit is improved access to ore, the Group shall recognize these costs as stripping activity assets. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the deferred stripping cost is carried at its cost less depreciation or amortization and less impairment losses.

Project Development Costs
Project development costs are expensed as incurred until management determines that the project is technically, commercially, and financially viable, at which time project development costs are capitalized. Project's viability generally occurs in tandem with management's determination that a project should be classified as an advanced project as evidenced by a favorable system impact study, interconnection agreements, or when project financing is in place.

Following initial recognition of the project development cost as an asset, the cost model is applied requiring the asset to be carried at cost less accumulated amortization and any accumulated impairment losses. Amortization of the asset begins when the development of the energy projects is complete, and the asset is available for use. It is amortized using the straight-line method over the period of expected future benefit. During the period in which the asset is not yet available for use, the project development costs are tested for impairment annually, irrespective of whether there is indication of impairment.

Impairment of Nonfinancial Assets
Inventories and Long-term Stockpile Inventory
The Group determines the NRV of inventories and long-term stockpile inventory at each end of the financial reporting period. If the cost of the inventories and long-term stockpile inventory exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the consolidated statement of income in the year the impairment is incurred. In the case when NRV of the inventories and long-term stockpile inventory increased subsequently, the NRV will increase the carrying amounts of inventories but only to the extent of their original acquisition costs.

Property and Equipment and Nonfinancial Prepayments and Other Current and Noncurrent Assets
The Group assesses at each end of the financial reporting period whether there is an indication that an asset may be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash generating unit (CGU) is written down to its 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. The fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability

in an orderly transaction between market participants at the measurement date less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. These calculations are corroborated by valuation multiples or other available fair value indicators. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

Recovery of impairment loss recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation, amortization, and depletion) had no impairment loss been recognized for that asset in prior years.

Investments in Associates
After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investments in associates. At each end of the financial reporting period, the Group determines whether there is objective evidence that the investments in associates are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the amount in the consolidated statement of income.

Geothermal Exploration and Evaluation Assets and Deferred Mine Exploration Costs
An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial reporting period in which this is determined.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:
- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- When a service contract where the Group has participating interest in is permanently abandoned; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Geothermal exploration and evaluation assets and deferred mine exploration costs are reassessed for impairment on a regular basis.

<u>Other Current Liability</u>
Other current liability pertains to deposits for future stock subscription which represents advance payments from stockholders for the subscription of future issuance of shares.

The Group classifies its deposits for future stock subscription as a separate account under equity if and only if, all the following elements are present as at the end of the financial reporting period:

- There is a lack of or insufficiency in unissued authorized capital stock;
- The BOD and stockholders have approved the proposed increase in authorized capital stock; and
- An application for the approval of the proposed increase in authorized capital stock has been presented for filing or has been filed with the SEC.

If any or all the foregoing elements are not present, the deposits for future stock subscription shall be recognized and included as a separate line item under liabilities in the consolidated statement of financial position.

Leases
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

Lease Liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, if any. The lease payments also include, if any, the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term Leases and Leases of Low-value Assets
The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of twelve (12) months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Group as a Lessor
Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Provisions

General

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. Provisions are reviewed at each end of the financial reporting period and adjusted to reflect the current best estimate. The expense relating to any provision is presented in the consolidated statement 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 part of "Finance expense" in the consolidated statement of income.

Provision for Mine Rehabilitation and Decommissioning

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines, and tailings dams, 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 installed, or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized as part of "Finance expense" in the consolidated statement of income. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and provision for mine rehabilitation and decommissioning when they occur. When rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each end of the financial reporting period and the cost is charged to consolidated statement of income.

The ultimate cost of mine rehabilitation and decommissioning is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the provision for mine rehabilitation and decommissioning, which would affect future financial results. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

MRF committed for use in satisfying environmental obligations are included within "Other noncurrent assets" in the consolidated statement of financial position.

Deferred Income

Deferred income are advance payments received for lease arrangements during one (1) financial reporting period but earned and shown in the consolidated statement of income in the year when it can be matched with the period in which it is realized as income.

Capital Stock

Common shares are classified as equity and are measured at par value for all shares issued and outstanding.

Preferred shares are classified as equity if it is non-redeemable, or redeemable only at the Parent Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Parent Company's BOD. Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statement of income as accrued.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to "Additional paid-in capital".

Unpaid subscriptions are recognized as a reduction from subscribed capital shares.

Share-based Payment Transactions
The executives of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transaction is determined by the fair value at the date when the grant is made using the Black Scholes-Merton model. The cost of equity-settled transaction is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at the end of each financial reporting period until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest.

The charge or credit in the consolidated statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and are recognized in "Personnel costs".

No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction or 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 vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted EPS.

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

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, prior period adjustments, effect of changes in accounting policies in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and other capital adjustments, net of any dividend declaration.

Dividends are recognized as a liability and deducted from equity when they are approved or declared by the BOD and/or stockholders. Dividends for the period that are approved after the end of the financial reporting period are dealt with as an event after the end of the financial reporting period.

Treasury Stock
Own equity instruments that are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue, or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the "Additional paid-in capital".

Basic/Diluted EPS
Basic EPS
Basic EPS is calculated by dividing the net income attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS
Diluted EPS is calculated by dividing the net income attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

Revenue from Contracts with Customers
The Group is principally engaged in the business of producing beneficiated nickel ore, limestone, and quarry materials, rendering of services, and generating revenue from sale of power. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

Contract Balances
Contract Assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Group does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

Trade Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section "*Financial Assets - Initial Recognition, Classification and Measurement*".

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

From time to time, the Group recognizes contract liabilities in relation to its sale of ore which are sold under free-on-board (FOB) Incoterms, whereby a portion of the cash may be received from the customer before the loading of ore is completed.

The following specific recognition criteria must also be met before revenue is recognized:

- *Sale of Beneficiated Nickel Ore, Limestone and Quarry Materials*
  For the sale of beneficiated nickel ore, limestone and quarry materials, the enforceable contract is each purchase order, which is an individual, short-term contract. Purchase orders are executed through an Addendum to the master supply agreements with customers. While there are master supply agreements with customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes.

  The Group's sale of ore allows price adjustment provision where final ore price shall be based on the results of the final assay exchange with customer. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

  Revenue is recognized when control passes to the customer, which occurs at a point in time when the ore is physically transferred onto a vessel except in the case of deliveries to CBNC and THNC, which occurs at the time the ore passes into the ore preparation hopper of the respective plants. In the case of quarry materials, control passes at the time the material has been delivered to each delivery points. The revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received.

- *Sale of Power*
  Revenue from sale of power primarily pertains to sale of electricity to Independent Electricity Market Operator (IEMO), formerly known as Philippine Electricity Market Corporation, which are traded through Philippine Wholesale Electricity Spot Market (WESM) and to Surigao Del Norte Electric Cooperative, Inc. (SURNECO).

  For the sale of power to IEMO, the enforceable contract is the Market Participation Agreement together with the WESM Rules that implement the provisions of the Electric Power Industry Reform Act of 2001, its Implementing Rules and Regulations and other related laws. For the sale of power to SURNECO, the enforceable contract is the Power Supply Agreement (PSA).

The performance obligation is the sale of power since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract. The performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

The Group concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the Group supplies power.

The sale of power to IEMO provides an unspecified quantity of energy. The unit price for the sale of power is determined at each trading interval of each day while the unit price for its bilateral agreements is at a fixed rate based on the PSAs with customers. Such provisions under PFRS 15 give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of constraint on variable consideration resulted in the same revenue recognition under PAS 18.

Rendering of Services
Revenue from rendering of services consists of shipsiding activities, service fees, usage fees, assaying fees, drilling fees and materials handling fees are recognized when the services are rendered. The performance obligations are satisfied, and payment is generally due upon completion and billing of the services. Revenue is recognized over time and units of delivery output method is the measure of progress since the customer obtains the benefit from the Group's performance based on the quantities and volume of materials handled each month.

Capital Recovery Fee
Revenue from capital recovery fee of the diesel power plant is recognized on a straight-line basis over the term of the PSA.

Interest
Income is recognized as interest accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividend
Dividend income is recognized when the Group's right to receive payment is established.

Rental
Revenue is recognized based on a straight-line basis over the term of the lease agreement.

Other Income
Revenue is recognized as they are earned.

Cost and Expense Recognition
Cost and expenses are decreases in economic benefits during the financial reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost and expenses, finance expenses and other charges are generally recognized when the expense arises, incurred, or accrued in the appropriate period.

Cost of Sales
Cost of sales is incurred in the normal course of business and is recognized when incurred. They comprise mainly of the cost of goods sold, which is provided in the period when goods are delivered.

Cost of Power Generation
Cost of power generation using solar energy and diesel include expenses incurred directly for the generation of revenues from power at operating project locations. The cost of power generation is expensed when incurred.

Cost of Services
The cost of services is incurred in the normal course of business and is provided in the period when the related service has been rendered.

Operating Expenses
Operating expenses consist of costs associated with the development and execution of marketing and promotional activities, excise taxes and royalties due to the government and to indigenous people, costs of shipping and loading which are expenses incurred in connection with the distribution of ores, and expenses incurred in the direction and general administration of day-to-day operation of the Group. These are generally recognized when the expense arises.

Pension Costs
The net defined benefit liability or asset is the aggregate of the present value of the pension liability at the end of the financial reporting period reduced by the fair value of plan assets, 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. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:
- Service cost;
- Net interest on the net defined benefit liability or asset; and
- 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 pension costs under "Personnel costs" in the consolidated statement of income. 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 and included under "Finance expense" or "Finance income" in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods. Remeasurements recognized in other comprehensive income after the initial adoption of Revised PAS 19 are closed to retained earnings.

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 Group, 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 Group's right to be reimbursed of some or all 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.

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 income tax rates, and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the financial reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

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

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

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, where 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 income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income 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 subsidiaries, associates 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 profit will be available against which the temporary differences can be utilized.

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

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

Deferred income tax relating to items recognized outside the consolidated statement of income is recognized outside the consolidated statement of income. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Uncertainty Over Income Tax Treatments
The Group assesses at the end of each financial reporting period whether it has any uncertain tax treatments by reviewing the assumptions about the examination of tax treatments by the taxation authority, determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and considering changes in relevant facts and circumstances. The Group then evaluates how likely is it that a certain tax treatment will be accepted by the taxation authority. If it is probable that the taxation authority will accept a certain tax treatment, the Group concludes that it has no uncertain tax treatment and will measure tax amounts in line with the income tax filings. If it is not probable that the taxation authority will accept a certain tax treatment, the Group measures tax amounts based on the 'most likely amount' method (better predicts uncertainty if the possible outcomes are binary or are concentrated on one value) or 'expected value' method (better predicts uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value). The Group presents uncertain tax liabilities as part of current income tax liabilities or deferred income tax liabilities.

Business Segments
For management purposes, the Group is organized into operating segments (mining, power, and services) according to the nature of the products and the services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The segment locations are the basis upon which the Group reports its primary segment information for the mining segment. Financial information on business segments is presented in Note 41.

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

Events after the End of the Financial Reporting Period
Post year-end events that provide additional information about the Group's position at each end of the financial reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The consolidated financial statements prepared in accordance with PFRS require management to make judgments, estimates, and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The judgments, estimates and assumptions are based upon management's evaluation of relevant facts and circumstances as at the end of the financial reporting period. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates, and assumptions 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. However, actual outcome can differ from these estimates.

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

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Parent Company and its subsidiaries, except CPDL, has been determined to be the Philippine peso. The functional currency is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences labor, material, and other costs of providing goods and services.

Classifying Financial Instruments
The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability, or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Assessing Production Start Date
The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria include, but are not limited to the following:
- The level of capital expenditure compared to construction cost estimates;
- Completion of a reasonable period of testing of the property and equipment;
- Ability to produce ore in saleable form; and
- Ability to sustain ongoing production of ore.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation or depletion commences.

Assessing Units-of-Production Depletion
Estimated recoverable reserves are used in determining the depletion of mine assets. This results in a depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Group uses the tons of ore produced as the basis for depletion. Any change in estimates is accounted for prospectively.

Determining Whether Significant Influence Exists
The Parent Company recognized its ownership interest in THNC, CBNC and BGI as investments in associates. In accordance with the provisions of PAS 28 (2011), *Investments in Associates and Joint Ventures,* the existence of significant influence by an entity is usually evidenced in one or more of the following ways:
- Participation in policy-making processes through its representation on the BOD; or
- Material transactions between the entity and its investee such as the supply of all the nickel ore and/or limestone requirement of the investee and/or the use of the Group's land and infrastructure necessary to produce the products of the investee.

Due to the nature of the Parent Company's involvement in THNC, CBNC and BGI and other various factors, the Parent Company assessed that significant influence exists (see Note 10).

The Parent Company also owns 25% ownership interest in Eurasian Consolidated Minerals Pty Ltd (ECM) which was recognized as financial assets at FVTPL. The Parent Company assessed that no significant influence exists due to:
- Absence of material transactions between ECM and the Parent Company;
- No interchange of managerial personnel; and
- Non-participation of the Parent Company in the policy-making process, as the group of shareholders that holds the majority ownership of the investee operates without regard to the views of the Parent Company.

Determining Indicators of Impairment on Investments in Associate
Impairment review on investments in associates is performed when events or changes in circumstances indicate that the carrying value exceeds its fair value. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount. Management has determined that there are no events or changes in circumstances in 2022 and 2021 that may indicate that the carrying value of investments in associates may not be recoverable. No impairment indicators have been identified and no impairment loss was recognized on investments in associates in 2022, 2021 and 2020. The carrying values of the Group's investments in associates amounted to ₱7,147.6 million and ₱3,812.6 million as at December 31, 2022 and 2021, respectively (see Note 10).

Determining Capitalizability of Geothermal Exploration and Evaluation Assets and Deferred Mine Exploration Costs
Careful judgment by management is applied when deciding whether the recognition requirements for geothermal exploration and evaluation assets and deferred mine exploration costs relating to the Group's geothermal and mining projects have been met. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the expenditure may be associated

with finding specific geothermal and ore reserves. This is necessary as the economic success of the exploration is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the information available at the end of each financial reporting period.

Determining Applicability of International Financial Reporting Interpretations Committee (IFRIC)12, Service Concession Arrangements on the Solar Energy Service Contract (SESC) and PSA with SURNECO

An arrangement would fall under IFRIC 12 if the two conditions below are met:

a) the grantor controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price, and
b) the grantor controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

The infrastructure used for its entire useful life ('whole of life assets') is within the scope of IFRIC 12 if the arrangement meets the conditions in (a).

However, based on management's judgment, the SESC entered by JSI is outside the scope of IFRIC 12 since JSI controls the significant residual interest in the properties at the end of the concession term through ownership. For the PSA with SURNECO, management assessed that it is also outside the scope of IFRIC 12 since SURNECO does not control or regulate the services of the operator, which is the Parent Company, in using the power plant including its pricing.

Operating Lease - Parent Company as the Lessor

In accounting for its PSA with SURNECO, the Group's management has made a judgment that the PSA is an arrangement that contains a lease. The Parent Company has not transferred substantially all the risks and rewards incidental to the ownership of the power plant principally by virtue of its right to control the capacity of power plant and its right to transfer the power plant at the end of the PSA for no consideration. Accordingly, the Group accounted for the agreement as an operating lease. The capital recovery fee billed to SURNECO is recorded as operating revenue based on the terms of the PSA.

Determining the Lease Term of Contracts with Renewal and Termination Options - Group as Lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customization to the leased asset).

The renewal periods for the lease of the land and buildings and improvements are not included as part of the lease term as this is not reasonably certain to be exercised. Furthermore, the periods covered by termination options, if any, are included as part of the lease term only when they are reasonably certain not to be exercised.

Identifying the Enforceable Contract

Sale of Beneficiated Nickel Ore

The Group made an irrevocable and firm commitment to sell nickel ore on FOB of mother vessel terms, while the buyer made an irrevocable and firm commitment to purchase the quantity of the nickel ore under the terms and conditions specified and agreed upon in the contract. Throughout the year, the parties executed addendums to the contract to deliver nickel ore with quantity and specifications indicated therein.

The Group executed a five (5)-year contract with Pacific Metals Co., Ltd. (PAMCO), where the former expressed its wish to sell to the latter all beneficiated nickel saprolite ore which meets the specifications as stated in the contract. The Group also executed sales contracts with its major customers to sell beneficiated nickel limonite ore with specifications stated explicitly in the contracts.

While there are master supply agreements with customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes. Therefore, for the above arrangements, the enforceable contracts have been determined to be the annual and long-term contracts and the addendum thereon.

Sale of Limestone

RTN executed a long-term contract with its customers that sets out the general terms and conditions governing each sale of limestone that occur. The enforceable contracts have been determined to be the long-term contracts.

Sale of Quarry Materials

TMC entered into a Materials Supply Agreement (MSA) with THNC to sell and deliver construction materials and THNC to purchase and take delivery of rock, sand, gravel, and available laterite near the area to be used for the expansion of their tailing storage facility which is part of the auxiliary facility of their HPAL project. The enforceable contracts have been determined to be each purchase order and the MSA.

Rendering of Services

The Group and its customers entered into various service agreements, such as materials handling services and power supply, that sets out the general terms and conditions governing each service that occur. The Group has the experience, expertise, equipment, facilities, and personnel required for the services needed and the customers recognizes the capability of Group and hires its services under the terms and conditions specified and agreed upon in the contract. Therefore, the enforceable contracts are the service agreements and/or PSAs entered into with different customers.

Identifying Performance Obligations

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if: i) each distinct good or services in the series are transferred over time, and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

With regard to the sale of beneficiated nickel ore and limestone, the Group and its buyers agree to respectively sell and purchase a specific quantity of nickel ore and limestone during the term of the sales contracts. This performance obligation is a promise to transfer to the buyer distinct goods (i.e., nickel ore and limestone) that shall be satisfied at a point in time. It is capable of being distinct since the customers can benefit from it in conjunction with other readily available resources. It is distinct within the context of the sales contracts because it is not integrated, not highly interdependent on or highly interrelated with other promised services in the contract. The obligation is to transfer nickel ore and limestone which shall be satisfied once the control to the goods has been transferred to the buyer at a point in time.

For the sale of quarry materials, TMC and THNC agree to sell and purchase a specific quantity of quarry materials during the term of each purchase order and the MSA. The performance obligation is a promise to transfer to THNC distinct goods (i.e., rock, sand, gravel, and available laterite) that shall be satisfied at a point in time. It is capable of being distinct since the customers can benefit from it in conjunction with other readily available resources. It is distinct within the context of each purchase order and MSA because it is not integrated, not highly interdependent on or highly interrelated with other promised services in the contract. The obligation is to transfer quarry materials which shall be satisfied once the control to the goods has been transferred to the buyer at a point in time.

With regard to the sale of power, it is considered a performance obligation since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract.

The performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Determining Method to Estimate Variable Consideration and Assessing the Constraint
The Group assessed that it has variable consideration pertaining to quantity of ore shipped to customer. The variability arises from the uncertainty of final quantity and is assessed based on preliminary assay which is the Group's estimate of the most likely amount that is not highly probable to result in a significant reversal in cumulative revenue recognized when final assay is completed.

The Group's sale of power to IEMO provides unspecified quantity of energy and unspecified unit price that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are to be fully constrained based on its historical experience (i.e., volume and unit price), the range of possible outcomes (i.e., unspecified quantity of energy and unspecified unit price), and the unpredictability of other factors outside the Group's influence.

Allocating Variable Consideration
Variable consideration may be attributable to the entire contract or to a specific part of the contract. For the revenue from sale of power which is considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

Determining the Timing of Satisfaction
The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group concluded that revenues from sale of power are to be recognized over time since customers simultaneously receive and consume the benefits as the Group supplies power.

The sale of ore, limestone and quarry materials are satisfied at a point in time. All risk of loss, damage, or destruction respective of the ore delivered shall progressively pass to the buyer at the time the ore passes over the rail and into the vessel while risk of loss and damage for the limestone delivered passed to the buyer at the time the good is delivered to the buyer's plant. In the case of deliveries to CBNC and THNC, title, risk of loss and damage passed to the buyer at the time the ore passes into the ore preparation hopper of the respective plants. Moreover, the risk of loss and damage is also passed to the buyer at the time the quarry materials have been delivered to each delivery point.

For rendering of services, it is satisfied over time since the customer obtains the benefit simultaneously with the Group's performance of services. The fact that another entity would not need to re-perform the handling services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

Identifying Methods for Measuring Progress of Revenue Recognized over Time
The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue based on the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For the sale of power, the Group determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on the actual energy dispatched billed at the spot price calculated during the trading interval, which is a one (1) hour period commencing on the hour or based on the rates approved by the ERC.

Determining the Group's Business Model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flow. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Defining Default and Credit-Impaired Financial Assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria.* The borrower is more than thirty (30) days past due on its contractual payments, which is consistent with the Group's definition of default.
- *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  a. The borrower is experiencing financial difficulty or is insolvent;
  b. The borrower is in breach of financial covenant(s);
  c. An active market for that financial asset has disappeared because of financial difficulties;
  d. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty;
  e. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
  f. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Group's ECL calculation.

An instrument is no longer in default (i.e., to have cured) when it no longer meets any of the default criteria.

Identifying Forward Looking Information
In its ECL models, the Group relies on forward looking information as economic inputs, such as:

- Dollar index rate
- Gross Domestic Product (GDP) growth
- Inflation rates

Predicted relationship between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data over the past five (5) years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the end of the financial reporting period. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Determining Significant Increase in Credit Risk
The criteria for determining whether credit risk has increased significantly vary and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than thirty (30) days past due. Days past due are determined by counting the number of days from the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the related party/customer.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria can identify significant increase in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes thirty (30) days past due; and
- there is no unwarranted volatility in loss allowance from transfers between twelve (12)-month PD (stage 1) and lifetime PD (stage 2).

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria, or which are less than thirty (30) days past due, are considered to have a low credit risk. The provision for ECL for these financial assets is based on a twelve (12)-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to twelve (12)-month ECL.

Estimates and Assumptions

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

Estimating Ore Reserves

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth, and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying values of property and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred income tax assets and depreciation and depletion charges.

The Group also makes estimates and assumptions regarding a number of economic and technical factors, such as production rates, grades, production and transport costs and prices. These economic and technical estimates and assumptions may change in the future in ways that affect the quality and quantity of the reserves. The Group reviews and updates estimates as required, but at least annually, to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel or limestone prices or production costs and other factors.

Estimating Recoverability of Geothermal Exploration and Evaluation Assets and Deferred Mine Exploration Costs
The application of the Group's accounting policy for geothermal exploration and evaluation assets and deferred mine exploration costs requires judgment in determining whether it is likely that future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after exploration costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized in excess of the amount determined to be recoverable is provided with an allowance for impairment loss in the period when the new information becomes available. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value or value in use, whichever is higher.

The carrying values of geothermal exploration and evaluation assets amounted to ₱1,882.3 million and ₱1,850.0 million as at December 31, 2022 and 2021, respectively (see Note 11).

Deferred mine exploration costs, included in "Other noncurrent assets" in the consolidated statements of financial position, amounted to ₱466.8 million and ₱1,254.1 million as at December 31, 2022 and 2021, respectively (net of allowance for impairment losses of ₱144.2 million and ₱143.6 million, respectively; see Note 12).

Estimating Allowance for Impairment Losses on Mining Properties and Development Costs, Solar Farm and Construction In-Progress
The Group is adversely affected if there's a continuous decline in wholesale electricity prices and metal prices. If an impairment indicator is identified, the assessment of the recoverable amount of the mining properties and development costs, solar farm and construction in-progress related to solar farms, requires significant judgment and is based on assumptions. The carrying values of the Group's mining properties and development costs, solar farm and construction in-progress recorded under property and equipment as at December 31, 2022 and 2021 are disclosed in Note 9 to the consolidated financial statements.

The factors that the Group considers important which could trigger an impairment review include the following:
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to the consolidated statement of income if the discounted expected future cash flows are less than the carrying amount. Value in use is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. As at December 31, 2022 and 2021, the Group has not provided any allowance for impairment losses on its mining properties and development costs, solar farm and construction in-progress as the recoverable amount of these assets is greater than their carrying amount.

Estimating Allowance for ECL on Trade and Other Receivables
The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every end of the financial reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 5 to the consolidated financial statements.

Calculating ECL
The Group calculates ECLs based on unbiased and three (3) probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognized and is still in the portfolio.
- EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the financial reporting period, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers three scenarios (a base case, a best case, and a worst case). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Estimating Allowance for Impairment Losses on Inventories
The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess cost of inventories over their NRV. NRV tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the end of the financial reporting period, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile

and the number of contained nickel ore ounces based on assay data. Stockpile tonnages are verified by periodic surveys. The NRV test for materials and supplies is also performed annually and it represents the current replacement cost. Increase in the NRV of inventories will increase the cost of inventories but only to the extent of their original production or acquisition costs.

As at December 31, 2022 and 2021, inventories, including long-term stockpile inventory, carried at lower of cost or NRV amounted to ₱2,464.4 million and ₱2,285.5 million, respectively (net of allowance for impairment losses of ₱58.1 million and ₱85.8 million, respectively; see Notes 6 and 12).

Estimating Useful Lives of Property and Equipment (except Land)
The Group estimates the useful lives of property and equipment, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation, and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There are no changes in the estimated useful lives of property and equipment in 2022 and 2021.

The carrying values of property and equipment except land and construction in-progress amounted to ₱11,129.9 million and ₱10,915.4 million as at December 31, 2022 and 2021, respectively (net of accumulated depreciation, amortization and depletion of ₱14,393.2 million and ₱12,866.9 million, respectively; see Note 9).

Estimating Allowance for Impairment Losses on Nonfinancial Other Assets
The Group provides allowance for impairment losses on nonfinancial other assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment losses would increase recorded expenses and decrease other assets.

The carrying values of nonfinancial prepayments and other current assets amounted to ₱862.7 million and ₱407.2 million as at December 31, 2022 and 2021, respectively, while nonfinancial other noncurrent assets amounted to ₱3,370.1 million and ₱2,431.1 million as at December 31, 2022 and 2021, respectively (see Notes 8 and 12).

The allowance for impairment losses on the Group's nonfinancial prepayments and other current assets amounted to ₱56.6 million and ₱56.5 million as at December 31, 2022 and 2021, respectively (see Note 8). The allowance for impairment losses on the Group's nonfinancial other noncurrent assets as at December 31, 2022 and 2021 amounted to ₱779.1 million and ₱803.7 million, respectively (see Note 12).

Estimating the Incremental Borrowing Rate of the Leases
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU assets in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay',

which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Group's stand-alone credit rating).

The Group's lease liabilities amounted to ₱611.2 million and ₱613.9 million as at December 31, 2022 and 2021, respectively (see Note 33). The incremental borrowing rate used in 2022 and 2021 ranges from 4.92% to 9.03%.

Estimating Provision for Mine Rehabilitation and Decommissioning
The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the provision. 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 the end of the financial 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 statement of financial position by adjusting the rehabilitation assets and liability. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

Provision for mine rehabilitation and decommissioning amounted to ₱791.1 million and ₱824.0 million as at December 31, 2022 and 2021, respectively (see Note 15).

Determining Pension Benefits
The cost of defined benefit retirement as well as the present value of the pension liability is determined using actuarial valuations. The actuarial valuation involves making various assumptions, as described in Note 34. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, defined benefit pension liability are highly sensitive to changes in these assumptions. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit pension liability. All assumptions are reviewed at each end of the financial reporting period. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension liability.

As at December 31, 2022 and 2021, pension asset included under "Other noncurrent assets" in the consolidated statements of financial position amounted to ₱15.1 million and ₱0.7 million, respectively, and pension liability amounted to ₱435.4 million and ₱624.1 million, respectively (see Notes 12 and 34).

Estimating Fair Value of Share-based Payment Transactions
The Parent Company's Executive Stock Option Plan (ESOP) grants qualified participants the right to purchase common shares of the Parent Company at a grant price. The ESOP recognizes the services received from eligible employees and an equivalent adjustment to the equity account over the vesting period. The Parent Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value of share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, and dividend yield. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in Note 17 to the consolidated financial statements. While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may no longer affect the stock compensation costs charged to operations.

The cost of share-based payment plan recognized as expense in 2022, 2021 and 2020, with a corresponding charge to the equity account, amounted to ₱49.4 million, ₱31.9 million and ₱71.1 million, respectively (see Notes 17 and 25). As at December 31, 2022 and 2021, the cost of share-based payment plan in the equity section of the consolidated statements of financial position amounted to ₱522.8 million and ₱473.4 million, respectively (see Note 17).

Estimating Recoverability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each end of the financial reporting period and reduces the amounts to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting to ₱400.6 million and ₱309.7 million as at December 31, 2022 and 2021, respectively (see Note 35).

As at December 31, 2022 and 2021, the Group has temporary difference amounting to ₱1,464.3 million and ₱1,808.0 million, respectively, for which no deferred income tax assets were recognized because it is more likely than not that the carryforward benefits will not be realized in the future (see Note 35).

Determining Fair Values of Financial Instruments
Where the fair values of financial assets and liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value (see Note 37).

4. **Cash and Cash Equivalents**

	2022	2021
Cash on hand and with banks	**₱2,056,702**	₱1,371,315
Cash equivalents	**8,663,632**	8,725,919
Cash under managed funds	**88,692**	729,572
	₱10,809,026	₱10,826,806

Cash with banks and under managed funds earn interest at the prevailing bank deposit rates. Cash equivalents are short-term cash investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term cash investment rates. The carrying value of cash and cash equivalents approximates their fair value as at the end of the financial reporting period.

The Group has US$ denominated cash and cash equivalents amounting to US$85.9 million, equivalent to ₱4,787.5 million, and US$131.0 million, equivalent to ₱6,683.0 million, as at December 31, 2022 and 2021, respectively (see Note 36).

Interest income from cash and cash equivalents amounted to ₱128.5 million, ₱17.2 million and ₱85.7 million in 2022, 2021 and 2020, respectively (see Note 27).

5. **Trade and Other Receivables**

	2022	2021
Trade (see Note 32)	**₱2,284,849**	₱1,265,767
Amounts owed by related parties (see Note 32)	**179,467**	8,421
Advances to officers and employees	**47,889**	44,019
Interest receivable	**23,511**	15,633
Current portion of loan receivable (see Note 38a)	**5,425**	202,772
Dividend receivables	**287**	255,251
Others	**179,441**	212,345
	2,720,869	2,004,208
Less allowance for ECL	**33,807**	33,112
	₱2,687,062	₱1,971,096

The movements of allowance for ECL follows:

2022	**Trade**	**Others**	**Total**
Balances at January 1	**₱20,405**	**₱12,707**	**₱33,112**
Foreign exchange adjustments	**790**	**–**	**790**
Reversals	**–**	**(95)**	**(95)**
Balances at December 31	**₱21,195**	**₱12,612**	**₱33,807**

2021	Trade	Others	Total
Balances at January 1	₱19,911	₱13,854	₱33,765
Foreign exchange adjustments	494	–	494
Write-off	–	(1,147)	(1,147)
Balances at December 31	₱20,405	₱12,707	₱33,112

Trade receivables are noninterest-bearing and are generally on seven (7) to sixty (60)-days' terms, except for the usage fee billed to THNC which is collected on a semi-annual basis.

Amounts owed by related parties are noninterest-bearing with no fixed maturities and are generally collectible on demand.

Advances to officers and employees are noninterest-bearing and are generally subject to liquidation or collectible through salary deduction.

Interest receivable is derived from short-term cash investments placed in various local/foreign banks, which are collectible upon maturity, from debt securities and negotiable instruments which are collectible either monthly, quarterly, or semi-annually, and from loan issued to East Coast Mineral Resources Co., Inc. (East Coast) which is collectible based on the agreed repayment terms.

Loan receivable pertains to the loan issued by CMC to East Coast, which will be settled based on the agreed repayment terms (see Note 38a).

Dividend receivables pertain to the cash dividends declared by CBNC and other domestic corporations which are collectible in January of the following year.

Other receivables are noninterest-bearing with no fixed maturities and are generally collectible on demand. These also include despatch receivables, which are generally on seven (7) to thirty (30)-days' terms.

The Group has US$ denominated trade and other receivables amounting to US$33.1 million, equivalent to ₱1,846.5 million, and US$27.0 million, equivalent to ₱1,377.3 million, as at December 31, 2022 and 2021, respectively (see Note 36).

6. Inventories

	2022	2021
Beneficiated nickel ore and limestone		
At cost	**₱1,793,572**	₱1,732,853
At NRV	**–**	113,126
Materials and supplies		
At NRV	**434,185**	251,295
At cost	**204,467**	145,658
	₱2,432,224	₱2,242,932

The movements of allowance for impairment losses on inventories follows:

2022	**Beneficiated nickel ore**	**Materials and supplies**	**Total**
Balances at January 1	**₱27,621**	**₱58,132**	**₱85,753**
Reversals (see Note 29)	**(27,621)**	**–**	**(27,621)**
Balances at December 31	**₱–**	**₱58,132**	**₱58,132**

2021	Beneficiated nickel ore	Materials and supplies	Total
Balances at January 1	₱42,524	₱69,191	₱111,715
Reversals (see Note 29)	(14,903)	(18,775)	(33,678)
Provisions (see Note 29)	–	7,716	7,716
Balances at December 31	₱27,621	₱58,132	₱85,753

As at December 31, 2022 and 2021, the cost of beneficiated nickel ore and limestone provided with allowance for impairment losses amounted to nil and ₱140.7 million, respectively, while the cost of materials and supplies provided with allowance for impairment losses amounted to ₱492.3 million and ₱309.4 million, respectively.

Costs of inventories charged as expense amounted to ₱8,637.8 million, ₱8,089.7 million and ₱7,696.7 million in 2022, 2021 and 2020, respectively (see Notes 19, 20, 21, 23 and 24).

7. Financial Assets at FVTPL, at FVOCI and at Amortized Cost

	2022			2021		
	Financial Assets at			Financial Assets at		
	FVTPL	**FVOCI**	**Amortized Cost**	FVTPL	FVOCI	Amortized Cost
Quoted instruments						
Debt securities	**₱2,713,653**	**₱447,975**	**₱460,000**	₱3,459,091	₱1,122,284	₱460,000
Equity securities	**891,816**	**–**	**–**	2,040,037	–	–
Unquoted equity instruments	**514,306**	**–**	**–**	498,765	–	–
	₱4,119,775	**₱447,975**	**₱460,000**	₱5,997,893	₱1,122,284	₱460,000

The Group's financial assets pertain to investments in common and/or preferred shares of various local and foreign public and private companies, mutual funds, golf club shares and debt securities which are either unquoted or at quoted market prices. Quoted and unquoted instruments are carried either at fair market value or at amortized cost as at the end of the financial reporting period.

The movement in financial assets follows:

	2022			2021		
	Financial Assets at			Financial Assets at		
	FVTPL	**FVOCI**	**Amortized Cost**	FVTPL	FVOCI	Amortized Cost
Balances at January 1	**₱5,997,893**	**₱1,122,284**	**₱460,000**	₱3,753,448	₱2,548,760	₱210,000
Additions	**3,643,300**	**550,113**	**–**	5,721,442	5,467,059	350,000
Disposals	**(5,093,617)**	**(1,215,125)**	**–**	(3,640,683)	(6,839,370)	–
Redemption	**–**	**–**	**–**	–	–	(100,000)
Effect of changes in foreign exchange rate (see Note 29)	**65,502**	**–**	**–**	94,282	–	–
Net valuation gains (losses) on financial assets	**(493,303)**	**(9,297)**	**–**	69,404	(54,165)	–
Balances at December 31	**4,119,775**	**447,975**	**460,000**	5,997,893	1,122,284	460,000
Less noncurrent portion	**758,760**	**–**	**410,000**	731,813	–	460,000
Current portion	**₱3,361,015**	**₱447,975**	**₱50,000**	₱5,266,080	₱1,122,284	₱–

The movements in "Net valuation gains (losses) on financial assets at FVOCI" presented as a separate component of equity follows:

	2022	2021
Balances at January 1	**₱3,363**	₱57,771
Movements recognized in equity:		
Losses recognized in equity	**(10,906)**	(82,427)
Reclassification adjustments for loss included in the consolidated statements of income (see Note 29)	**1,609**	28,262
Income tax effect	**–**	(243)
Valuation losses taken into the consolidated statements of comprehensive income - net of tax	**(9,297)**	(54,408)
Balances at December 31	**(₱5,934)**	₱3,363

Dividend income from equity securities amounted to ₱37.2 million, ₱32.1 million and ₱33.5 million in 2022, 2021 and 2020, respectively, of which ₱15.3 million in 2022, 2021 and 2020 relates to dividends coming from investments in unquoted equity securities (see Note 29), while interest income from debt securities amounted to ₱35.6 million, ₱119.0 million and ₱124.4 million in 2022, 2021 and 2020, respectively (see Note 27).

The Group sold some of its debt securities at a loss of ₱1.6 million in 2022 and ₱28.3 million in 2021 and a gain of ₱47.2 million in 2020 (see Note 29).

In 2022, 2021, and 2020, the Group did not recognize any provision for ECL on its financial assets at FVOCI and at amortized cost.

As at December 31, 2022 and 2021, the Group has US$ denominated financial assets at FVTPL amounting to US$50.6 million, equivalent to ₱2,818.6 million, and US$92.3 million, equivalent to ₱4,705.6 million, respectively (see Note 36).

8. Prepayments and Other Current Assets

	2022	2021
Input VAT (net of allowance for impairment losses of ₱54.8 million as at December 31, 2022 and 2021)	**₱458,557**	₱110,889
Short-term cash investments	**265,186**	2,174,665
Prepaid rent and others	**199,440**	185,156
Advances and deposits to suppliers and contractors (net of allowance for impairment losses of ₱1.8 million and ₱1.7 million as at December 31, 2022 and 2021, respectively)	**190,481**	97,556
Negotiable instruments	**40,000**	–
Prepaid taxes	**10,667**	10,060
Tax credit certificates	**3,541**	3,541
	₱1,167,872	₱2,581,867

Input VAT represents the VAT passed on from purchases of applicable goods and services which can be recovered as tax credit against future output VAT from the sale of goods and/or services of the Group.

Short-term cash investments include local cash placements that will mature between four (4) to twelve (12) months from the end of the financial reporting period. Interest income from short-term cash investments amounted to ₱11.4 million in 2022, ₱8.3 million in 2021 and nil in 2020 (see Note 27).

Prepayments are amortized within three (3) to twelve (12) months from the end of the financial reporting period.

Advances and deposits to suppliers and contractors include security deposits and payments made in advance to suppliers and contractors which will be offset against future billings upon the delivery of goods and/or completion of services.

The negotiable instruments will mature in 2023 and earn interest at 3.87% per annum (p.a.) and 4.50% p.a. Interest income from negotiable instruments amounted to ₱1.4 million in 2022, 2021 and 2020 (see Note 27).

Prepaid taxes include certificates of creditable withholding taxes for services rendered to other parties which can be recovered as tax credits against certain future tax liabilities of the Group.

Tax credit certificates are tax refunds that can be used by the Group.

9. Property and Equipment

	2022								
	Land and Land Improvements	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	ROU Assets - Land, Building and Improvements	Transmission Lines and Substations	Solar Farm	Construction In-progress	Total
Cost:									
Balances at January 1	**₱292,893**	**₱1,081,682**	**₱13,080,683**	**₱4,567,055**	**₱699,777**	**₱938,106**	**₱3,391,074**	**₱6,054,020**	**₱30,105,290**
Additions	**–**	**39,346**	**818,817**	**8,826**	**2,222**	**2,737**	**22,637**	**1,592,677**	**2,487,262**
Adjustment for capitalized cost of mine rehabilitation and decommissioning (see Note 15)	**–**	**(54,098)**	**–**	**–**	**–**	**–**	**–**	**–**	**(54,098)**
Capitalized borrowing cost (see Note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**15,078**	**15,078**
Disposals	**–**	**–**	**(97,238)**	**(5,570)**	**–**	**–**	**–**	**(5,095,406)**	**(5,198,214)**
Transfers/reclassification (see Notes 12 and 40)	**–**	**866,324**	**37,094**	**78,909**	**–**	**–**	**20,719**	**(150,157)**	**852,889**
Balances at December 31	**292,893**	**1,933,254**	**13,839,356**	**4,649,220**	**701,999**	**940,843**	**3,434,430**	**2,416,212**	**28,208,207**
Accumulated depreciation, amortization and depletion:									
Balances at January 1	**19,316**	**394,469**	**8,660,712**	**2,649,415**	**123,449**	**392,965**	**626,607**	**–**	**12,866,933**
Depreciation, amortization and depletion (see Note 26)	**4,650**	**48,677**	**1,007,432**	**276,205**	**42,663**	**33,779**	**189,625**	**–**	**1,603,031**
Disposals	**–**	**–**	**(97,136)**	**(5,570)**	**–**	**–**	**–**	**–**	**(102,706)**
Transfers/reclassification (see Note 12)	**(686)**	**13,484**	**7,717**	**221,690**	**–**	**(216,297)**	**–**	**–**	**25,908**
Balances at December 31	**23,280**	**456,630**	**9,578,725**	**3,141,740**	**166,112**	**210,447**	**816,232**	**–**	**14,393,166**
Net book values	**₱269,613**	**₱1,476,624**	**₱4,260,631**	**₱1,507,480**	**₱535,887**	**₱730,396**	**₱2,618,198**	**₱2,416,212**	**₱13,815,041**

	2021								
	Land and Land Improvements	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	ROU Assets - Land, Building and Improvements	Transmission Lines and Substations	Solar Farm	Construction In-progress	Total
Cost:									
Balances at January 1	₱292,893	₱937,173	₱13,531,757	₱4,139,824	₱699,297	₱935,921	₱1,949,969	₱7,393,620	₱29,880,454
Additions	–	–	577,615	41,761	480	–	301,047	853,530	1,774,433
Adjustment for capitalized cost of mine rehabilitation and decommissioning (see Note 15)	–	144,509	–	–	–	–	–	–	144,509
Capitalized borrowing cost (see Note 14)	–	–	–	–	–	–	–	5,580	5,580
Disposals	–	–	(1,703,073)	(46,532)	–	–	–	(566)	(1,750,171)
Transfers/reclassification	–	–	674,384	432,002	–	2,185	1,140,058	(2,198,144)	50,485
Balances at December 31	292,893	1,081,682	13,080,683	4,567,055	699,777	938,106	3,391,074	6,054,020	30,105,290
Accumulated depreciation, amortization and depletion:									
Balances at January 1	14,878	354,956	9,516,829	2,398,439	81,197	141,027	483,543	–	12,990,869
Depreciation, amortization and depletion (see Note 26)	4,438	39,513	1,037,498	278,241	42,252	33,566	145,070	–	1,580,578
Disposals	–	–	(1,678,683)	(25,883)	–	–	–	–	(1,704,566)
Transfers/reclassification	–	–	(214,932)	(1,382)	–	218,372	(2,006)	–	52
Balances at December 31	19,316	394,469	8,660,712	2,649,415	123,449	392,965	626,607	–	12,866,933
Net book values	₱273,577	₱687,213	₱4,411,315	₱1,926,296	₱576,328	₱545,141	₱2,764,467	₱6,054,020	₱17,238,357

Construction in-progress includes borrowing cost of ₱15.1 million in 2022, ₱5.6 million in 2021, and ₱1.8 million in 2020 (see Note 14).

Except for the property and equipment pledged as collateral for the loans of JSI with Industrial and Commercial Bank of China (ICBC) and Security Bank Corporation (SBC), with net book value of ₱6,601.9 million and ₱5,388.5 million as at December 31, 2022 and 2021, respectively, there were no other property and equipment pledged as collateral for the Group's borrowings (see Note 14).

Depreciation on the excess of the fair value of the assets acquired from RTN over their corresponding book values transferred to retained earnings amounted to ₱0.4 million in 2022, 2021 and 2020.

10. Investments in Associates

	2022	2021
THNC	**₱3,922,385**	₱2,904,105
CBNC	**3,223,757**	908,449
BGI	**1,423**	–
	₱7,147,565	₱3,812,554

The movements in investments in associates follows:

	2022				2021		
	THNC	**CBNC**	**BGI**	**Total**	THNC	CBNC	Total
Balances at January 1	**₱1,974,700**	**₱724,410**	**₱–**	**₱2,699,110**	₱1,974,700	₱724,410	₱2,699,110
Acquisitions	**–**	**1,530,312**	**–**	**1,530,312**	–	–	–
Reclassification	**–**	**–**	**1,384**	**1,384**	–	–	–
Accumulated equity in net earnings (losses):							
Balances at January 1	**392,588**	**(65,307)**	**–**	**327,281**	(19,854)	39,092	19,238
Equity in net income	**752,361**	**189,743**	**39**	**942,143**	412,442	145,421	557,863
Dividends declared	**–**	**–**	**–**	**–**	–	(249,820)	(249,820)
	1,144,949	**124,436**	**39**	**1,269,424**	392,588	(65,307)	327,281
Share in cumulative translation adjustment:							
Balances at January 1	**536,817**	**249,346**	**–**	**786,163**	391,806	83,757	475,563
Movements	**265,919**	**595,253**	**–**	**861,172**	145,011	165,589	310,600
	802,736	**844,599**	**–**	**1,647,335**	536,817	249,346	786,163
Balances at December 31	**₱3,922,385**	**₱3,223,757**	**₱1,423**	**₱7,147,565**	₱2,904,105	₱908,449	₱3,812,554

The share in cumulative translation adjustment of associates is gross of deferred income tax liability of ₱247.1 million and ₱186.9 million as at December 31, 2022 and 2021, respectively (see Note 35).

THNC

THNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on August 22, 2008. THNC is engaged in the manufacture and export of nickel/cobalt mixed sulfide, nickel hydroxide and any or all ingredient and products and by-products, wherein TMC has a Nickel Ore Supply Agreement to supply all of the limonite ore requirements of the Taganito High Pressure Acid Leach (HPAL) facility. TMC also provides services related to the handling, hauling and transportation of materials required in the processing operations of THNC. THNC started commercial operations in October 2013.

THNC's financial statements are stated in US$ and translated at the closing rate of US$1 = ₱55.75 and US$1 = ₱51.00 as at December 31, 2022 and 2021, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US$1 = ₱54.50 and US$1 = ₱49.29, respectively, for the statement of income accounts for the years then ended.

The following are the summarized financial information of THNC as at and for the years ended December 31, 2022 and 2021:

	2022	2021
Current assets	**₱13,498,661**	₱11,078,828
Noncurrent assets	**84,424,353**	77,864,779
Current liabilities	**(60,647,250)**	(56,400,879)
Noncurrent liabilities	**(432,955)**	(5,882,726)
Net assets	**₱36,842,809**	₱26,660,002

	2022	2021
Revenue	**₱36,536,713**	₱21,318,375
Expenses	**(29,013,099)**	(17,193,956)
Net income	**7,523,614**	4,124,419
Other comprehensive income - net	**–**	–
Total comprehensive income - net	**₱7,523,614**	₱4,124,419

CBNC

CBNC, a private entity that is not listed on any public exchange, was incorporated, and registered with the Philippine SEC on April 4, 2002. CBNC is engaged in the manufacture and export of nickel/ cobalt mixed sulfide wherein RTN has a Nickel Ore Supply Agreement to supply all the limonite ore requirements of the Coral Bay Hydro Metallurgical Processing Plant facility. The agreement provides that it will terminate until the earlier of the cessation of operations at the Coral Bay HPAL facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. Aside from supplying ore and limestone, RTN also provided ancillary services to Coral Bay HPAL facility until May 2021. Starting June 2021, CDTN took over and provides ancillary services to Coral Bay HPAL facility.

On October 3, 2022, the Parent Company purchased an additional 33,046,875 common shares of CBNC from Sumitomo Metal Mining Co., Ltd. (SMM) for a total consideration of US$25.9 million, equivalent to ₱1,530.3 million. The acquisition by the Parent Company of the additional CBNC shares increased its equity ownership from 10% to 15.62%.

CBNC's financial statements are stated in US$ and translated at the closing rate of US$1 = ₱55.75 and US$1 = ₱51.00 as at December 31, 2022 and 2021, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US$1 = ₱54.50 and US$1 = ₱49.29, respectively, for the statement of income accounts for the years then ended.

The following are the summarized financial information of CBNC as at and for the years ended December 31, 2022 and 2021:

	2022	2021
Current assets	**₱16,042,953**	₱14,557,692
Noncurrent assets	**19,226,727**	17,290,586
Current liabilities	**(2,778,452)**	(4,109,797)
Noncurrent liabilities	**(384,464)**	(386,942)
Net assets	**₱32,106,764**	₱27,351,539

	2022	2021
Revenue	**₱21,829,406**	₱14,695,111
Expenses	**(19,674,439)**	(13,240,905)
Net income	**2,154,967**	1,454,206
Other comprehensive income - net	**–**	–
Total comprehensive income - net	**₱2,154,967**	₱1,454,206

BGI

BGI, a private entity that is not listed on any public exchange, was incorporated, and registered with the Philippine SEC on October 31, 2007. The principal activities of BGI are to explore, exploit, discover, develop, extract, dig and drill for, produce, utilize, refine, treat, process, transport, store, market, sell, use, supply, experiment with, distribute, manufacture, or otherwise deal in, any substance, minerals or otherwise, which by itself or in contribution with other substances generate or emanate heat or power and to enter into and perform service contracts including geothermal services.

On December 20, 2022, BHI sold a portion of its shareholdings in BGI, equivalent to 461,250 common shares or 15% interest in BGI, for ₱0.5 million. After the sale, BHI's equity ownership in BGI decreased from 60% to 45%.

The following are the summarized financial information of BGI as at and for the period ended December 31, 2022:

Current assets	₱8,456
Noncurrent assets	5,076,942
Current liabilities	(5,525,099)
Net liabilities	(₱439,701)

Income	₱126
Expenses	(40)
Net income	86
Other comprehensive income - net	–
Total comprehensive income - net	₱86

* *As at December 31, 2021, BGI, a subsidiary of the Parent Company through EPI, was included in the consolidated balances.*

11. Geothermal Exploration and Evaluation Assets

	2022	2021
Balances at January 1	**₱1,849,936**	₱1,819,859
Additions	**32,382**	30,077
Balances at December 31	**₱1,882,318**	₱1,849,936

Geothermal exploration and evaluation assets represent the accumulated costs incurred in connection with the exploration and development activities for the Montelago Geothermal Project. The recovery of these costs depends upon determination of technical feasibility, success of exploration activities and discovery of geothermal resource that can be produced in commercial quantities.

As at December 31, 2022 and 2021, no allowance for impairment losses was recognized on geothermal exploration and evaluation assets.

12. Other Noncurrent Assets

	2022	2021
Advances and deposits to suppliers and contractors - net of current portion	**₱2,742,199**	₱789,817
MRF	**766,351**	650,705
Deferred mine exploration costs	**611,072**	1,397,710
Deferred input VAT	**561,673**	762,599
Restricted cash	**164,193**	93
SDMP funds	**88,937**	102,405
Advance royalties	**55,904**	55,904

(Forward)

	2022	2021
Advances to claimowners (see Note 38e)	**₱47,710**	₱47,710
Long-term stockpile inventory - net of current portion	**32,224**	42,535
Project development costs	**21,706**	26,756
Pension asset (see Note 34)	**15,145**	711
Computer software	**13,773**	62,393
Loan receivable - net of current portion (see Note 38a)	–	63,130
Long-term negotiable instruments	–	40,000
Others	**47,759**	48,670
	5,168,646	4,091,138
Less allowance for impairment losses	**779,067**	803,727
	₱4,389,579	₱3,287,411

The movements of allowance for impairment losses follows:

2022	**Advances and deposits to suppliers and contractors**	**Deferred mine exploration costs**	**Deferred input VAT**	**Total**
Balances at January 1	**₱536,429**	**₱143,593**	**₱123,705**	**₱803,727**
Provisions (see Note 29)	**8,597**	**630**	**55,615**	**64,842**
Reversals	–	–	**(89,502)**	**(89,502)**
Balances at December 31	**₱545,026**	**₱144,223**	**₱89,818**	**₱779,067**

2021	Advances and deposits to suppliers and contractors	Deferred mine exploration costs	Deferred input VAT	Total
Balances at January 1	₱530,042	₱143,593	₱106,499	₱780,134
Provisions (see Note 29)	6,387	–	17,206	23,593
Balances at December 31	₱536,429	₱143,593	₱123,705	₱803,727

Advances and deposits to suppliers and contractors represent payments made in advance to suppliers and contractors which will be offset against future billings upon the delivery of goods and/or completion of services. This includes the advances made to Asiacrest Marketing Corporation (Asiacrest) which is related to the Engineering Procurement Construction (EPC) Contract for the 100MW solar power plant in Subic. As at December 31, 2022, there was a pending case against Asiacrest and First Integrated Bonding and Insurance Co. (FIBIC), the surety which secured Asiacrest's performance of its obligation, jointly and severally liable to the extent of the value of the performance bond, for the breach of EPC contract and doubts have been raised on the financial capacity of these companies. On June 26, 2019, JSI assigned all its rights, title and interest on the advances made to Asiacrest in partial payment of the advances made by EPI to JSI. JSI and EPI have assessed the current financial position of Asiacrest and FIBIC and the increase in the credit risk associated to advance payment it has made to Asiacrest. As a result, an allowance for impairment losses amounting to ₱514.7 million was recognized as at December 31, 2022 and 2021.

MRF, which includes the Final Mine Rehabilitation and Decommissioning Fund, is the amount deposited in local bank accounts established by the Group in compliance with the requirements of the Philippine Mining Act of 1995 as amended by DENR Administrative Order No. 2005-07. The MRF is earmarked for physical and social rehabilitation of areas and communities affected by mining activities and for research on the social, technical, and preventive aspects of rehabilitation. Any disbursement in the MRF should be authorized by the MRF Committee, the external overseeing body charged with the duties of managing, operating, monitoring, and looking after the safety of the MRF. The MRF earns interest at the respective bank deposit rates. Interest income from MRF amounted to ₱6.0 million, ₱2.5 million and ₱4.1 million in 2022, 2021 and 2020, respectively (see Note 27).

Deferred mine exploration costs include mining rights of ₱92.8 million and ₱945.6 million as at December 31, 2022 and 2021, respectively. In 2022, upon start of commercial operation of DMC, mining rights amounting to ₱852.8 million was reclassified to mining properties and development costs under "Property and equipment" (see Note 9).

Deferred input VAT pertains to the unamortized portion of input VAT on purchase of capital goods spread evenly over the life of the capital goods or five (5) years, whichever is shorter. The balance is recoverable in future periods or by way of application for VAT refund.

Restricted cash pertains to funds restricted to withdrawal for specified purposes. It includes the debt service reserve account of JSI to cover its long-term debts with ICBC and SBC.

The SDMP funds shall be used for the sustainable development of the host and neighboring communities of the mine site. The programs are intended for health, education, livelihood, public utilities and socio-cultural preservation. Its implementation is under the audit, monitoring and evaluation of the Mines and Geosciences Bureau (MGB). Interest income from SDMP funds amounted to ₱0.1 million in 2022 and 2021 and ₱0.2 million in 2020 (see Note 27).

Advance royalties pertain to royalty payments to claimowners.

Advances to claimowners represent advance royalty payments to La Salle Mining Exploration Company (La Salle) and Kepha Mining Exploration Limited Company (Kepha; see Note 38e).

The long-term stockpile inventory pertains to low grade ore extracted from RTN's minesite. This amount was not recognized in RTN's books but was recognized by the Parent Company when it acquired the controlling interest in RTN in August 2006. The low-grade ore inventory was initially recognized at fair value. The fair value of the long-term stockpile inventory was computed using the present value of the estimated future cash flows of RTN which it will derive from the long-term Nickel Ore Supply Agreement with CBNC (see Note 32a). Subsequently, this fair value represented the cost of the long-term stockpile inventory.

The cost of the long-term stockpile inventory is periodically charged to cost of sale of ore based on the actual tonnage delivered to CBNC from the long-term stockpile. The cost of long-term stockpile inventory amounting to ₱10.3 million, ₱6.9 million and ₱111.5 million were charged to "Cost of sale of ore and limestone" in 2022, 2021, and 2020, respectively (see Note 19).

Project development cost pertains to the development cost incurred for various projects of EPI and/or JSI.

Computer software pertains to computer licenses which are subject to amortization over a certain period. In 2022, 2021 and 2020, the amortization of computer software amounted to ₱60.0 million, ₱39.6 million and ₱13.7 million, respectively (see Note 26).

Loan receivable pertains to the loan issued by CMC to East Coast, which will be settled based on the agreed repayment terms (see Note 38a).

The long-term negotiable instruments will mature in 2023.

13. Trade and Other Payables

	2022	2021
Trade (see Note 32)	**₱1,035,580**	₱693,235
Accrued expenses (see Note 32)	**525,669**	549,277
Government payables:		
Withholding taxes payable	**232,314**	328,195
Excise taxes and royalties payable	**226,486**	270,499
Output VAT	**45,535**	11,616
Fringe benefit taxes (FBT) payable	**1,632**	885
Interest payable (see Note 32)	**15,510**	15,477
Deferred income	**4,190**	7,254
Retention fees payable	**1,897**	1,451
Amounts owed to related parties (see Note 32)	–	5,475,049
Dividends payable	–	1,772,125
Others	**118,599**	101,127
	₱2,207,412	₱9,226,190

Trade, accrued expenses and other payables are noninterest-bearing and are generally settled within one (1) year. Trade payables relate to payables to suppliers in the ordinary course of business. Accrued expenses substantially consist of contractor's fees, trucking and stevedoring services, hauling and rental expenses, guarantee service fees and others which are usual in the business operations of the Group.

Government payables include withholding taxes which are normally settled within ten (10) to fifteen (15) days after the end of each financial reporting month or thirty (30) days after the end of each financial reporting quarter, and FBT which are normally settled within thirty (30) days after the end of the quarter on which the fringe benefits are granted to the recipients. Excise tax payable is settled within fifteen (15) days after the end of the quarter when the beneficiated nickel ore, limestone and quarry materials were shipped. Royalties are paid on or before the deadline agreed with the MGB or other parties.

Interest payable on loans is settled based on the agreed payment terms.

Retention fees payable pertain to the amount retained by the Group from its suppliers/contractors and will be paid after the completion of the construction of the projects.

Amounts owed to related parties pertain to advances received from Orka Geothermal Investments Pte. Ltd. (OGIPL), Orka Geothermal Holdings, Inc. (OGHI) and Biliran Geothermal Holdings Incorporated (BGHI) which were used in the drilling operations of BGI. This also includes miscellaneous expenses paid by these related parties on behalf of BGI.

Dividends payable refers to the cash dividends declared by TMC and RTN to PAMCO and Sojitz Corporation (Sojitz) in December 2021 and payable in January of the following year. The amount is net of final withholding tax.

The Group has US$ denominated trade and other payables amounting to US$2.0 million, equivalent to ₱111.0 million, and US$48.2 million, equivalent to ₱2,458.5 million, as at December 31, 2022 and 2021, respectively (see Note 36).

14. Short-term and Long-term Debts

Short-term debts

SBC

In 2021, SBC approved the renewal of EPI's original loan facility to the extent of ₱1,500.0 million. On July 15, 2021 and September 3, 2021, EPI made drawdowns from the said renewal amounting to ₱300.0 million and ₱1,200.0 million, respectively. Proceeds of the loan were used by EPI to settle the promissory notes under the original SBC loan facility, which matured in 2021.

At maturity date, EPI requested another approval from SBC for the renewal of their original loan facility to the extent of ₱1,500.0 million. On July 8, 2022 and August 6, 2022, EPI made drawdowns from the said renewal amounting to ₱300.0 million and ₱1,200.0 million, respectively, which was used to settle the promissory notes under the original SBC loan facility, which matured in 2022.

The loan facility is secured by a continuing suretyship of the Parent Company (see Note 38p).

Details of the drawdowns are as follows:

			2022		
Drawdowns	**Drawdown Date**	**Maturity Date**	**Interest Rate**	**Amount**	**Debt Issue Costs**
First	**July 8, 2022**	**July 3, 2023**	**5.00% to 5.75%***	**₱300,000**	**₱2,220**
Second	**August 26, 2022**	**January 26, 2023**	**5.50% to 7.00%***	**1,200,000**	**3,773**
				₱1,500,000	**₱5,993**

* *subject to monthly repricing*

			2021		
Drawdowns	Drawdown Date	Maturity Date	Interest Rate	Amount	Debt Issue Costs
First	July 15, 2021	July 8, 2022	4.50%	₱300,000	₱2,207
Second	September 3, 2021	August 26, 2022	4.50%	1,200,000	8,803
				₱1,500,000	₱11,010

The carrying amount of short-term debt with SBC, net of unamortized debt issue cost, follows:

	2022	2021
Loans payable	**₱1,500,000**	₱1,500,000
Less unamortized debt issue cost	**(1,734)**	(7,084)
Balances at December 31	**₱1,498,266**	₱1,492,916

Debt issue costs pertain to documentary stamp tax and other transaction costs incurred in connection with the availment of the loans. These are deducted from the amount of loans payable and are amortized using the EIR method.

The movements of the unamortized debt issue costs in 2022 and 2021 are as follows:

	2022	2021
Balances at January 1	**₱7,084**	₱7,346
Additions	**5,993**	11,010
Amortization	**(11,343)**	(11,272)
Balances at December 31	**₱1,734**	₱7,084

Interest expense in 2022, 2021 and 2020 are summarized below:

	2022	2021	2020
Interest on loans	**₱77,400**	₱79,771	₱93,750
Amortization of debt issue costs	**11,343**	11,272	11,297
	₱88,743	₱91,043	₱105,047

There were no capitalized borrowing costs pertaining to short-term debts in 2022, 2021 and 2020.

The Term Loan Agreement with SBC provides for restrictions with respect to creation or permission to exist any mortgage or pledge, lien or any encumbrance on all free assets owned or acquired by EPI. Also, the Term Loan Agreement restricts EPI to assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any obligation of any other person, firm or corporation; participate or enter into any merger or consolidation; sell, lease, dispose or convey all or substantially all of EPI's assets; make advances or loans to any of the affiliates, subsidiaries, stockholders, directors and officers except in compliance with formally established and existing fringe benefit program of EPI; suspend its business operation or dissolve its affairs; and to enter into any credit or loan agreement or arrangement with any creditor under such terms and conditions that would place SBC in an inferior position risk-wise, vis-a-vis such other creditors. Moreover, the Term Loan Agreement provides for certain conditions, which include, among others, prompt disclosure in writing of any material change in EPI's financial position and conduct of its operations or any substantial change in its management or ownership, conduct operations in accordance with sound business practice, maintenance and preservation of corporate existence, and prompt payment of all taxes, assessment, and other governmental charges due. As at December 31, 2022 and 2021, EPI has been compliant with the covenants contained in the loan facility and agreements.

Long-term debts

Long-term debts of the following subsidiaries are as follows:

	2022	2021
JSI (see Note 32)	**₱1,387,496**	₱108,501
TMC (see Note 32)	**829,355**	847,858
	2,216,851	956,359
Less noncurrent portion:		
JSI	**1,387,496**	108,501
TMC	**731,784**	758,610
	2,119,280	867,111
Current portion	**₱97,571**	₱89,248

JSI Loans

ICBC and SBC

On August 2, 2021, JSI, ICBC and SBC entered into an Omnibus Loan and Security Agreement (OLSA), with NAC, EPI and TBEA International Engineering Co., Ltd. (TBEA) as Share Collateral Security Grantors and Sponsors. Pursuant to the OLSA, ICBC and SBC granted term loan facilities to JSI amounting to ₱1,600.0 million, payable in two Tranches (Tranche A for ₱1,250.0 million and Tranche B for ₱350.0 million), that will be used by JSI to partially refinance the shareholder's loans used for Phase 3A and 3B expansions.

Interest is fixed, which shall be the higher of the sum of the applicable benchmark rate (or the average of the applicable seven (7)-year Bloomberg Evaluated Pricing Service of Bloomberg LP (or BVAL) benchmark tenor) plus the credit spread, divided by the interest premium factor; and the minimum interest rate divided by the interest premium factor. Principal and interest are payable quarterly for a period of seven (7) years commencing on September 28, 2022 until June 28, 2029.

Details of the drawdown follows:

Tranche	Drawdown Date	Maturity Date	Interest Rate	Amount	Debt Issue Costs
A	June 28, 2022	June 28, 2029	6.5948%*	₱1,250,000	₱31,899

**Fixed interest rate for two (2) years covering June 28, 2022 to June 28, 2024.*

At any time after the fifth (5th) year of the loan, JSI may prepay all or any portion of the outstanding loan subject to certain conditions and by paying the prepayment penalty.

The loan is secured by a chattel mortgage on all project assets, mortgage over the leasehold rights with Subic Bay Metropolitan Authority, and the pledge of shares of stocks of JSI.

The OLSA provides certain debt covenants, but are not limited to the following:
1) Debt service coverage ratio (DSCR) is at least equal to the maintenance DSCR, subject to testing at each DSCR testing date;
2) Debt-to-equity (DE) ratio does not exceed the maintenance DE, subject to testing at each DE testing date;
3) To create, permit or enter into any loan facility agreement secured or to be secured by a lien of the whole or any portion of its present and future assets other than any permitted lien;
4) To incur any indebtedness for the purpose of paying dividends on its preferred shares;
5) To enter into any investment, joint venture, partnership or similar business combination or arrangement in relation to the project or otherwise;
6) To pay dividends to its shareholders, repay any shareholder loans and make any other payment to shareholders or its affiliates under any project document;
7) To sell or dispose any assets;
8) To withdraw from the debt service reserve account, except in accordance with the financing documents.

As at December 31, 2022, JSI has been compliant with the covenants contained in the OLSA.

The carrying amounts of long-term debts with ICBC and SBC, net of unamortized debt issue cost, follows:

	2022	2021
Drawdowns	**₱1,250,000**	₱–
Payments	**(9,500)**	–
	1,240,500	–
Less unamortized debt issue cost	**(28,844)**	–
Balances at December 31	**₱1,211,656**	₱–

The movements of the unamortized debt issue costs in 2022 and 2021 are as follows:

	2022	2021
Additions	**₱31,899**	₱–
Amortization	**(3,055)**	–
Balances at December 31	**₱28,844**	₱–

The interest incurred in connection with the long-term debts with ICBC and SBC amounted to ₱45.6 million, of which ₱8.1 million pertains to capitalized borrowing costs, in 2022 and nil in 2021 and 2020 (see Notes 9 and 28).

TBEA
In accordance with the Agreement on Shareholders Advances on June 17, 2020, TBEA granted JSI an unsecured term loan facility of a total cumulative principal amount of US$2.2 million to be used for the Phase 3A - 30MW solar project.

On September 23, 2021, NAC, JSI, EPI and TBEA executed the Supplemental Agreement on Shareholder Advances to agree on the shareholder advances for JSI's development of Phase 3B - 38MW. Under the terms of the Supplemental Agreement, TBEA grants JSI a loan facility amounting to US$2.9 million subject to 5.00% interest p.a. The loan principal and interest are payable within five (5) years from the date of remittance to JSI.

Details of the drawdowns are as follows:

Phase	Drawdowns	Drawdown Date	Maturity Date	Interest Rate	Amount	Debt Issue Costs
3A	First	July 23, 2020	June 17, 2025	5.00%	₱60,806	₱456
	Second	August 27, 2020	June 17, 2025	5.00%	24,127	181
	Third	November 23, 2020	June 17, 2025	5.00%	10,761	81
	Fourth	February 26, 2021	June 17, 2025	5.00%	13,422	101
3B	First	January 17, 2022	June 17, 2025	5.00%	124,861	937
	Second	June 20, 2022	June 17, 2025	5.00%	25,902	194
					₱259,879	₱1,950

The carrying amount of long-term debts with TBEA, net of unamortized debt issue cost, follows:

	2022	2021
Balances at January 1	**₱109,116**	₱95,694
Drawdowns	**150,763**	13,422
Payments	**(83,071)**	–
	176,808	109,116
Less unamortized debt issue cost	**(968)**	(615)
Balances at December 31	**₱175,840**	₱108,501

The movements of the unamortized debt issue costs in 2022 and 2021 are as follows:

	2022	2021
Balances at January 1	**₱615**	₱668
Additions	**1,131**	101
Amortization	**(778)**	(154)
Balances at December 31	**₱968**	₱615

Interest expense in 2022 and 2021 are summarized below:

	2022	2021	2020
Interest on loans	**₱10,118**	₱5,426	₱1,839
Amortization of debt issue costs	**778**	154	50
	₱10,896	₱5,580	₱1,889

The capitalized borrowing costs pertaining to this loan amounted to ₱7.0 million, ₱5.6 million and ₱1.9 million, in 2022, 2021 and 2020, respectively (see Notes 9, 28 and 32).

TMC Loan

On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former an unsecured loan facility amounting to a total of US$35.0 million at a prevailing one hundred eighty (180)-day British Banker Association London Inter-Bank Offered Rate (LIBOR) plus 2.00% spread, to exclusively finance the construction of the pier facilities within the Taganito Special Economic Zone (TSEZ).

The interest on the loan is payable semi-annually, on October 10 and April 10. The total principal is payable in semi-annual installments of US$0.9 million starting on October 10, 2011 up to April 10, 2031.

The Omnibus Agreement provides for restriction with respect to creation, assumption, incurrence, and permission to exist any lien upon the pier facilities and all TMC's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of TMC's corporate existence, rights, privileges and licenses, prompt submission of written notice to THNC of any and all litigations and administrative arbitration proceedings before any Governmental authority affecting TMC, prompt payment of all amounts due under the loan documents and maintenance of all Governmental approvals necessary to perform the obligations. As at December 31, 2022 and 2021, TMC is in compliance with the restrictions.

Interest expense in 2022, 2021 and 2020 amounted to ₱32.9 million, ₱19.4 million and ₱31.5 million, respectively (see Notes 28 and 32).

The US$ denominated long-term debts amounted to US$14.9 million, equivalent to ₱829.4 million, and US$16.6 million, equivalent to ₱847.9 million, as at December 31, 2022 and 2021, respectively (see Note 36).

15. Provision for Mine Rehabilitation and Decommissioning

	2022	2021
Balances at January 1	**₱823,962**	₱664,379
Effect of change in estimate (see Note 9)	**(54,098)**	144,509
Accretion of interest on provision for mine rehabilitation and decommissioning (see Note 28)	**21,196**	15,074
Balances at December 31	**₱791,060**	₱823,962

Provision for mine rehabilitation and decommissioning pertains to the estimated decommissioning costs to be incurred in the future on the mined-out areas of the Group.

The Group makes a full provision for the future cost of rehabilitating the mine site and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of rehabilitation costs. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to consider any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

16. **Equity**

Capital Stock
The capital structure of the Parent Company follows:

	2022	2021
Common stock - ₱0.50 par value per share		
Authorized - 19,265,000,000 shares		
Issued - 13,685,272,117 shares		
Outstanding - 13,630,850,117 shares	**₱6,842,636**	₱6,842,636
Preferred stock - ₱0.01 par value per share		
Authorized and Issued - 720,000,000 shares	**7,200**	7,200
	₱6,849,836	₱6,849,836

Preferred share is voting, non-participating but with a fixed cumulative dividend rate of 7% p.a.

Issued Capital Stock
As at December 31, 2022 and 2021, a total of 3,852,936,213 common shares and 3,910,132,966 common shares, respectively, of the outstanding common shares of the Parent Company are registered in the name of ninety-five (95) and eighty-four (84) shareholders, respectively, while the balance of 9,777,913,904 common shares and 9,720,717,151 common shares, respectively, are lodged with the Philippine Depository and Trust Corporation.

The movement in outstanding common stock follows:

	Number of Shares		
	Issued	Treasury	Outstanding
Balances at December 31, 2022 and 2021	13,685,272,117	(54,422,000)	13,630,850,117

Cost of Share-based Payment Plan
On April 5, 2018, the BOD of the Parent Company approved the adoption of ESOP (2018 ESOP; the Plan) which was ratified by the Parent Company's stockholders on May 28, 2018. A total of 375.0 million shares of stock were reserved for issue under the Plan.

The basic terms and conditions of the stock option plans are disclosed in Note 17.

Dividends

Dividends declared and paid by the Parent Company follows:

Year	Type of Dividend	Date of Declaration	Date of Record	Amount Declared	Dividend per Share	Date of Payment
2022	***Cash Dividends***					
	Regular	March 10, 2022	March 24, 2022	₱2,317,245	₱0.17	April 7, 2022
	Special	March 10, 2022	March 24, 2022	681,542	0.05	April 7, 2022
	Special	November 10, 2022	November 24, 2022	3,135,096	0.23	December 9, 2022
2021	*Cash Dividends*					
	Regular	March 11, 2021	March 25, 2021	₱1,226,777	₱0.09	April 8, 2021
	Special	March 11, 2021	March 25, 2021	1,908,319	0.14	April 8, 2021
	Special	November 4, 2021	November 18, 2021	2,998,787	0.22	December 2, 2021
2020	*Cash Dividends*					
	Regular	March 13, 2020	March 27, 2020	₱1,090,638	₱0.08	April 8, 2020
	Special	August 7, 2020	August 24, 2020	2,998,787	0.22	September 4, 2020

Appropriation of Retained Earnings

Parent Company

On November 27, 2018, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱1,500.0 million in relation to the share buy-back program of the Parent Company. On November 6, 2020, the Parent Company's BOD approved the reversal of the appropriation of up to ₱1,365.0 million which took effect on December 2, 2020, the end of the Parent Company's share buy-back program.

HMC

On December 15, 2021, the BOD of HMC approved the reversal of the ₱54.9 million appropriations following the completion of the purchase of mining equipment.

On December 17, 2020, the BOD of HMC approved the reversal of the ₱85.6 million appropriations following the completion of the purchase of mining equipment. On the same date, an appropriation was approved amounting to ₱54.9 million for HMC's capital expenditures for the year 2021.

Treasury Stock

On November 27, 2018, the BOD of the Parent Company approved to undertake a two (2)-year share buy-back program authorizing management to buy from the market at its discretion the Parent Company's common shares up to an aggregate value of ₱1,500.0 million. As at December 31, 2022 and 2021, the Parent Company purchased from the market a total of 54,422,000 of its own common shares at an average price of ₱2.4625 per share or a total of ₱134.0 million.

17. Executive Stock Option Plan

2018 ESOP

On April 5, 2018, the Plan was approved by the Parent Company's BOD and was ratified by the stockholders on May 28, 2018. On February 18, 2020, the Plan was approved by the SEC. The basic terms and conditions of the Plan are as follows:

1. The Plan covers up to 155.0 million shares, which was further increased to 375.0 million shares, allocated to the Parent Company's eligible participants.
2. The eligible participants are the directors and officers of the Parent Company and its operating subsidiaries, including CExCI, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.

3. The grant dates and exercise prices are as follows:

Grant date	Exercise prices, before stock dividends	Equivalent exercise prices, after the effect of stock dividends
June 15, 2018	₱4.38	₱2.43
April 4, 2019	2.18	2.18
May 20, 2019	2.08	2.08
March 1, 2020	2.30	2.30
March 16, 2020	3.95	3.95
May 8, 2020	1.47	1.47
February 17, 2021	2.60	2.60
July 1, 2021	4.71	4.71
September 11, 2021	4.95	4.95
June 3, 2022	6.31	6.31

4. The term of the Plan shall be five (5) years and the shares will vest to the participant at the rate of 25% after the first year of the Plan.
5. The participant can exercise the vested options by giving notice within the term of the Plan and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

The fair value of the stock option ranges from ₱0.11 to ₱2.90, which was estimated as at grant date using the Black Scholes-Merton model, taking into consideration the terms and conditions upon which the options were granted.

The following assumptions were used to determine the fair value of the 2018 ESOP at effective grant date:

Grant date	Spot price per share	Exercise price	Expected volatility	Option life (in years)	Dividend yield	Risk-free rate
June 15, 2018	₱5.01	₱4.38	45.34%	5.00	2.16%	5.93%
April 4, 2019	2.55	2.18	46.40%	4.20	5.88%	5.72%
May 20, 2019	2.18	2.08	45.51%	4.07	6.88%	5.76%
March 1, 2020	2.18	2.30	44.62%	3.29	6.88%	3.98%
March 16, 2020	1.80	3.95	44.95%	3.25	8.33%	4.36%
May 8, 2020	1.54	1.47	45.14%	3.10	9.74%	2.99%
February 17, 2021	5.53	2.60	46.42%	2.32	2.71%	2.06%
July 1, 2021	5.62	4.71	47.33%	1.95	2.67%	1.94%
September 11, 2021	6.13	4.95	46.73%	1.76	2.45%	1.88%
June 3, 2022	7.22	6.31	48.18%	1.03	2.08%	2.28%

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

There have been no modifications or cancellations of stock options in 2022 and 2021.

The following table illustrates the number of stock options and its movements during the year:

	Number of Options		Weighted Average Exercise Price	
	2022	2021	**2022**	2021
2018 ESOP				
Balances at January 1	**278,947,780**	278,947,780	**₱2.43**	₱2.43
Granted	**52,868,604**	–	**2.46**	–
Forfeited	**(27,471,370)**	–	**(2.43)**	–
Balances at December 31	**304,345,014**	278,947,780	**₱2.44**	₱2.43

On September 15, 2022, the SEC approved the exemption from registration of the additional 220,000,000 common shares which shall form part of the 2018 ESOP. On February 3, 2023, the PSE approved the listing of up to 304,345,014 unissued common shares to cover the 2018 ESOP.

The movements in the cost of share-based payment plan included in equity are as follows:

	2022	2021
Balances at January 1	**₱473,442**	₱441,589
Stock option expense (see Note 25)	**49,395**	31,853
Balances at December 31	**₱522,837**	₱473,442

The weighted average remaining contractual life of options outstanding under the Plan was half (0.5) year and one and a half (1.5) years as at December 31, 2022 and 2021, respectively. On December 21, 2022, the Parent Company's BOD approved to extend the exercise period of the options under the Plan until December 13, 2023.

In 2022, 2021 and 2020, the cost of share-based payment plan amounting to ₱49.4 million, ₱31.9 million and ₱71.1 million, respectively, are included in "Personnel costs" (see Note 25).

18. Earnings Per Share

The following reflects the income and share data used in the basic and diluted EPS computations:

	2022	2021	2020
Net income attributable to equity holders of the parent	**₱7,931,150**	₱7,812,575	₱4,068,732
Preferred stock dividends	**504**	504	504
Net income attributable to equity holders of the parent for basic earnings	**7,930,646**	7,812,071	4,068,228
Dividends on dilutive potential ordinary shares	**–**	–	–
Net income attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**₱7,930,646**	₱7,812,071	₱4,068,228

(Forward)

	2022	2021	2020
Weighted average number of common shares for basic EPS	**13,630,850,117**	13,630,850,117	13,633,815,950
Effect of dilution from stock options	–	–	–
Weighted average number of common shares adjusted for the effect of dilution	**13,630,850,117**	13,630,850,117	13,633,815,950
Basic/Diluted EPS	**₱0.58**	₱0.57	₱0.30

There have been no other transactions involving ordinary shares or potential ordinary shares between the end of the financial reporting period and the date of authorization of the consolidated financial statements.

19. **Cost of Sales**

	2022	2021	2020
Cost of sale of:			
Ore	**₱7,755,214**	₱7,301,777	₱7,027,050
Limestone	**175,775**	220,822	258,285
Quarry materials	–	89,242	234,646
	₱7,930,989	₱7,611,841	₱7,519,981

Details of cost of sales follow:

	2022	2021	2020
Production overhead	**₱3,655,317**	₱2,676,016	₱2,479,856
Outside services	**1,737,242**	1,866,873	1,827,914
Personnel costs (see Note 25)	**1,471,037**	1,424,974	1,260,095
Depreciation, amortization and depletion (see Note 26)	**951,578**	925,525	799,951
Long-term stockpile inventory sold (see Note 12)	**10,311**	6,887	111,485
	7,825,485	6,900,275	6,479,301
Net changes in beneficiated nickel ore and limestone	**105,504**	711,566	1,040,680
	₱7,930,989	₱7,611,841	₱7,519,981

Production overhead consists of fuel, oil and lubricants, materials and supplies, equipment rentals and other miscellaneous charges.

Outside services pertain to services offered by the contractors related to the mining activities of the Group. These services include, but are not limited to, hauling, stevedoring, maintenance, and security.

20. Cost of Services

	2022	2021	2020
Outside services	**₱519,060**	₱7,120	₱9,388
Personnel costs (see Note 25)	**120,116**	129,603	126,849
Depreciation (see Note 26)	**108,581**	107,717	104,996
Overhead	**92,197**	77,182	87,329
Equipment operating cost	**62,281**	–	–
	₱902,235	₱321,622	₱328,562

21. Cost of Power Generation

	2022	2021	2020
Depreciation and amortization (see Note 26)	**₱292,578**	₱248,350	₱213,975
Overhead	**49,458**	50,788	50,711
Outside services	**25,827**	22,339	15,724
Personnel costs (see Note 25)	**25,333**	24,939	25,346
Materials and supplies	**10,317**	14,705	7,494
Purchased power	**380**	–	–
	₱403,893	₱361,121	₱313,250

Overhead in cost of power generation consists of insurance, taxes and licenses, utilities and other miscellaneous charges.

22. Excise Taxes and Royalties

	2022	2021	2020
Royalties (see Notes 38e and 38q)	**₱1,456,752**	₱1,655,924	₱1,410,243
Excise taxes (see Note 38e)	**1,029,560**	1,050,005	834,159
	₱2,486,312	₱2,705,929	₱2,244,402

23. Shipping and Loading Costs

	2022	2021	2020
Outside services	**₱1,304,291**	₱1,461,231	₱1,422,660
Supplies and fuel, oil and lubricants	**552,912**	456,420	336,107
Depreciation and amortization (see Note 26)	**142,720**	160,382	156,616
Personnel costs (see Note 25)	**119,162**	123,957	117,006
Other services and fees	**42,773**	53,580	90,390
	₱2,161,858	₱2,255,570	₱2,122,779

24. **General and Administrative**

	2022	2021	2020
Personnel costs (see Note 25)	**₱584,297**	₱509,555	₱521,300
Taxes and licenses	**169,620**	121,158	114,724
Outside services	**167,710**	130,874	112,877
Depreciation and amortization (see Note 26)	**156,210**	162,389	152,887
Publicity and promotion	**40,129**	27,331	17,189
Dues and subscription	**38,559**	25,366	25,500
Transportation and travel	**32,816**	24,190	20,682
Supplies	**22,752**	46,057	26,730
Donations	**20,000**	83	5,705
Communications, light and water	**15,697**	22,688	13,817
Entertainment, amusement and recreation	**10,036**	8,926	10,093
Rentals	**3,226**	9,319	9,446
Repairs and maintenance	**836**	9,612	19,222
Others	**44,390**	48,359	67,494
	₱1,306,278	₱1,145,907	₱1,117,666

Other general and administrative expenses are composed of other service fees and other numerous transactions with minimal amounts.

25. **Personnel Costs**

	2022	2021	2020
Salaries, wages and employee benefits	**₱2,149,814**	₱2,050,632	₱1,867,870
Pension cost (see Note 34)	**120,736**	130,543	111,659
Cost of share-based payment plan (see Note 17)	**49,395**	31,853	71,067
	₱2,319,945	₱2,213,028	₱2,050,596

The amounts of personnel costs are distributed as follows:

	2022	2021	2020
Cost of:			
Sales (see Note 19)	**₱1,471,037**	₱1,424,974	₱1,260,095
Services (see Note 20)	**120,116**	129,603	126,849
Power generation (see Note 21)	**25,333**	24,939	25,346
General and administrative (see Note 24)	**584,297**	509,555	521,300
Shipping and loading costs (see Note 23)	**119,162**	123,957	117,006
	₱2,319,945	₱2,213,028	₱2,050,596

26. Depreciation, Amortization and Depletion

The amounts of depreciation, amortization and depletion expense, including amortization of ROU assets and computer software, are distributed as follows:

	2022	2021	2020
Cost of:			
Sales (see Note 19)	**₱951,578**	₱925,525	₱799,951
Power generation (see Note 21)	**292,578**	248,350	213,975
Services (see Note 20)	**108,581**	107,717	104,996
General and administrative (see Note 24)	**156,210**	162,389	152,887
Shipping and loading costs (see Note 23)	**142,720**	160,382	156,616
Others	**11,342**	15,776	16,835
	₱1,663,009	₱1,620,139	₱1,445,260

The above is distributed as follows:

	2022	2021	2020
Property and equipment (see Note 9)	**₱1,603,031**	₱1,580,578	₱1,431,522
Computer software under "Other noncurrent assets" (see Note 12)	**59,978**	39,561	13,738
	₱1,663,009	₱1,620,139	₱1,445,260

27. Finance Income

	2022	2021	2020
Interest income from:			
Cash and cash equivalents (see Note 4)	**₱128,499**	₱17,246	₱85,722
Financial assets at (see Note 7):			
FVOCI	**19,628**	93,056	100,541
Amortized cost	**13,775**	9,418	11,958
FVTPL	**2,159**	16,570	11,914
Short-term cash investments (see Note 8)	**11,448**	8,264	–
MRF (see Note 12)	**5,990**	2,499	4,136
Loans (see Note 38a)	**5,322**	13,548	22,393
Negotiable instruments (see Note 8)	**1,390**	1,390	1,390
Pension (see Note 34)	**324**	–	28
SDMP funds (see Note 12)	**79**	63	211
Others	**8**	21	–
	₱188,622	₱162,075	₱238,293

28. **Finance Expenses**

	2022	2021	2020
Interest expense on:			
Short-term debt (see Note 14)	**₱88,743**	₱91,043	₱105,047
Long-term debts (see Notes 14 and 32)	**74,296**	19,363	31,509
Pension (see Note 34)	**31,003**	27,054	21,031
Accretion of interest on:			
Lease liabilities (see Note 33)	**54,742**	54,554	54,344
Provision for mine rehabilitation and decommissioning (see Note 15)	**21,196**	15,074	14,764
Long-term payable	**307**	600	793
Guarantee service fee (see Notes 32 and 38f)	**36,496**	36,393	47,014
	₱306,783	₱244,081	₱274,502

29. **Other Income (Charges)** - net

	2022	2021	2020
Foreign exchange gains (losses) - net	**₱1,215,172**	₱558,851	(₱450,842)
Gain (loss) on:			
Changes in fair value of financial assets at FVTPL (see Note 7)	**(493,303)**	69,404	(41,800)
Sale of investment in a subsidiary (see Note 1)	**46,447**	–	–
Write-off of input VAT	**(46,078)**	(19,321)	(8,649)
Sale of property and equipment	**9,682**	8,360	(4,353)
Sale of financial assets at FVOCI (see Note 7)	**(1,609)**	(28,262)	47,157
Casualty	**–**	(63,384)	–
Write-off of project development costs and other deposits (see Note 38h)	**–**	–	(4,367)
Reversals of allowance (provisions) for impairment losses on:			
Input VAT (see Note 12)	**(55,615)**	(17,206)	–
Beneficiated nickel ore inventory (see Note 6)	**27,621**	14,903	23,999
Advances and deposits to suppliers and contractors (see Notes 8 and 12)	**(8,693)**	(8,072)	(15,336)
Deferred mine exploration costs	**(630)**	–	–
Materials and supplies (see Note 6)	**–**	11,059	(21,250)
Rent income	**91,380**	83,898	29,796
Dividend income (see Note 7)	**37,168**	32,073	33,500
Trust fee	**(22,138)**	(27,151)	(11,089)
Others - net	**42,402**	86,441	160,025
	₱841,806	₱701,593	(₱263,209)

Breakdown of foreign exchange gains (losses) - net follows:

	2022	2021	2020
Realized foreign exchange gains (losses) - net	**₱1,242,919**	₱352,332	(₱304,854)
Unrealized foreign exchange gains (losses) - net on:			
Cash and cash equivalents	**(171,485)**	182,856	(185,786)
Trade and other payables	**136,319**	(138,007)	(664)
Financial assets at (see Note 7):			
FVTPL	**65,502**	94,282	(10,909)
FVOCI	**–**	–	(7,543)
Long-term debt	**(57,043)**	(40,982)	61,061
Prepayments and other current assets	**(10,860)**	94,700	–
Trade and other receivables	**9,820**	13,670	(2,147)
	₱1,215,172	₱558,851	(₱450,842)

30. Revenue from Contracts with Customers

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by location of the customers for sale of ore, limestone and quarry materials, type of services rendered for sale of services and others and source of electricity for sale of power for the years ended December 31, 2022, 2021 and 2020:

2022	**China**	**Local**	**Japan**	**Total**
Sale of (see Note 32)**:**				
Ore	**₱16,971,601**	**₱7,810,296**	**₱741,539**	**₱25,523,436**
Limestone	**–**	**215,573**	**–**	**215,573**
	₱16,971,601	**₱8,025,869**	**₱741,539**	**₱25,739,009**

2021	China	Local	Japan	Total
Sale of (see Note 32):				
Ore	₱19,445,867	₱4,277,981	₱2,130,243	₱25,854,091
Limestone	–	244,929	–	244,929
Quarry materials	–	151,093	–	151,093
	₱19,445,867	₱4,674,003	₱2,130,243	₱26,250,113

2020	China	Local	Japan	Total
Sale of (see Note 32):				
Ore	₱15,832,093	₱3,369,983	₱894,276	₱20,096,352
Limestone	–	360,277	–	360,277
Quarry materials	–	397,340	–	397,340
	₱15,832,093	₱4,127,600	₱894,276	₱20,853,969

	2022	2021	2020
Services and others (see Note 32)			
Materials handling and others	**₱1,490,693**	₱646,070	₱629,454
Sale of power (see Note 38g)			
Solar	**₱609,518**	₱341,438	₱124,144
Diesel	**29,591**	32,155	29,675
	₱639,109	₱373,593	₱153,819

Timing of recognition:

	2022	2021	2020
At a point in time	**₱25,739,009**	₱26,250,113	₱20,853,969
Over time	**2,129,802**	1,019,663	783,273
	₱27,868,811	₱27,269,776	₱21,637,242

All revenue from sale of ore, limestone and quarry materials are recognized at a point in time when control transfers to the customer, which occurs at a point in time when the ore is physically transferred into a vessel or when the ore passes into the ore preparation hopper of the HPAL plants and when the limestone and/or quarry materials were delivered to the buyer.

Revenue from sale of services and others is recognized over time or as the services are rendered while revenue from sale of power is recognized over time based on the actual energy dispatched.

31. Material Partly Owned Subsidiaries

Financial information of subsidiaries that have material NCI are provided below:

Proportion of equity interest held by NCI:

	Principal Place of Business	**2022**	2021
RTN	Philippines	**40.00%**	40.00%
TMC	Philippines	**35.00%**	35.00%

Equity attributable to material NCI:

	2022	2021
RTN	**₱1,976,743**	₱1,482,529
TMC	**2,191,209**	1,799,613

Net income attributable to material NCI:

	2022	2021
RTN	**₱1,147,439**	₱1,139,999
TMC	**1,766,361**	1,802,901

Other comprehensive income (loss) attributable to material NCI:

	2022	2021
RTN	**₱26,695**	(₱12,696)
TMC	**25,179**	17,137

The summarized financial information of these subsidiaries is based on amounts before inter-company eliminations.

The summarized statements of comprehensive income for the years ended December 31, 2022 and 2021 follows:

	2022		2021	
	RTN	**TMC**	RTN	TMC
Revenues	**₱6,756,923**	**₱12,923,717**	₱6,440,431	₱12,534,719
Cost of sales and services	**(2,295,681)**	**(3,485,020)**	(2,028,790)	(3,072,156)
Operating expenses	**(952,977)**	**(2,800,771)**	(1,001,961)	(2,845,391)
Finance income (expense) - net	**31,185**	**(14,105)**	(6,343)	(32,155)
Other income - net	**272,342**	**112,248**	333,959	179,614
Income before income tax	**3,811,792**	**6,736,069**	3,737,296	6,764,631
Provision for income tax - net	**(943,194)**	**(1,689,323)**	(887,299)	(1,613,485)
Net income	**2,868,598**	**5,046,746**	2,849,997	5,151,146
Other comprehensive income (loss) - net	**66,736**	**71,938**	(31,740)	48,963
Total comprehensive income - net	**₱2,935,334**	**₱5,118,684**	₱2,818,257	₱5,200,109
Attributable to NCI	**₱1,174,134**	**₱1,791,540**	₱1,127,303	₱1,820,038
Dividends to NCI	**680,000**	**1,400,000**	720,000	2,275,000

The summarized statements of financial position as at December 31, 2022 and 2021 follows:

	RTN		**TMC**	
	2022	2021	**2022**	2021
Current assets	**₱3,045,020**	₱4,419,665	**₱3,920,447**	₱7,494,921
Noncurrent assets	**3,326,395**	1,810,566	**4,341,483**	4,462,072
Current liabilities	**(942,294)**	(1,927,658)	**(850,292)**	(5,510,706)
Noncurrent liabilities	**(487,262)**	(596,251)	**(1,151,042)**	(1,304,536)
Total equity	**₱4,941,859**	₱3,706,322	**₱6,260,596**	₱5,141,751
Attributable to equity holders of parent	**₱2,965,115**	₱2,223,793	**₱4,069,387**	₱3,342,138
NCI	**1,976,744**	1,482,529	**2,191,209**	1,799,613

The summarized cash flow information for the years ended December 31, 2022 and 2021 follows:

	RTN		**TMC**	
	2022	2021	**2022**	2021
Operating	**₱3,498,235**	₱1,874,283	**₱5,910,737**	₱4,751,004
Investing	**(1,795,536)**	(608,623)	**(837,177)**	(349,271)
Financing	**(2,704,655)**	(1,504,391)	**(8,626,468)**	(3,310,255)
Net increase (decrease) in cash and cash equivalents	**(₱1,001,956)**	(₱238,731)	**(₱3,552,908)**	₱1,091,478

32. **Related Party Transactions**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such a relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

Set out on next page are the Group's transactions with related parties in 2022, 2021 and 2020, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2022 and 2021.

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 13)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 13)		Short-term and Long-term Debts (see Note 14)			
	2022	2021	2020	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	Terms	Conditions
Stockholders															
PAMCO															
Sale of ore	**₱741,539**	₱2,038,708	₱894,276	**₱–**	₱119,426	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	80% to 90% upon receipt of documents and 20% to 10% after the final dry weight and applicable assay have been determined; noninterest- bearing	Unsecured; no guarantee
Draft survey fee	**94**	191	207	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Despatch	**4,027**	5,766	337	**–**	579	**–**	–	**–**	–	**–**	–	**–**	–	Collectible/payable on demand; noninterest-bearing	Unsecured; no guarantee
Other service fee	**–**	1,321	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
SMM															
Sale of ore	**–**	91,535	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Guarantee service fee (see Notes 28 and 38f)	**36,496**	36,393	47,014	**–**	–	**9,588**	10,547	**–**	–	**–**	–	**–**	–	Payable every twenty first (21st) of February, March, August and September; noninterest-bearing	Unsecured
With Common Stockholders															
Manta Equities Inc. (Manta)															
Rentals, dues and utilities	**46,055**	43,392	41,524	**–**	–	**453**	686	**–**	–	**–**	–	**–**	–	Payable upon billing; noninterest-bearing	Unsecured; no guarantee
Rental deposits	**9,129**	9,129	9,093	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible at the end of the lease; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**73**	12	–	**–**	–	**–**	–	**–**	1	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Associates															
CBNC															
Sale of ore and limestone	**3,466,438**	1,959,126	1,468,986	**751,724**	315,433	**–**	–	**–**	–	**–**	–	**–**	–	Thirty (30) days term; noninterest-bearing	Unsecured; no guarantee
Materials handling	**1,026,563**	233,504	206,308	**110,862**	32,239	**–**	–	**–**	–	**–**	–	**–**	–	Fifteen (15) days term; noninterest-bearing	Unsecured; no guarantee
Infralease and throughput	**5,832**	4,879	4,918	**19,328**	6,024	**–**	–	**–**	–	**–**	–	**–**	–	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Other income	**67,214**	200,501	216,429	**72,169**	93,079	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee

(Forward)

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 13)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 13)		Short-term and Long-term Debts (see Note 14)			
	2022	2021	2020	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	Terms	Conditions
THNC															
Sale of ore	**₱4,548,032**	₱2,513,542	₱2,157,964	**₱442,021**	₱186,900	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Thirty (30) days term, noninterest-bearing	Unsecured; no guarantee
Sale of quarry materials	**–**	151,093	397,340	**–**	10,144	**–**	–	**–**	–	**–**	–	**–**	–	Thirty (30) days term, noninterest-bearing	Unsecured; no guarantee
Rendering of service (see Note 38b)	**123,027**	115,286	131,120	**31,221**	27,824	**–**	–	**–**	–	**–**	–	**–**	–	Semi-annual term; noninterest-bearing	Unsecured; no guarantee
Materials handling	**302,328**	131,832	253,160	**28,693**	13,456	**–**	–	**–**	–	**–**	–	**–**	–	Fifteen (15) days term; noninterest-bearing	Unsecured; no guarantee
Rental income (see Note 38m)	**7,062**	7,062	6,942	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental deposit payable	**–**	–	–	**–**	–	**–**	3,352	**–**	–	**–**	–	**–**	–	Collectible at the end of the lease term; noninterest-bearing	Unsecured; no guarantee
Loan facility	**–**	–	–	**–**	–	**–**	–	**–**	–	**–**	–	**829,355**	847,858	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus 2% spread	Unsecured; no guarantee
Interest expense on long-term debt (see Notes 14 and 28)	**32,894**	19,363	31,509	**–**	–	**10,252**	3,582	**–**	–	**–**	–	**–**	–	Payable semi-annually on April 10 and October 10	Unsecured; no guarantee
Short-term advances	**14,240**	20,499	18,818	**–**	–	**–**	–	**1,559**	3,507	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing; with allowance for ECL of ₱4.2 million as at December 31, 2022 and 2021	Unsecured; no guarantee
BGI															
Short-term advances	**–**	–	–	**–**	–	**–**	–	**173,680**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Other Related Parties															
OGIPL															
Short-term advances	**–**	143,747	1,086	**–**	–	**–**	–	**–**	–	**–**	2,341,587	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
OGHI															
Short-term advances	**–**	–	–	**–**	–	**–**	–	**–**	666	**–**	2,225,413	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee

(Forward)

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 13)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 13)		Short-term and Long-term Debts (see Note 14)			
	2022	2021	2020	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	Terms	Conditions
BGHI															
Short-term advances	**₱–**	₱–	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱19	**₱–**	₱908,049	**₱–**	₱–	Collectible upon billing; Covered by Investment Agreement (see Note 38j); noninterest-bearing	Unsecured; no guarantee
TBEA															
Loan facility	**150,763**	13,422	95,694	**–**	–	**–**	–	**–**	–	**–**	–	**175,840**	108,501	Principal is payable on or before the end of the fifth (5th) year after drawdown or on June 17, 2025; interest-bearing at 5% p.a.	Unsecured; no guarantee
Interest expense on long-term debt (see Notes 9 and 14)	**10,896**	5,580	1,889	**–**	–	**2,259**	7,264	**–**	–	**–**	–	**–**	–	Payable on or before the end of the fifth (5th) year after drawdown or on June 17, 2025	Unsecured; no guarantee
				₱1,456,018	₱805,104	**₱22,552**	₱25,431	**₱175,239**	₱4,193	**₱–**	₱5,475,049	**₱1,005,195**	₱956,359		

Terms and Conditions of Transactions with Related Parties

All sales to and purchases from related parties are made at prevailing market prices. Outstanding balances as at December 31, 2022 and 2021 pertain mainly to the extension and receipt of advances to and from related parties and these are unsecured, short-term, interest-free and settlement occurs in cash. Except for the guarantee on THNC's, EPI's and JSI's Loan Obligations (see Notes 38f and 38p), there have been no guarantees received or provided for any related party receivables or payables, respectively. This assessment is undertaken at each end of the financial reporting period through the examination of the financial position of the related party and the market in which the related party operates.

a. Sales and Service Agreements

Nickel Ore Sale Agreements with PAMCO

The Group supplies saprolite ore to PAMCO. PAMCO is a stockholder of the Parent Company, RTN and TMC. All sales made to PAMCO are transacted at prevailing market prices which are benchmarked to China prices on the basis of a negotiated price per wet metric ton (WMT) of ore. PAMCO shall pay the Group 80% to 90% of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined. Outstanding balances as at December 31, 2022 and 2021 are unsecured, interest-free and settlement occurs in cash. Receivable from PAMCO is included as part of "Trade and other receivables" and is expected to be collected subsequently.

Nickel Ore Sale Agreement with PAMCO and Sojitz

In December 2007, RTN supplies saprolite ore to PAMCO, wherein PAMCO appointed Sojitz as agent, under a sale agreement, which shall be valid and in effect until December 2012. By the end of the third (3rd) year, RTN and PAMCO shall jointly assess whether the commercial production of ore at the mine is still possible. Unless commercial production becomes impossible due to the exhaustion of ore reserves in the mine, RTN, PAMCO and Sojitz shall renew the agreement with five (5) years term. Currently, the agreement is valid until December 31, 2026. PAMCO owns 36% and Sojitz owns 4% of the outstanding capital stock of RTN.

The Group's revenue from sale of ore to PAMCO and/or Sojitz amounted to ₱741.5 million, ₱2,038.7 million and ₱894.3 million in 2022, 2021 and 2020, respectively.

Nickel Ore Sale Agreement with SMM

On January 11, 2021, RTN and SMM entered into an agreement to supply nickel ore to the latter for a fixed tonnage at specific nickel grades and iron content.

Revenue from sale of ore to SMM amounted to nil in 2022 and 2020 and ₱91.5 million in 2021.

Nickel Ore Supply Agreement with CBNC

RTN entered into an agreement with CBNC to supply all the limonite ore requirements for the Coral Bay HPAL facility until the earlier of the cessation of operations at the Coral Bay HPAL facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. RTN has also entered into an agreement with CBNC to supply limestone and provide ancillary services to the Coral Bay HPAL facility. CBNC is the owner of the Coral Bay HPAL facility. Receivable from CBNC is included as part of "Trade and other receivables" and is expected to be collected subsequently.

CMC, HMC and DMC also entered into an agreement with CBNC covering the sale of its ore products with a fixed tonnage at specific nickel grade and iron content.

Sale of ore to CBNC amounted to ₱3,262.3 million, ₱1,764.4 million and ₱1,212.0 million in 2022, 2021 and 2020, respectively.

Nickel Ore Supply Agreement with THNC
TMC entered into an agreement with THNC covering the sale of its ore products. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on the London Metal Exchange (LME).

Sale of ore to THNC amounted to ₱4,548.0 million, ₱2,513.5 million and ₱2,158.0 million in 2022, 2021 and 2020, respectively.

Service Agreements with CBNC
RTN and CDTN entered into various service agreements with CBNC pertaining to materials handling and others. The revenue of the Group related to materials handling for CBNC amounted to ₱1,026.6 million, ₱233.5 million and ₱206.3 million in 2022, 2021 and 2020, respectively.

Materials Handling Agreement with THNC
On October 7, 2013, TMC and THNC executed an agreement wherein TMC will render services related to the handling, hauling and transport of cargo for THNC. THNC shall compensate TMC based on the prices stipulated in the agreement which are determined on the basis of the weight of the cargo. Payment is collected within fifteen (15) days from receipt of TMC's billing. The revenue of the Group related to materials handling for THNC amounted to ₱302.3 million, ₱131.8 million and ₱253.2 million in 2022, 2021 and 2020, respectively.

Materials Supply Agreement with THNC
On October 1, 2019, TMC and THNC entered into a MSA wherein THNC agrees to purchase and take delivery from TMC an aggregate of 1,000,000 compacted cubic meters of suitable and unsuitable construction materials for THNC's expansion of its tailing storage facility. The contract period is from September 1, 2019 to December 31, 2020. On March 25, 2021, TMC and THNC amended the agreement which is valid up to December 31, 2027.

TMC's revenue from the sale of quarry materials amounted to nil, ₱151.1 million and ₱397.3 million in 2022, 2021 and 2020, respectively.

b. Stockholder Agreements

THNC Stockholder's Agreement
On September 15, 2010, NAC, SMM and Mitsui and Co., Ltd. (Mitsui) executed a Stockholder's Agreement, pursuant to which the parties formed a joint venture company, THNC, to build and operate a plant in Barangay Taganito, Claver, Surigao del Norte for the purpose of producing and selling nickel-cobalt mixed sulfide to be used in the production of electrolytic nickel and electrolytic cobalt.

Pursuant to the Stockholders Agreement, SMM granted THNC a non-exclusive license of technology owned by SMM to produce the products and has undertaken to provide technical assistance to THNC. The Parent Company has undertaken to cause TMC to supply THNC with nickel ore and limestone and to further cause TMC to make available to THNC the use of the land and infrastructure necessary to produce the products while Mitsui shall assist THNC in procuring materials and equipment necessary for the mine's operations. The Stockholder's Agreement shall terminate upon the dissolution of THNC.

NAC, along with the other stockholders of THNC, also agreed to make loans to THNC or guarantee the repayment of THNC's loan obligations in accordance with the financial requirements of THNC, in proportion to their shareholding ratio in THNC.

In a separate agreement dated December 9, 2011, SMM agreed to assume the Parent Company's obligation to make loans to or guarantee the repayment of THNC's loan obligations. The Parent Company, in consideration of this agreement, pays SMM an annual guarantee fee of 1%, which was reduced to 0.6%, of THNC's outstanding loan obligations (see Note 38f).

c. Other Agreements

Funding Commitment with THNC
TMC, as owner/developer of TSEZ incurred a long-term debt to finance the construction of the pier facilities that will be utilized to support the operations of the Taganito HPAL facility. These projects included the jetty, dolphins, rubber fender, jetty bollard, and other pier facilities in the Taganito foreshore and offshore areas (see Note 14).

Assignment of Receivables
On September 18, 2014, OGHI and BGHI executed a deed, selling OGHI's receivables from BGI to BGHI amounting to ₱2,225.4 million.

On September 18, 2014 and March 27, 2019, OGIPL and BGHI executed the first and second deed, selling OGIPL's receivables from BGI to BGHI amounting to ₱833.2 million and ₱228.8 million, respectively.

On June 2, 2020, OGIPL, OGHI, and BGHI decided to rescind the aforementioned agreements. As a result, BGHI restored to OGIPL and OGHI all rights to the receivables from BGI.

d. Compensation of Key Management Personnel

The Group considers as key management personnel the employees holding managerial positions up to the chairman. The short-term benefits of key management personnel of the Group in 2022, 2021 and 2020 amounted to about ₱501.1 million, ₱435.1 million and ₱452.7 million, respectively, inclusive of cost of share-based payment of ₱49.4 million, ₱31.9 million and ₱71.1 million, respectively. The net post-employment benefits of key management personnel of the Group amounted to ₱13.0 million, ₱14.5 million and ₱22.9 million in 2022, 2021 and 2020, respectively.

The Group's related party transactions which are 10% and above of the consolidated total assets are reviewed and approved by the Related Party Transactions Committee.

33. Leases

Lease Agreement with Manta
On March 18, 2013, the Group entered into a lease agreement with Manta for its office and parking space. The lease agreement is effective for a period of five (5) years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties. The lease agreement expired in May 2018 and was renewed for another period of five (5) years or until May 2023. During the term of the original lease, additional parking and office spaces were leased from Manta which were covered by separate lease agreements.

Lease of Project Area from Subic Bay Metropolitan Authority (SBMA)
On April 29, 2015, JSI entered into a fifty (50) year lease agreement with SBMA for the use of the 800 hectares project area located at Mt. Sta. Rita, SBFZ for its solar and wind energy projects for a monthly lease payment amounting to ₱34,000 per MW installed on the leased area. This lease agreement was subsequently amended to include some terms and conditions.

Further, on June 7, 2019, an amendment to the Lease Agreement was entered to document the following updated terms:
- Amended rent - From execution of the fourth amendment, the monthly rent shall be ₱1.1 million, and from December 31, 2030, the monthly rent shall be ₱5.1 million. JSI also committed, upon execution of the fourth amendment, to remit as advance rental payment an amount of ₱40.0 million, to be applied against future rental obligations starting December 31, 2030.
- Investment commitment - JSI undertakes to infuse investment worth US$200.0 million on the leased areas on or before December 30, 2030.
- Pamulaklakin road upgrade - JSI undertakes to construct and/or upgrade the Pamulaklakin road, from the Pamulaklakin junction up to JSI's alpha station.
- Utility posts - JSI shall install utility posts for transmission lines from the leased areas to the NGCP service substation in coordination with the Subic Enerzone Corporation.
- Power generation facility - JSI shall construct a 150MW capacity generation facility and/or power plant that uses renewable energy source until December 31, 2030.
- Performance bond - JSI shall deliver a noninterest-bearing performance bond amounting to ₱10.0 million. The performance bond is included under "Other noncurrent assets".
- Term - the term of the Lease Agreement shall be for a period of fifty (50) years from August 9, 2015 and continuing until August 8, 2065.
- Renewal - subject to the extension or renewal by the SEC of JSI's corporate life as well as the consent of the Indigenous Cultural Communities of Aeta through its Free and Prior Informed Consent, the Lease Agreement may be renewed for another twenty-five (25) years under the same terms and conditions upon mutual consent of the parties.
- Pre-Termination - grounds for pre-termination by SBMA shall include but not be limited to: a) failure to pay rent; b) failure to infuse the committed amount of investment; c) willful failure to comply with SBMA environmental standards; and/or d) smuggling. JSI will be given a ninety (90)-day period to cure such contractual breach.
- Land use/zoning - in case of pre-termination due to re-zoning or change in the land use/master plan, SBMA shall reimburse JSI of the cost of equipment, improvements and developments that cannot be moved.

On March 3, 2022, JSI and SBMA signed another amendment to the lease agreement.

Lease of NGCP Facility
On September 18, 2015, JSI entered into a fifty (50) year lease agreement with SBMA for the use of a 280 square meter (sq. m.) building and 2,300 sq. m. lot located near the NGCP Facility, Subic Gateway Park, SBFZ on a monthly rental of ₱0.04 million and ₱0.3 million, respectively.

The lease agreement is subject to the following terms and condition:
- In addition to the monthly rental, JSI shall pay 5% of the appraised value of the leased property as share of the Aeta Community for areas covered by Certificate of Ancestral Domain Title;
- The lease agreement is subject to a 6% annual escalation beginning on the second year of the lease and imposable annually thereafter.

The Group also has certain leases of properties with lease terms of twelve (12) months or less and leases of properties with low value. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

The lease liabilities, discounted using incremental borrowing rate, are as follows:

	2022	2021
Lease liabilities	**₱611,169**	₱613,944
Less noncurrent portion	**603,548**	578,190
Current portion	**₱7,621**	₱35,754

The following are the amounts recognized in the consolidated statements of income:

	2022	2021
Expenses relating to short-term leases	**₱835,190**	₱858,537
Accretion of interest on lease liabilities (see Note 28)	**54,742**	54,554
Amortization of ROU asset included in property and equipment (see Note 9)	**42,663**	42,252
Expenses relating to leases of low-value assets	**3,460**	605
	₱936,055	₱955,948

In 2022, 2021 and 2020, expenses under shipping and loading costs amounting to ₱620.0 million, ₱734.8 million and ₱674.5 million, respectively, which are covered by service agreements are included above in compliance with PFRS 16.

The rollforward analysis of lease liabilities follows:

	2022	2021
Balances as at January 1	**₱613,944**	₱615,904
Additions (see Note 9)	**2,222**	–
Accretion of interest (see Note 28)	**54,742**	54,554
Payments	**(59,739)**	(56,514)
Balances as at December 31	**₱611,169**	₱613,944

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

	2022	2021
One (1) year	**₱29,407**	₱58,978
more than one (1) year to two (2) years	**23,701**	29,006
more than two (2) years to three (3) years	**22,650**	23,281
more than three (3) years to four (4) years	**22,987**	22,170
more than four (4) years	**3,549,756**	3,572,066
	₱3,648,501	₱3,705,501

34. **Pension Liability**

The existing regulatory framework, Republic Act (RA) 7641, *The Retirement Pay Law,* 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 employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the pension liability and pension asset recognized in the consolidated statements of financial position:

	2022	2021
Funded pension liabilities:		
RTN	**₱235,984**	₱318,950
TMC	**138,219**	219,691
CMC	**55,015**	57,940
NAC	**6,225**	27,529
	₱435,443	₱624,110
Funded pension asset:		
HMC (see Note 12)	**₱15,145**	₱711

The following tables summarize the components of net pension costs recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the respective plans based on the 2022 Actuarial Valuation Report:

Changes in net defined benefit liability and fair value of pension assets in 2022, 2021 and 2020 are as follows:

	2022												
		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income							
	January 1, 2022	Current service cost (see Note 25)	Net interest (see Notes 27 and 28)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic adjustments	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Effect of asset ceiling	Subtotal	Contributions	December 31, 2022
RTN	₱626,593	₱46,899	₱32,144	₱79,043	(₱65,511)	₱–	₱–	₱20,823	(₱132,546)	₱–	(₱111,723)	₱–	₱528,402
TMC	445,335	43,844	22,979	66,823	(11,575)	–	–	(10,396)	(109,198)	–	(119,594)	–	380,989
HMC	60,092	8,639	3,101	11,740	(1,937)	–	–	(2,717)	(13,118)	–	(15,835)	–	54,060
CMC	93,058	8,607	4,755	13,362	(6,367)	–	–	2,048	(18,825)	–	(16,777)	–	83,276
NAC	99,347	12,747	4,997	17,744	–	–	–	4,096	(17,170)	–	(13,074)	–	104,017
Defined benefit liability	1,324,425	120,736	67,976	188,712	(85,390)	–	–	13,854	(290,857)	–	(277,003)	–	1,150,744
RTN	(307,643)	–	(15,575)	(15,575)	65,511	22,741	–	–	–	–	22,741	(57,452)	(292,418)
TMC	(225,644)	–	(12,376)	(12,376)	11,575	23,676	–	–	–	–	23,676	(40,000)	(242,769)
HMC	(60,803)	–	(3,425)	(3,425)	1,937	3,944	–	–	–	2,143	6,087	(13,001)	(69,205)
CMC	(35,118)	–	(1,632)	(1,632)	6,367	2,122	–	–	–	–	2,122	–	(28,261)
NAC	(71,818)	–	(4,289)	(4,289)	–	5,230	–	–	–	–	5,230	(26,916)	(97,793)
Fair value of plan assets	(701,026)	–	(37,297)	(37,297)	85,390	57,713	–	–	–	2,143	59,856	(137,369)	(730,446)
RTN	318,950	46,899	16,569	63,468	–	22,741	–	20,823	(132,546)	–	(88,982)	(57,452)	235,984
TMC	219,691	43,844	10,603	54,447	–	23,676	–	(10,396)	(109,198)	–	(95,918)	(40,000)	138,220
HMC	(711)	8,639	(324)	8,315	–	3,944	–	(2,717)	(13,118)	2,143	(9,748)	(13,001)	(15,145)
CMC	57,940	8,607	3,123	11,730	–	2,122	–	2,048	(18,825)	–	(14,655)	–	55,015
NAC	27,529	12,747	708	13,455	–	5,230	–	4,096	(17,170)	–	(7,844)	(26,916)	6,224
Pension liability	₱624,110	₱112,097	₱31,003	₱143,100	₱–	₱53,769	₱–	₱16,571	(₱277,739)	₱–	(₱207,399)	(₱124,368)	₱435,443
Pension asset	(₱711)	₱8,639	(₱324)	₱8,315	₱–	₱3,944	₱–	(₱2,717)	(₱13,118)	₱2,143	(₱9,748)	(₱13,001)	(₱15,145)

	2021												
		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income							
	January 1, 2021	Current service cost (see Note 25)	Net interest (see Notes 27 and 28)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic adjustments	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Effect of asset ceiling	Subtotal	Contributions/ Transfer from the plan	December 31, 2021
RTN	₱650,012	₱50,358	₱25,741	₱76,099	(₱110,887)	₱–	(₱8)	₱23,383	(₱12,006)	₱–	₱11,369	₱–	₱626,593
TMC	484,287	50,658	19,517	70,175	(26,760)	–	(1,125)	(9,975)	(71,267)	–	(82,367)	–	445,335
HMC	58,724	7,650	2,348	9,998	(1,715)	–	(25)	2,723	(9,613)	–	(6,915)	–	60,092
CMC	98,294	9,534	3,873	13,407	(3,099)	–	441	(3,408)	(12,577)	–	(15,544)	–	93,058
NAC	90,468	12,343	3,420	15,763	(2,733)	–	294	6,913	(11,358)	–	(4,151)	–	99,347
Defined benefit liability	1,381,785	130,543	54,899	185,442	(145,194)	–	(423)	19,636	(116,821)	–	(97,608)	–	1,324,425
RTN	(359,987)	–	(13,192)	(13,192)	110,887	11,818	–	–	–	–	11,818	(57,169)	(307,643)
TMC	(222,201)	–	(9,020)	(9,020)	26,760	8,817	–	–	–	–	8,817	(30,000)	(225,644)
HMC	(54,841)	–	(2,306)	(2,306)	1,715	1,948	–	–	–	37	1,985	(7,356)	(60,803)
CMC	(22,408)	–	(1,121)	(1,121)	3,099	502	–	–	–	–	502	(15,190)	(35,118)
NAC	(46,261)	–	(2,206)	(2,206)	2,733	831	–	–	–	–	831	(26,915)	(71,818)
Fair value of plan assets	(705,698)	–	(27,845)	(27,845)	145,194	23,916	–	–	–	37	23,953	(136,630)	(701,026)
RTN	290,025	50,358	12,549	62,907	–	11,818	(8)	23,383	(12,006)	–	23,187	(57,169)	318,950
TMC	262,086	50,658	10,497	61,155	–	8,817	(1,125)	(9,975)	(71,267)	–	(73,550)	(30,000)	219,691
HMC	3,883	7,650	42	7,692	–	1,948	(25)	2,723	(9,613)	37	(4,930)	(7,356)	(711)
CMC	75,886	9,534	2,752	12,286	–	502	441	(3,408)	(12,577)	–	(15,042)	(15,190)	57,940
NAC	44,207	12,343	1,214	13,557	–	831	294	6,913	(11,358)	–	(3,320)	(26,915)	27,529
Pension liability	₱672,204	₱122,893	₱27,012	₱149,905	₱–	₱21,968	(₱398)	₱16,913	(₱107,208)	₱37	(₱68,725)	(₱129,274)	₱624,110
Pension liability (asset)	₱3,883	₱7,650	₱42	₱7,692	₱–	₱1,948	(₱25)	₱2,723	(₱9,613)	₱37	(₱4,930)	(₱7,356)	(₱711)

	2020												
		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income							
	January 1, 2020	Current service cost (see Note 25)	Net interest (see Notes 27 and 28)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic adjustments	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Effect of asset ceiling	Subtotal	Contributions/ Transfer from the plan	December 31, 2020
RTN	₱501,961	₱49,116	₱27,155	₱76,271	(₱56,479)	₱–	₱–	₱36,188	₱92,071	₱–	₱128,259	₱–	₱650,012
TMC	376,524	39,426	20,182	59,608	(27,938)	–	–	(727)	76,820	–	76,093	–	484,287
HMC	55,855	6,903	3,084	9,987	(17,779)	–	–	806	9,911	–	10,717	(56)	58,724
CMC	76,129	7,271	4,240	11,511	(4,141)	–	462	(1,476)	15,809	–	14,795	–	98,294
NAC	60,879	8,943	3,373	12,316	(14,448)	–	2,058	16,605	13,058	–	31,721	–	90,468
Defined benefit liability	1,071,348	111,659	58,034	169,693	(120,785)	–	2,520	51,396	207,669	–	261,585	(56)	1,381,785
RTN	(351,126)	–	(19,085)	(19,085)	56,479	13,530	–	–	–	–	13,530	(59,785)	(359,987)
TMC	(217,575)	–	(11,449)	(11,449)	27,938	(1,115)	–	–	–	–	(1,115)	(20,000)	(222,201)
HMC	(61,216)	–	(3,112)	(3,112)	17,779	106	–	–	–	(311)	(205)	(8,087)	(54,841)
CMC	(11,249)	–	(937)	(937)	4,141	928	–	–	–	–	928	(15,291)	(22,408)
NAC	(42,363)	–	(2,448)	(2,448)	14,448	2,194	–	–	–	–	2,194	(18,092)	(46,261)
Fair value of plan assets	(683,529)	–	(37,031)	(37,031)	120,785	15,643	–	–	–	–	15,332	(121,255)	(705,698)
RTN	150,835	49,116	8,070	57,186	–	13,530	–	36,188	92,071	–	141,789	(59,785)	290,025
TMC	158,949	39,426	8,733	48,159	–	(1,115)	–	(727)	76,820	–	74,978	(20,000)	262,086
HMC	(5,361)	6,903	(28)	6,875	–	106	–	806	9,911	(311)	10,512	(8,143)	3,883
CMC	64,880	7,271	3,303	10,574	–	928	462	(1,476)	15,809	–	15,723	(15,291)	75,886
NAC	18,516	8,943	925	9,868	–	2,194	2,058	16,605	13,058	–	33,915	(18,092)	44,207
Pension liability	₱393,180	₱104,756	₱21,031	₱125,787	₱–	₱15,537	₱2,520	₱50,590	₱197,758	₱–	₱266,405	(₱113,168)	₱676,087
Pension asset	(₱5,361)	₱6,903	(₱28)	₱6,875	₱–	₱106	₱–	₱806	₱9,911	(₱311)	₱10,512	(₱8,143)	₱–

The main categories of plan assets as a percentage of the fair value of total plan assets follow:

2022	**NAC**	**RTN**	**TMC**	**HMC**	**CMC**
Fixed income securities	**46.09%**	**47.63%**	**74.13%**	**61.20%**	**69.36%**
Investments in shares of stock	**25.05%**	**14.81%**	**24.10%**	**26.72%**	**26.49%**
Others	**28.86%**	**37.56%**	**1.77%**	**12.08%**	**4.15%**
	100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**

2021	NAC	RTN	TMC	HMC	CMC
Fixed income securities	59.51%	43.35%	66.53%	76.93%	65.72%
Investments in shares of stock	30.47%	19.53%	25.31%	11.80%	21.41%
Others	10.02%	37.12%	8.16%	11.27%	12.87%
	100.00%	100.00%	100.00%	100.00%	100.00%

2020	NAC	RTN	TMC	HMC	CMC
Fixed income securities	66.14%	52.10%	68.15%	83.12%	68.39%
Investments in shares of stock	32.04%	20.87%	24.58%	5.89%	17.58%
Others	1.82%	27.03%	7.27%	10.99%	14.03%
	100.00%	100.00%	100.00%	100.00%	100.00%

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

The principal assumptions used in determining the pension asset (liability) for the Group's plans are shown below:

2022	**NAC**	**RTN**	**TMC**	**HMC**	**CMC**
Discount rate	**7.21%**	**7.29%**	**7.32%**	**7.29%**	**7.26%**
Expected salary increase rate	**5.00%**	**5.00%**	**8.00%**	**5.00%**	**5.00%**

2021	NAC	RTN	TMC	HMC	CMC
Discount rate	5.03%	5.13%	5.16%	5.16%	5.11%
Expected salary increase rate	5.00%	5.00%	8.00%	5.00%	5.00%

2020	NAC	RTN	TMC	HMC	CMC
Discount rate	3.78%	3.96%	4.03%	4.00%	3.94%
Expected salary increase rate	5.00%	4.00%	8.00%	5.00%	5.00%

Assumptions regarding future mortality rate are based on the 2001 CSO Table - Generational developed by the Society of Actuaries, which provides separate rates for males and females.

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the net defined pension liability as at the end of the financial reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	**2022**	2021
Discount rates	+100 basis points	**(₱103,280)**	(₱138,728)
	-100 basis points	**121,546**	166,030

	Increase (decrease)	**2022**	2021
Salary increase rate	+100 basis points	**₱121,782**	₱162,690
	-100 basis points	**(105,275)**	(138,777)

The Group expects to contribute at least ₱195.1 million to the defined benefit pension plan in 2023.

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

	2022	2021
Within the next twelve (12) months	**₱123,016**	₱94,815
Between two (2) and five (5) years	**417,890**	391,874
Between six (6) and ten (10) years	**657,082**	606,896
Total expected payments	**₱1,197,988**	₱1,093,585

The weighted average duration of the pension liability as at December 31, 2022 and 2021 is 9.2 years and 11.1 years, respectively.

35. **Income Taxes**

The provision for current income tax shown in the consolidated statements of income includes the Regular Corporate Income Tax (RCIT) of TMC, RTN, NAC, CMC, HMC and CDTN, Gross Income Tax (GIT) of TMC, RTN and JSI and Minimum Corporate Income Tax (MCIT) of DMC, CExCI and EPI in 2022; RCIT of TMC, RTN, NAC, CMC, HMC and CDTN, GIT of TMC, RTN and JSI and MCIT of DMC, EPI and BGI in 2021, RCIT of TMC, RTN, NAC, CMC and HMC, GIT of TMC and RTN and MCIT of DMC and EPI in 2020, as follows:

	2022	2021	2020
TMC	**₱1,760,806**	₱1,559,991	₱1,162,680
RTN	**970,320**	863,914	646,484
NAC	**337,884**	162,182	171,978
CMC	**266,845**	367,742	476,842
HMC	**184,879**	180,270	106,740
CDTN	**75,995**	25,522	–
JSI	**4,856**	3,156	–
DMC	**2,801**	62	–
CExCI	**70**	–	–
EPI	**53**	13	8
	₱3,604,509	₱3,162,852	₱2,564,732

All other companies under the Group were in a gross and/or net taxable loss positions in 2022, 2021 and 2020.

The reconciliation between the provision for (benefit from) income tax computed at the statutory income tax rate and the provision for (benefit from) income tax computed at the effective income tax rate as shown in the consolidated statements of income follows:

	2022	2021	2020
Income tax at statutory rate from non-registered activities	**₱4,429,324**	₱5,419,222	₱3,661,529
Add (deduct) tax effects of:			
Dividend income exempt from income tax	**(1,136,195)**	(2,068,834)	(1,334,686)
Nondeductible expenses	**123,369**	50,811	57,544
Expired net operating loss carry over (NOLCO) and excess of MCIT over RCIT	**78,899**	81,398	100,457
Interest income subjected to final tax	**(47,185)**	(23,583)	(56,571)
Nontaxable income	**(18,865)**	(17,907)	(12,678)
Effect of change in tax rate	**(6,624)**	(176,815)	(21,465)
Loss (income) subjected to other taxes	**(5,253)**	35,413	(7,479)
Movements in deductible temporary differences for which deferred income taxes were recognized	**(4,226)**	(6,044)	(36,702)
Change in unrecognized deferred income tax assets	**3,403**	34,503	(31,686)
Derecognized deferred income tax assets	**–**	286	–
Others	**–**	–	19
	3,416,647	3,328,450	2,318,282
Income tax at statutory rate from Philippine Economic Zone Authority (PEZA)/SBMA registered activities	**4,711**	(283)	(4,332)
Add (deduct) tax effects of:			
Nondeductible expenses	**5,751**	4,566	7,679
Movement in unrecognized deferred income tax	**2,125**	–	–
Interest income subjected to final tax	**(62)**	(4)	(48)
Nontaxable income	**(36)**	(449)	(2,731)
	12,489	3,830	568
Income tax at effective rates	**₱3,429,136**	₱3,332,280	₱2,318,850

The components of the Group's net deferred income tax assets and liabilities follow:

	2022	2021
Deferred income tax assets:		
At 25%		
Provision for mine rehabilitation and decommissioning	**₱197,765**	₱138,476
Undepleted asset retirement obligation	**(116,527)**	(90,958)
Pension costs	**104,755**	100,927
Cost of share-based payment plan	**92,606**	79,885
NOLCO	**63,916**	101,287
Unrealized valuation gains on financial assets at FVTPL	**(54,662)**	(38,379)
Allowance for impairment losses on:		
Input VAT	**18,205**	–
Inventories	**13,509**	19,864
Advances to suppliers and contractors	**7,604**	–
Others	**9,531**	9,271
Actual lease payment	**(29,944)**	(19,201)
Unamortized past service cost	**29,545**	26,930
Amortization of ROU asset	**25,749**	16,969
Unrealized foreign exchange losses (gains) - net	**11,430**	(43,554)
Accrual for quarry materials	**10,358**	–
Allowance for ECL on trade and other receivables	**7,095**	3,347
Accretion of interest on lease liabilities	**4,687**	3,773
Excess of MCIT over RCIT	**2,863**	63
At 5%		
Deferred income	**2,095**	–
Pension costs	**25**	–
Accretion of interest on lease liabilities	**–**	7,230
Actual lease payment	**–**	(5,115)
Capitalized borrowing cost	**–**	(2,843)
Amortization of ROU asset	**–**	1,774
	₱400,605	₱309,746

	2022	2021
Deferred income tax liabilities:		
At 25%		
Fair value adjustment arising from business combination	**₱135,819**	₱224,240
Asset revaluation surplus	**62,527**	63,518
Long-term stockpile inventory	**8,056**	10,634
Capitalized borrowing cost	**7,393**	7,681
Actual lease payment	**4,662**	5,829
Amortization of ROU asset	**(3,864)**	(5,022)
Unamortized debt issue costs	**3,320**	1,771
Unrealized foreign exchange gains - net	**809**	51,443
Accretion of interest on lease liabilities	**(746)**	(1,139)
Unrealized valuation gains on financial assets at FVTPL	**–**	72,232
Provision for mine rehabilitation and decommissioning	**–**	(67,515)
Pension costs	**–**	(54,833)
Undepleted asset retirement obligation	**–**	46,596

(Forward)

	2022	2021
Allowance for impairment losses on:		
Advances to suppliers and contractors	**₱–**	(₱5,431)
Input VAT	**–**	(4,302)
Inventories	**–**	(550)
Others	**–**	(260)
Accrual for quarry materials	**–**	(10,358)
Allowance for ECL on trade and other receivables	**–**	(3,550)
Cost of share-based payment plan	**–**	(3,363)
Unamortized past service cost	**–**	(812)
At 15%		
Share in cumulative translation adjustment (see Note 10)	**247,100**	186,948
At 5%		
Accretion of interest on lease liabilities	**(9,863)**	–
Capitalized borrowing cost	**9,247**	–
Actual lease payment	**6,186**	–
Amortization of ROU asset	**(2,383)**	–
Deferred income	**–**	(2,311)
Pension costs	**–**	(18)
	₱468,263	₱511,428

The Group did not recognize net deferred income tax asset on the following temporary differences since the management believes that it is not probable that sufficient taxable profit will be available against which the benefits of the net deferred income tax assets can be utilized in the future.

	2022	2021
NOLCO	**₱768,994**	₱771,825
Allowance for impairment losses	**661,571**	658,300
Allowance for ECL	**15,402**	15,497
Cost of share-based payment plan	**11,962**	–
Accretion of interest on long-term payable	**6,418**	6,111
Unrealized foreign exchange losses (gains) - net	**(152)**	353,607
Excess of MCIT over RCIT	**145**	37
Others	**–**	2,641
	₱1,464,340	₱1,808,018

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. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three (3) consecutive years only.

As at December 31, 2022 and 2021, the Group has NOLCO and excess of MCIT over RCIT that can be claimed as deduction from future taxable income and income tax liabilities, respectively, as follows:

Year Incurred	Company	Year of Expiration	NOLCO 2022	NOLCO 2021
2022	EPI	2025	**₱188,838**	₱–
	GRHI		**37,879**	–
	CExCI		**25,376**	–
	MGPC		**1,432**	–
	Newminco		**407**	–
	LCSLC		**234**	–
	SNMRC		**173**	–
	NPPGC		**126**	–
	BHI		**96**	–
2021	EPI	2026	**297,851**	297,851
	DMC		**127,305**	127,305
	CExCI		**34,295**	34,295
	MGPC		**1,621**	1,621
	Newminco		**280**	280
	LCSLC		**230**	230
	SNMRC		**175**	175
	BHI		**161**	161
	NPPGC		**72**	72
	BGI		**–**	924
2020	EPI	2025	**188,981**	188,981
	DMC		**128,360**	128,360
	CExCI		**26,425**	26,425
	MGPC		**1,268**	1,268
	Newminco		**257**	257
	LCSLC		**253**	253
	SNMRC		**246**	246
	BHI		**164**	164
	NPPGC		**33**	33
	BGI		**–**	834
2019	EPI	2022	**–**	190,318
	DMC		**–**	149,483
	CExCI		**–**	16,731
	MGPC		**–**	6,552
	BGI		**–**	2,911
	NPPGC		**–**	290
	SNMRC		**–**	262
	Newminco		**–**	258
	LCSLC		**–**	251
	BHI		**–**	177
2017	FEI	2022	**–**	6
			₱1,062,538	₱1,176,974

Year Incurred	Company	Year of Expiration	Excess of MCIT over RCIT 2022	2021
2022	DMC	2025	**₱2,801**	₱–
	CExCI		**70**	–
	EPI		**53**	–
2021	DMC	2024	**63**	63
	EPI		**14**	14
2020	EPI	2023	**7**	7
2019	EPI	2022	**–**	15
			₱3,008	₱99

The movements in NOLCO are as follows:

	2022	2021
Balances at January 1	**₱1,176,974**	₱1,039,966
Additions	**254,561**	462,914
Expirations	**(315,633)**	(325,699)
Applications	**(51,606)**	(207)
Derecognition	**(1,758)**	–
Balances at December 31	**₱1,062,538**	₱1,176,974

The movements in excess of MCIT over RCIT are as follows:

	2022	2021
Balances at January 1	**₱99**	₱51
Additions	**2,924**	77
Expirations	**(15)**	(29)
Balances at December 31	**₱3,008**	₱99

36. Financial Risk Management Objectives and Policies and Capital Management

The Group's main financial instruments are cash and cash equivalents, financial assets at FVTPL, at FVOCI and at amortized cost, short-term cash investments and short-term and long-term debts. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has various other financial assets and liabilities such as trade and other receivables, negotiable instruments, MRF, restricted cash, SDMP funds, loan receivable, trade and other payables, lease liabilities and long-term payable which arise directly from its operations, investing and financing activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

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 is exposed to credit risk primarily from its operating (primarily for trade receivables) and investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The table below summarizes the Group's gross maximum exposure from its financial instruments. These amounts are gross of collateral and credit enhancements, but net of any amounts offset and allowance for impairment losses:

	2022	2021
Cash and cash equivalents (except cash on hand)	**₱10,799,151**	₱10,819,790
Trade and other receivables		
Trade	**2,263,654**	1,245,362
Amounts owed by related parties	**175,239**	4,193
Interest receivable	**23,511**	15,633
Current portion of loan receivable	**5,425**	202,772
Dividend receivables	**287**	255,251
Others	**171,250**	204,154
Financial assets at:		
Amortized cost	**460,000**	460,000
FVOCI	**447,975**	1,122,284
Prepayments and other current assets		
Short-term cash investments	**265,186**	2,174,665
Negotiable instruments	**40,000**	–
Other noncurrent assets		
MRF	**766,351**	650,705
Restricted cash	**164,193**	93
SDMP funds	**88,937**	102,405
Loan receivable - net of current portion	–	63,130
Long-term negotiable instruments	–	40,000
Total credit risk exposure	**₱15,671,159**	₱17,360,437

Cash and Cash Equivalents (except Cash on Hand), Financial Assets at Amortized Cost and at FVOCI, Short-term Cash Investments, Negotiable Instruments, MRF, Restricted Cash and SDMP Funds

In determining the credit risk exposure, the Group has established PD rates based on available credit ratings published by Credit Rating Agencies. The credit ratings already consider forward-looking information. When a counterparty does not have published credit ratings, the Group benchmarks the credit ratings of comparable companies, adjusted to account for the difference in size and other relevant metrics. While cash with banks and short-term cash investments are also subject to the impairment requirements of PFRS 9, the identified impairment loss was immaterial.

Trade and Other Receivables and Loan Receivable

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a twelve (12)-month expected loss allowance for all trade and other receivables and loan receivable. The ECL on trade and other receivables and loan receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the inflation rate of the countries in which it sells its goods and services to be the most relevant factors for its trade receivables, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Below is the information about the credit risk exposure on the Group's trade and other receivables using a provision matrix:

	Current	Days past due < 30 days	31-60 days	61-90 days	>191 days	Total
2022						
ECL rate	**0%**	**0%**	**0%**	**0%**	**100%**	
Estimated total gross carrying amount at default	**₱1,611,603**	**₱614,575**	**₱79,054**	**₱334,134**	**₱33,614**	**₱2,672,980**
ECL	**₱–**	**₱–**	**₱–**	**₱–**	**₱33,614**	**₱33,614**
2021						
ECL rate	0%	0%	0%	0%	100%	
Estimated total gross carrying amount at default	₱1,660,999	₱180,758	₱51,483	₱34,125	₱32,824	₱1,960,189
ECL	₱–	₱–	₱–	₱–	₱32,824	₱32,824

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

The Group's objective is to maintain sufficient funding to finance its exploration, mining and power generation activities through internally generated funds, advances from related parties and borrowings from banks. Aside from yielding good returns, the Group ensures that investments have ample liquidity to finance operations and capital requirements. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debts and obligations.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2022 and 2021 based on contractual undiscounted payments.

2022	On Demand	Less Than Three (3) Months	Three (3) To Twelve (12) Months	More Than One (1) Year	Total
Trade and other payables					
Trade	₱–	₱1,013,292	₱22,288	₱–	₱1,035,580
Accrued expenses	57,236	467,684	749	–	525,669
Interest payable	–	–	15,510	–	15,510
Retention fees payable	–	–	1,897	–	1,897
Others	80,142	14,619	2,101	–	96,862
Short-term debts					
Carrying amount	–	–	1,498,266	–	1,498,266
Unamortized debt issue cost	–	–	1,734	–	1,734
Long-term debts					
Carrying amount	–	–	97,571	2,119,280	2,216,851
Unamortized discount	–	–	–	29,812	29,812
Lease liabilities					
Undiscounted liabilities	–	14,230	46,959	2,982,886	3,044,075
	₱137,378	**₱1,509,825**	**₱1,687,075**	**₱5,131,978**	**₱8,466,256**

2021	On Demand	Less Than Three (3) Months	Three (3) To Twelve (12) Months	More Than One (1) Year	Total
Trade and other payables					
Trade	₱176,392	₱424,209	₱92,634	₱–	₱693,235
Accrued expenses	489,899	58,883	495	–	549,277
Interest payable	–	8,213	7,264	–	15,477
Retention fees payable	1,451	–	–	–	1,451
Amounts owed to related parties	5,475,049	–	–	–	5,475,049
Dividends payable	–	1,772,125	–	–	1,772,125
Others	79,027	4,951	–	–	83,978
Short-term debts					
Carrying amount	–	–	1,492,916	–	1,492,916
Unamortized debt issue cost	–	–	7,084	–	7,084
Long-term debts					
Carrying amount	–	–	89,248	867,111	956,359
Unamortized discount	–	–	–	615	615
Long-term payable					
Carrying amount	–	–	6,693	–	6,693
Unamortized discount	–	–	307	–	307
Lease liabilities					
Undiscounted liabilities	–	20,341	85,500	3,599,660	3,705,501
	₱6,221,818	₱2,288,722	₱1,782,141	₱4,467,386	₱14,760,067

The tables below summarize the maturity profile of the Group's financial assets used to manage the liquidity risk of the Group as at December 31, 2022 and 2021.

2022	**On Demand**	**Less Than Three (3) Months**	**Three (3) to Twelve (12) Months**	**More Than One (1) Year**	**Total**
Cash and cash equivalents					
Cash on hand and with banks	₱2,056,702	₱–	₱–	₱–	₱2,056,702
Cash equivalents	8,663,632	–	–	–	8,663,632
Cash under managed funds	88,692	–	–	–	88,692
Trade and other receivables					
Trade	–	2,216,857	46,797	–	2,263,654
Amounts owed by related parties	1,559	–	173,680	–	175,239
Interest receivable	–	23,209	302	–	23,511
Current portion of loan receivable	–	–	5,425	–	5,425
Dividend receivables	–	287	–	–	287
Others	150,865	20,385	–	–	171,250
Financial assets at:					
FVTPL	3,361,015	–	–	758,760	4,119,775
FVOCI	447,975	–	–	–	447,975
Amortized cost	–	–	50,000	410,000	460,000
Prepayments and other current assets					
Short-term cash investments	–	261,818	3,368	–	265,186
Negotiable instruments	–	–	40,000	–	40,000
Other noncurrent assets					
MRF	766,351	–	–	–	766,351
Restricted cash	164,193	–	–	–	164,193
SDMP funds	88,937	–	–	–	88,937
	₱15,789,921	**₱2,522,556**	**₱319,572**	**₱1,168,760**	**₱19,800,809**

2021	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Cash and cash equivalents					
Cash on hand and with banks	₱1,371,315	₱–	₱–	₱–	₱1,371,315
Cash equivalents	8,725,919	–	–	–	8,725,919
Cash under managed funds	729,572	–	–	–	729,572
Trade and other receivables					
Trade	–	1,245,362	–	–	1,245,362
Amounts owed by related parties	4,193	–	–	–	4,193
Interest receivable	–	15,338	295	–	15,633
Current portion of loan receivable	–	–	202,772	–	202,772
Dividend receivable	–	255,251	–	–	255,251
Others	130,822	73,332	–	–	204,154
Financial assets at:					
FVTPL	5,266,080	–	–	731,813	5,997,893
FVOCI	1,122,284	–	–	–	1,122,284
Amortized cost	–	–	–	460,000	460,000
Prepayments and other current assets					
Short-term cash investments	–	–	2,174,665	–	2,174,665
Other noncurrent assets					
MRF	650,705	–	–	–	650,705
Restricted cash	93	–	–	–	93
SDMP funds	102,405	–	–	–	102,405
Loan receivable - net of current portion	–	–	–	63,130	63,130
Long-term negotiable instruments	–	–	–	40,000	40,000
	₱18,103,388	₱1,589,283	₱2,377,732	₱1,294,943	₱23,365,346

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates, commodity prices, interest rates, equity prices and other market changes.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

Transactions with companies outside the Philippines and with CBNC and THNC for the sale of saprolite and limonite ore and with World Aviation International Services Corporation (WAISC) for the lease of aircraft are carried out with currencies that management believes to be stable such as the US$.

The Group has transactional currency exposures. Such exposure arises from cash and cash equivalents, trade and other receivables, financial assets at FVTPL, short-term cash investments under "Prepayments and other current assets", trade and other payables and long-term debts. The Group did not seek to hedge the exposure on the change in foreign exchange rates between the US$ and the Philippine peso. The Group does not generally believe that active currency hedging would provide long-term benefits to stockholders.

To mitigate the effects of foreign currency risk, the Group ensures timely follow-up and accelerates the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables and loans, whenever practicable. Also, foreign exchange movements are monitored daily.

The Group's foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as at December 31, 2022 and 2021 are as follows:

	2022		2021	
	US$ Amount	**Peso Equivalent**	US$ Amount	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**$85,872**	**₱4,787,531**	$131,042	₱6,682,980
Trade and other receivables	**33,117**	**1,846,459**	27,007	1,377,318
Financial assets at FVTPL	**50,553**	**2,818,593**	92,269	4,705,621
Prepayments and other current assets	**2,006**	**111,818**	15,000	764,985
	$171,548	**₱9,564,401**	$265,318	₱13,530,904
Financial liabilities:				
Trade and other payables	**$1,991**	**₱111,024**	$48,207	₱2,458,495
Long-term debts	**14,875**	**829,355**	16,625	847,858
	$16,866	**₱940,379**	$64,832	₱3,306,353

The exchange rate used for conversion of US$1.00 to peso equivalent was ₱55.75 and ₱51.00 as at December 31, 2022 and 2021, respectively.

The sensitivity of all the Group's financial instruments to a reasonably possible change in the exchange rate, with all other variables held constant, in the Group's income before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2022 and 2021 follows:

	Peso Strengthens (Weakens)	Sensitivity to pretax income
2022	**₱0.75**	**(₱116,012)**
	(1.40)	**216,555**
2021	₱0.30	(₱60,146)
	(0.65)	130,316

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Interest Rate Risk
The Group's exposure to the risk of changes in market interest rate relates to quoted fixed and floating debt instruments and the floating rate of long-term debts.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value risk. The Group regularly monitors the market interest rate movements and manages its interest rate risks by using a mix of fixed and variable rates.

The following table set out the carrying amount, by maturity, of the Group's financial instrument that is exposed to cash flow interest rate risk:

Long-term debts	<1 year	1-5 years	>5 years	Total
2022	**₱97,571**	**₱1,341,065**	**₱778,215**	**₱2,216,851**
2021	₱89,248	₱465,494	₱401,617	₱956,359

Management believes that cash generated from operations is sufficient to pay for its obligations under the loan agreements as they fall due.

The sensitivity to a reasonably possible change in the interest rate (in basis points), with all other variables held constant, in the Group's income before income tax and equity as at December 31, 2022 and 2021 are as follows:

		Change in interest rate (in basis points)	Sensitivity to income before income tax	Sensitivity to equity
2022	**Financial assets**	**+100**		**₱36,216**
		-100		**(36,216)**
	Long-term debts	**+100**	**(₱22,169)**	
		-100	**22,169**	
2021	Financial assets	+100		₱50,414
		-100		(50,414)
	Long-term debts	+100	(₱9,564)	
		-100	9,564	

The impact on the Group's income before income tax is caused by changes in the interest of the floating-rate long-term debt, while the impact on the Group's equity is caused by the changes in the market value of quoted debt due to interest rate movements. The impact on the Group's equity excludes the impact on transactions affecting the consolidated statements of income.

Equity Price Risk
Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets on various stocks of listed companies.

The Group's policy is to maintain the risk to an acceptable level. Movement of the share price is monitored regularly to determine impact on its financial position.

The table below shows the sensitivity to a reasonably possible change in equity prices of quoted equity instruments as at December 31, 2022 and 2021, except equity-linked investments.

	Average change in market indices (in percentage)	Sensitivity to equity
2022	**21.01%**	**₱13,883**
	-21.01%	**(13,883)**
2021	18.54%	₱28,982
	-18.54%	(28,982)

The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

Capital Management

The Group considers its equity as capital. Its primary objective in capital management is to maintain a strong credit rating to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares or declare dividend payments to shareholders. No changes were made in the objectives, policies or processes during the years ended December 31, 2022 and 2021.

The Group monitors capital using the debt-to-equity ratio, which is total liabilities divided by equity. The Group's policy is to keep the debt-to-equity ratio to not more than 1:1. Total liabilities include trade and other payables, short-term and long-term debts, income tax payable, other current liability, lease liabilities, long-term payable, deferred income, provision for mine rehabilitation and decommissioning, deferred income tax liabilities and pension liability.

The Group considers the following as capital:

	2021	2020
Capital stock	**₱6,849,836**	₱6,849,836
Additional paid-in capital	**8,271,900**	8,271,900
Share in cumulative translation adjustment	**1,400,235**	599,215
Cost of share-based payment plan	**522,837**	473,442
Asset revaluation surplus	**30,182**	30,565
Net valuation gains (losses) on financial assets at FVOCI	**(5,934)**	3,363
Retained earnings:		
Unappropriated	**18,618,593**	16,710,460
Appropriated	**135,000**	135,000
Treasury stock	**(134,014)**	(134,014)
NCI	**4,842,184**	3,389,433
	₱40,530,819	₱36,329,200

The table below shows the Group's debt-to-equity ratio as at December 31, 2022 and 2021.

	2022	2021
Total liabilities (a)	**₱9,228,223**	₱15,371,682
Equity (b)	**40,530,819**	36,329,200
Debt-to-equity ratio (a/b)	**0.23:1**	0.42:1

The Group is not exposed to externally imposed capital requirements.

37. **Financial Instruments**

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values:

Cash and Cash Equivalents and Short-term Cash Investments

The carrying amounts of cash and cash equivalents and short-term cash investments approximate their fair value due to the short-term nature and maturity of these financial instruments.

Trade and Other Receivables, Trade and Other Payables and Short-term Debts
Similarly, the carrying amounts of trade and other receivables, trade and other payables and short-term debts approximate their fair values due to the short-term nature of these accounts.

Financial Assets at FVTPL and at FVOCI
The fair values were determined by reference to market bid quotes as at the end of the financial reporting period. Upon adoption of PFRS 9, the Group used the net asset approach with consideration of lack of marketability discount and lack of control discount in determining the fair value of unquoted equity securities since the fair value measurement is unobservable (Level 3).

Financial Assets at Amortized Cost
The carrying amount of financial assets at amortized cost, which is measured using the EIR, is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

MRF, Restricted Cash, SDMP Funds and Negotiable Instruments
The carrying amounts of MRF, restricted cash and SDMP funds approximate their fair values since they are restricted cash with banks, which earns interest based on prevailing market rates repriced monthly. The negotiable instruments also approximate its fair value since it earns interest based on published cash investment rates.

Loan Receivable
The carrying amount of loan receivable, which is the transaction price, approximates its fair value.

Long-term Debts and Long-term Payable
The fair values of long-term debts and long-term payable are based on the present value of future cash flows discounted using applicable risk-free rates for similar types of loans adjusted for credit risk.

Fair Value Hierarchy
The Group uses the following hierarchy in determining and disclosing the fair value by valuation technique:
- Quoted prices in active markets for identical asset or liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (as prices) or indirectly (derived from prices; Level 2); and
- Those inputs for assets or liability that are not based on observable market date (unobservable inputs; Level 3).

	2022			2021		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets measured at fair value:						
Financial assets at:						
FVTPL	**₱3,608,854**	**₱–**	**₱510,921**	₱5,504,015	₱–	₱493,878
FVOCI	**447,975**	**–**	**–**	1,122,284	–	–
	₱4,056,829	**₱–**	**₱510,921**	₱6,626,299	₱–	₱493,878

As at December 31, 2022 and 2021, the fair value of the quoted debt and equity securities at the close of the business is the quoted market price (Level 1) and the fair value of unquoted equity securities is determined using the net asset approach since the fair value measurement is unobservable (Level 3).

As at December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

38. **Significant Agreements and Other Matters**

Significant Agreements

a. Loan Agreement with East Coast

In relation to the Supplemental Agreement executed by CMC and East Coast on December 18, 2015, CMC and East Cost executed a Loan Agreement wherein CMC granted East Coast a loan facility amounting to ₱1,000.0 million with an interest rate of 3.00% p.a. The loan was issued in two tranches of ₱150.0 million in October 2015 and ₱850.0 million in December 2015. As payment for the loan, CMC shall deduct 50% of the commission and royalties, net of withholding tax and interest, each time a commission, royalty or additional royalty is paid by CMC to East Coast. The loan is secured by a Pledge Agreement between CMC and East Coast covering the latter's rights, interests, receivables, obligations, and liabilities over the Mineral Production Sharing Agreements (MPSA) on the Cagdianao property owned by East Coast (see Note 38e).

On March 28, 2019, CMC and East Coast amended the Loan Agreement executed in 2015. East Coast obtained an additional ₱280.0 million loan from CMC. The outstanding balance due to CMC under the original and amended Loan Agreements shall be paid by deducting 60% of the commission and royalties, net of withholding tax and interest payments, each time a commission, royalty or additional royalty is paid by CMC to East Coast.

The current portion of loan receivable amounting to ₱5.4 million and ₱202.8 million was included under "Trade and other receivables", while the noncurrent portion amounting to nil and ₱63.1 million was included under "Other noncurrent assets" as at December 31, 2022 and 2021, respectively (see Notes 5 and 12). Interest income from the loan amounted to ₱5.3 million, ₱13.5 million, and ₱22.4 million in 2022, 2021 and 2020, respectively (see Note 27).

b. Throughput Agreement with THNC

On October 4, 2010, TMC and THNC executed a Throughput Agreement wherein TMC will construct the pier facilities within the TSEZ pursuant to its role as Developer. The TSEZ is located within the Surigao Mineral Reservation, an area declared for mineral development pursuant to Proclamation 391, under the supervision of the DENR that issued an "Order to Use Offshore Area" dated September 20, 2010 to TMC for the use of such portion of the Surigao Mineral Reservation for the construction of the pier facilities. In relation to this, THNC entered into a Registration Agreement with the PEZA to construct and operate a mineral processing plant within the TSEZ as an Ecozone Export Enterprise.

Under the agreement, TMC will make available the pier facilities and provide certain services to THNC in consideration for usage fees and service fees to be paid by the latter starting April 2011 until 2031, unless terminated earlier. The usage fee of US$1.3 million is payable in semi-annual period on or before October 10 and April 10.

THNC also agrees to pay the service fee that will be agreed upon by both parties, which shall be billed monthly.

Prior to the commencement date, THNC may also request TMC to use any part of the constructed pier facilities, which is ready for use, upon payment of reasonable compensation which shall be mutually agreed by TMC and THNC.

In 2022, 2021 and 2020, service revenues from usage of pier facilities of TMC amounted to ₱119.0 million, ₱111.1 million and ₱127.0 million, respectively (see Note 32).

c. Memorandum of Understanding (MOU)

SMM
On September 14, 2009, the Parent Company and TMC entered into a MOU with SMM. Pursuant to the terms thereof, the Parent Company and SMM will move ahead on a joint venture basis to build a nickel-cobalt processing plant (the Project) using the HPAL technology to be located within the TMC's mine in Surigao del Norte, while TMC will supply low-grade nickel ore to the plant over the life of the Project.

The Agreement also sets forth the respective rights and obligations of the Parent Company, SMM and Mitsui, including their responsibilities in respect of financing the project investment undertaken by THNC.

Also, under the Agreement, the Parent Company, SMM and Mitsui agreed to make loans to THNC or guarantee the repayment of THNC's obligations in accordance with the financial requirements of THNC and in proportion to their shareholding ratio in THNC of 10%, 75% and 15%, respectively.

The Agreement shall terminate upon the dissolution of THNC.

Shell Energy Philippines, Inc (SEPI)
On February 23, 2022, EPI and SEPI signed a MOU to create a strategic partnership for the purpose of developing a flatform for onshore power projects and the resulting power supply business in the Philippines and to set forth certain basic terms of the understanding reached to date and to serve as a basis for further discussions and negotiations with respect to the project.

Through the above MOU, GRHI was incorporated and registered with the SEC on August 18, 2022. GRHI is 60% owned by EPI and 40% owned by Shell Overseas Investment B. V.

d. Sales Agreements

Nickel Ore Sale Agreement with PAMCO and Sojitz (see Note 32a)

Nickel Ore Supply and Service Agreement with CBNC (see Note 32a)

Nickel Ore Supply Agreement with THNC (see Note 32a)

Materials Handling Agreement with THNC (see Note 32a)

Nickel Ore Supply Agreements with Chinese Customers
TMC, CMC, RTN, HMC, and DMC have ore supply agreements with a number of Chinese customers, each for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume of expected delivery within a few months.

Sale of ore to Chinese customers amounted to ₱16,971.6 million, ₱19,445.9 million and ₱15,832.1 million in 2022, 2021 and 2020, respectively (see Note 30).

Nickel Ore Supply Agreement with Big Wave Resources Co., Limited (Big Wave)
TMC and RTN entered into an agreement with Big Wave covering the sale of its ore products. Under the agreement, the end user of the material is PAMCO. Sale of ore to Big Wave amounted to ₱154.3 million in 2022, ₱129.5 million in 2021 and nil in 2020 (see Note 32).

Nickel Ore Supply Agreement with Mitsubishi Corporation RTM International Pte., Ltd. and Mitsubishi Corporation Japan Ltd. (Mitsubishi)
RTN entered into an agreement with Mitsubishi, a Singapore and Japan-based corporations, covering the sale of its ore products. Under the terms of the agreement, the ore sales are benchmarked to China prices based on a negotiated price per WMT of ore. Mitsubishi shall pay 85% of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined. Under the agreement, the end user of the material is PAMCO. Sale of ore to Mitsubishi amounted to nil in 2022 and 2021 and ₱78.9 million in 2020 (see Note 32).

e. Mining Agreements

i. *MPSA*

RTN
On June 4, 1998, the Government approved the conversion of RTN's Mining Lease Contracts under the old mining regime into a MPSA with the Government pursuant to the Philippine Mining Act of 1995. The MPSA allows RTN to explore, develop and continue mining operations for nickel ore within the contract area covering 990 hectares in the Municipality of Bataraza, Southern Palawan Island. However, under RTN's Environmental Compliance Certificate (ECC), 144 hectares of the contract area are excluded from mining operations, being located within an area classified as "core zone" where mining is prohibited under current regulations of the Palawan Council for Sustainable Development (PCSD). Subsequently, PCSD approved to reclassify the core zone within the contract area into a mineral development area, and in 2015, the Strategic Environmental Plan clearance was issued by PCSD to RTN which is a requirement in obtaining ECC approval from the DENR.

On June 20, 2003, RTN submitted an Application for MPSA covering previously approved Mining Lease Contracts over an area of 4,274 hectares within the Municipalities of Bataraza and Rizal. Most of the contract area is within the core zone.

On April 28, 2005, RTN and the Government entered into a second MPSA covering 85 hectares in the Municipality of Bataraza, which allows RTN to mine limestone in Sitio Gotok. Limestone being mined by RTN pursuant to this second MPSA is being sold to CBNC, for the latter's Coral Bay HPAL plant, and to a third party.

Under both MPSAs, RTN pays a 4% excise tax on gross revenues as provided in the Philippine National International Revenue Code as the Government's share in its output. Both MPSAs are valid for twenty-five (25) years from issuance and renewable for another term of not more than twenty-five (25) years at the option of RTN, with approval from the Government.

As at March 14, 2023, the MPSA of RTN is valid and in effect.

HMC

Taganaan Nickel Project

On July 25, 2008, the Government approved the conversion of HMC's Mining Lease Contract into a MPSA, which allows HMC to explore, develop and continue mining operations for nickel ore within the contract area covering 774 hectares in the Municipality of Taganaan, Surigao del Norte. Under the MPSA, HMC pays the Government a 4% excise tax and a 5% royalty on gross revenues, as the contract area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

As at March 14, 2023, the MPSA of HMC in Taganaan is valid and in effect.

Manicani Nickel Project

On August 13, 1992, HMC and the Government entered into a MPSA, which allows HMC to explore, develop and mine nickel ore within the contract area covering 1,165 hectares in Manicani Island, Municipality of Guiuan, Eastern Samar. Under the MPSA, HMC shall pay the Government a 4% excise tax, 1% royalty and 10% of its net revenues, defined as gross revenues less all cost items that are deductible for income tax purposes. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

On May 23, 2016, HMC applied for the renewal of its MPSA in Manicani which expired on August 13, 2017. On March 2, 2022, the DENR extended the MPSA between the Government and HMC for fifteen (15) years and lifted the suspension of HMC's operations in Manicani Island, Guiuan, Eastern Samar.

TMC

On July 28, 2008, the Government approved the conversion of TMC's Operating Contract into a MPSA, which allows TMC to explore, develop and continue mining operations for nickel ore within the contract area covering 4,585 hectares in the Municipality of Claver, Surigao del Norte. On June 18, 2009, the MPSA was amended, increasing the contract area to 4,863 hectares. The MPSA is valid until July 28, 2033.

Under the MPSA, TMC pays the Government a 4% excise tax and a 5% royalty, as the contract area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of TMC, with approval from the Government.

As at March 14, 2023, the MPSA of TMC is valid and in effect.

DMC

On July 30, 2007, the Platinum Group Metals Corporation (PGMC) and the Government entered into a MPSA, which allows PGMC to explore, develop and mine nickel ore within the contract area covering 2,392 hectares in the Municipality of Dinapigue, Province of Isabela.

On January 6, 2009, PGMC and DMC executed a Deed of Assignment transferring to DMC all the rights, title, and interest in and into the MPSA over the contract area.

Under the MPSA, DMC shall pay the Government a 4% excise tax. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of DMC, with approval from the Government.

As at March 14, 2023, the MPSA of DMC is valid and in effect.

ii. Operating Agreements

TMC

La Salle

On December 18, 2006, TMC entered into an Operating Agreement with La Salle, the holder of an Application for MPSA covering 6,824 hectares in the Municipality of Gigaquit, Surigao del Norte. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone once the MPSA is approved, and obliges it to assist La Salle in obtaining the MPSA and to comply with the terms thereof once issued. Subsequent to the Operating Agreement, La Salle filed an amended MPSA plan and reduced the area to 972 hectares.

The Operating Agreement specifies a royalty to La Salle of 5% for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Operating Agreement, TMC made an advance royalty payment of ₱1.0 million repayable by deductions from future royalties at a rate of 25% per year over a period of four (4) years.

On January 11, 2016, TMC issued a Notice of Exclusion of the limestone deposit from the Operating Agreement to La Salle.

Advance royalties and advances to claimowners, under “Other noncurrent assets”, amounted to ₱0.8 million and ₱1.8 million, respectively, as at December 31, 2022 and 2021.

As at March 14, 2023, the MPSA remains pending.

Kepha

On February 14, 2007, TMC entered into an Operating Agreement with Kepha. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone and obliges it to comply with the terms of the MPSA.

The Operating Agreement specifies a royalty to Kepha of 5% for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Operating Agreement, TMC made an advance royalty payment of US$1.0 million and ₱6.3 million, repayable by deductions from future royalties at a rate of 10% per year over a period of ten (10) years.

On June 19, 2009, the MPSA was issued to Kepha. Under the terms thereof, upon the start of mining operations, TMC shall pay the Government a 4% excise tax and a 5% royalty, as the contract area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Kepha, with approval from the Government.

On February 13, 2017, the DENR issued a show cause order directing Kepha to explain why its MPSA should not be cancelled for being allegedly within a watershed, which is protected under the Philippine Mining Act of 1995 and other existing applicable laws, rules and regulations. On February 24, 2017, Kepha replied to the letter stating that based on the MGB Region XIII’s downloadable tenement map, the MPSA area is outside of any existing legally proclaimed watershed.

On September 10, 2018 and March 19, 2021, the MGB approved the second and third renewal, respectively, of Kepha’s two (2) year exploration period.

Advance royalties and advances to claimowners, under “Other noncurrent assets”, amounted to ₱55.1 million and ₱45.9 million, respectively, as at December 31, 2022 and 2021.

As at December 31, 2022 and 2021, exploration cost charged to "Deferred mine exploration cost" amounted to ₱51.2 million and ₱43.5 million, respectively.

As at March 14, 2023, there were no drilling activities related to the Kepha project.

CMC
East Coast
On November 19, 1997, CMC entered into a Memorandum of Agreement (MOA) with East Coast, the holder of a MPSA with the Government issued on the same date, covering a contract area of 697 hectares in the Municipality of Cagdianao, Dinagat Islands. The MOA allows CMC to explore, develop and mine nickel ore and obliges it to comply with the terms of the MPSA.

Under the MPSA, CMC pays the Government an excise tax of 4%, and a 5% royalty, as the contract area is within the Surigao Mineral Reservation.

On December 18, 2015, CMC and East Coast executed a Supplemental Agreement to provide for the automatic renewal of the term of the MOA for another twenty-five (25) years, or from 2022 to 2047. In consideration of the new term as well as the other conditions contained in the Supplemental Agreement, CMC granted a loan of ₱1,000.0 million to East Coast and paid royalties amounting to ₱150.0 million (see Note 38a). Thereafter, CMC shall pay East Coast commission and royalties as follows:
- Commission equivalent to 3.5% on the gross sales amount of all nickel ore;
- Royalties equivalent to either 7% or 8.75% on the gross sales amount of all nickel ore depending on the monthly average LME nickel settlement price; and
- Additional royalty ranging from ₱10.0 million to ₱50.0 million depending on CMC's audited net income after tax less the additional royalty amount.

On March 2, 2022, the DENR approved the renewal of the MPSA for another twenty-five (25)-years commencing from November 19, 2022 subject to the same terms and conditions provided in the initial MPSA.

As at March 14, 2023, the MOA has not been terminated and continues to be in full force and effect subject to the supplemental terms agreed by CMC and East Coast.

The commission expense related to East Coast that is reported under "Marketing" amounted to ₱133.8 million, ₱178.5 million and ₱175.4 million in 2022, 2021 and 2020, respectively.

DMC
DMC and NiHAO Mineral Resources International Inc. (NiHAO) entered into an Operating Agreement on June 13, 2012, under which NiHAO shall have the exclusive right to explore, operate, mine, develop and process minerals found within DMC's mineral property.

Pursuant to the agreement, DMC shall pay NiHAO an amount equivalent to 90% of the invoice value of the nickel ore sold by DMC to third parties in consideration of the services to be performed by NiHAO. This agreement superseded the General Contractor Agreement entered into by NiHAO with DMC on March 5, 2012. The General Contractor Agreement was executed to appoint NiHAO as DMC's general contractor for the Isabela Nickel Project.

In connection with the acquisition of DMC by NAC, NiHAO's operating rights over the Isabela Nickel Project will be converted into preferred shares of DMC, which shares shall be entitled to dividends corresponding to 20% of operating income, net of income tax, subject to Shareholder's

Agreement to be executed between NiHAO and DMC. As at March 14, 2023, the Shareholder's Agreement is not yet executed.

f. Loan Guarantee/Substitution Agreement

Under a loan guarantee/substitution agreement between the Parent Company and SMM, the latter agreed to substitute for the Parent Company to make loans or guarantee the repayment of THNC's obligation pursuant to the Stockholders Agreement dated September 15, 2010.

In consideration of the loans and guarantee made by SMM, the Parent Company shall pay to SMM an annual fee equal to 1% of the relevant outstanding amount, which is payable every February 21, March 21, August 21 and September 21 of each year.

On October 8, 2020, the Parent Company and SMM agreed to amend the loan guarantee/ substitution agreement to reduce the annual fee to 0.60% of the average unpaid balance for payments due every 21st of February, March, August and September of each year. However, in consideration of the MUFG Bank Ltd. (formerly known as The Bank of Tokyo - Mitsubishi UFJ, Ltd.) substitution, the annual fee is 1% for any payments due before September 21, 2020, which is the effective date of the amendment, and 0.60% for any payments due thereafter.

In case of default, such loan guarantee/substitution agreements will be terminated, and the Parent Company shall provide loans to THNC or guarantee the repayment of THNC's loans payable. Failure to provide such loans or guarantee shall be considered a default under the Stockholders' Agreement.

The loan guarantee service fee amounting to ₱36.5 million, ₱36.4 million and ₱47.0 million in 2022, 2021 and 2020, respectively, is included under "Finance expenses" in the consolidated statements of income (see Note 28).

g. Power Supply Agreements

SURNECO
On October 31, 2013, the Parent Company and SURNECO signed a fifteen (15) year PSA. Under the terms of the PSA, the Parent Company has agreed to construct, operate, and maintain a 10MW bunker-fired diesel power station under build-operate-transfer scheme and to supply electricity to SURNECO. As defined in the PSA, SURNECO will pay to the Parent Company a monthly fee equal to the capital recovery fee of the power station plus fixed and variable operations and maintenance fee, fuel cost and any other applicable taxes.

The total construction cost of the 10MW bunker-fired diesel power station is about ₱1,000.0 million.

The ERC issued the COC to the Parent Company on June 26, 2019. The Parent Company and SURNECO agreed to commence the commercial operations of the three (3) generating units starting on June 26, 2018 for the first generator set, December 26, 2018 for the second generator set and June 26, 2019 for the third generator set. Each generating unit has a contracted capacity of 3.33MW. The plant operates based on the agreed schedule and in consonance with the load nominations from SURNECO.

Currently, the power plant is ready to dispatch power at 10MW in accordance with the signed and approved PSA.

In 2022, 2021 and 2020, the revenue from sale of power to SURNECO amounted to ₱29.6 million, ₱32.2 million and ₱29.7 million, respectively, while the capital recovery fee, amounted to ₱134.3 million in 2022, 2021 and 2020.

Palawan Electric Cooperative (PALECO)

Solar Supply

In 2015, EPI entered into a PSA with PALECO for the construction and development of a 10MW AC Solar Photovoltaic (PV) Power Station. Under the PSA, EPI shall design, engineer, develop, construct, complete, test, commission, finance, operate and maintain the Solar PV Power Station and all activities related or incidental thereto of PALECO. All costs in connection with the building of the Solar PV Power Station shall be borne by EPI, and EPI shall be responsible for arranging all necessary funding including any available preferential credit. During the commissioning date, PALECO shall put up, a commissioning output at a rate equivalent to the adjusted operation and maintenance component plus any VAT and any other applicable taxes, fees, and charges. Following the commercial operation date and continuing up to the 20th year from effective date, as defined in the PSA, PALECO shall pay EPI monthly fees equal to the capital recovery fee of the Solar PV Power Station plus fixed operations and maintenance fee, VAT and any other applicable taxes. As at December 31, 2022, construction of the sub-transmission facility has yet to be approved by the ERC.

Bunker Supply

In July 2015, EPI and PALECO entered into a PSA for the supply of electricity, which will be generated from modular and land-based bunker-fired power stations with a contracted capacity of 15MW up to 25MW.

Under the PSA, EPI shall design, develop, construct, complete, test and commission, operate, and maintain the bunker power stations, as well as all activities related or incidental thereto. Commencing on the completion date and continuing up to the 20th year from effective date, as defined in the PSA, PALECO shall pay EPI an amount equal to the summation of the bunker power costs of the generating units plus reserve power costs, plus any VAT and any other applicable taxes, fees and charges. PALECO shall also put up a payment security, as defined in the PSA. As at December 31, 2022, the construction of the sub-transmission facility has yet to be approved by the ERC.

Oriental Mindoro Electric Cooperative (ORMECO) and Occidental Mindoro Electric Cooperative, Inc. (OMECO)

In February 2014, EPI entered into separate PSAs with ORMECO and OMECO. Under the terms of the PSAs, EPI is committed to sell and deliver approximately 20MW each of geothermal power from the Montelago Geothermal Power Project to ORMECO and OMECO for a period of approximately twenty-five (25) years. The PSAs are renewable upon the agreement of the parties and approval of the ERC.

On November 3, 2014 and December 1, 2014, EPI was granted by the ERC of the Final Authorities on the PSAs with OMECO and ORMECO, respectively. On November 24, 2014, EPI and MGPC entered into a Deed of Assignment for the transfer of EPI's rights and obligations under GRESC No. 2010-02-013 to MGPC or the Montelago Geothermal Energy Project, including the said PSAs.

On December 5, 2014, EPI requested from the DOE the approval of the transfer of GRESC No. 2010-02-013 to MGPC. On February 16, 2016, the DOE approved the said transfer.

In connection with the assignment of the service contract to MGPC, the refundable deposits pertaining to compliance with the PSAs with OMECO and ORMECO were transferred by EPI to MGPC being the Project Entity.

On March 13, 2019, MGPC has been involved in a legal case after receiving a “Notice of Seller Default” from OMECO, alleging therein that MGPC has failed to comply with its main obligation under the PSA for the supply of 20MW electricity.

On December 4, 2019, MGPC filed a Petition for Indirect Contempt against OMECO for the latter’s competitive selection process activities for its full load power requirement, which violates the Temporary Order of Protection and Status Quo Order issued by the Regional Trial Court.

In a decision dated December 16, 2020, the Court denied MGPC’s Petition for Indirect Contempt. MGPC filed a Motion of Reconsideration on February 5, 2021. As at March 14, 2023, the court has not yet render a decision on the Petitions.

Aboitiz Energy Solutions, Inc. (AESI)
In December 2020, JSI entered into a PSA with AESI. Under the terms of the agreement, JSI is committed to sell and deliver pro-rata share of 7MW starting March 26, 2021, escalating to 10MW starting May 26, 2021, from the Sta. Rita Solar Power Project for a period of three (3) years.

In October 2022, JSI entered into another PSA with AESI and Adventenergy Inc. Under the terms of the agreement, JSI is committed to sell and deliver pro-rata share of 40MW, starting December 26, 2023 escalating to 50MW starting May 26, 2024 from the Sta. Rita Solar Power Project for a period of three (3) years.

Revenue from sale of power to AESI amounted to ₱55.7 million in 2022, ₱38.1 million in 2021 and nil in 2020.

Shell Energy Philippines Inc.
On June 24, 2021, JSI entered into a PSA with SEPI. Under the terms of the agreement, JSI is committed to sell and deliver pro-rata share of 16MW from the total energy deliveries of the plant on a take and pay basis, for a period of three (3) years starting June 26, 2021. The PSA was amended twice, on August 12, 2021 and on October 20, 2021, to reflect additional short-term contracted capacity.

In October 2022, JSI entered another PSA with SEPI. Under the terms of the agreement, JSI is committed to sell and deliver pro-rata share of 25MW, starting December 26, 2023 from Sta. Rita Solar Power Project. An additional pro-rata share of 40MW is to be sold and delivered starting on the issuance of ERC’s COC for the 100MW Subic New PV Power Project. This agreement is valid for a period of two and a half (2.5) years.

h. Service Contracts

Solar Energy Service Contract No. 2015-01-099
On January 20, 2015, EPI entered into a SESC No. 2015-01-099 with the DOE which granted EPI the right to explore, develop and utilize the solar energy resources within the contract area of 324 hectares in the province of Pili, Camarines Sur.

Under the SESC, EPI assumes all the technical and financial risks without any guarantee from the Philippine Government and shall not be entitled to reimbursement for any expense incurred in connection with the SESC.

The SESC carries a non-extendible two (2) year period of pre-development stage, which involves the preliminary assessment and feasibility study. The SESC shall remain in force for the remainder of twenty-five (25) years from date of effectivity if the solar energy resources are discovered to be in commercial quantities. If EPI has not been in default of any material obligations under the SESC, the DOE may grant EPI an extension of the SESC for another twenty-five (25) years. The full recovery of the project development costs incurred in connection with the SESC is dependent upon the discovery of solar energy resources in commercial quantities from the contract area and the success of future development thereof.

On January 20, 2020, EPI requested DOE for voluntary termination of this SESC. As a result, EPI written-off project development costs amounting to ₱1.8 million (see Note 29).

Solar Energy Service Contract No. 2013-10-039
On October 31, 2013, JSI entered into a SESC with the DOE. The SESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan. The SESC is for a period of twenty-five (25) years, inclusive of a two (2) year pre-development stage, and renewable for another twenty-five (25) years. The government share under the SESC shall be 1% of the gross income from the sale of electricity generated from the solar energy operations.

On August 28, 2015, JSI was granted the Confirmation of Commerciality by the DOE for its 100 MW Sta. Rita Solar Power Project. On April 11, 2017, JSI applied to the DOE for the amendment of the Amended Confirmation of Commerciality rated 7MW and 93MW to 32MW (consolidating Phase 1 at 7MW and Phase 2 at 25MW) and 68MW as Phase 3 based on JSI's progress on the EPC revised timetable. On January 20, 2021, the DOE issued the Amended Confirmation of Commerciality No. SCC-2015-09-021-B to develop, operate and maintain the 100MW Bataan Solar Power Project (Phase 1 - 7MW; Phase 2 - 25MW; Phase 3A - 30MW and Phase 3B - 38MW).

Solar Energy Operating Contract (SEOC)
On February 3, 2021, JSI entered into a SEOC with the DOE covering an area of 351 hectares, a portion of the area in SESC No. 2013-10-039, also located in Morong and Hermosa, Bataan. JSI secured from DOE a Certificate of Registration as RE Developer of 100MW / 86MW Subic New PV Power Plant Project. As at December 31, 2022, the project is still in the pre-development stage.

Wind Energy Service Contract (WESC) No. 2013-10-062
On October 31, 2013, JSI entered into a WESC with the DOE. The WESC covers an area of approximately 2,997 hectares in the municipalities of Morong and Hermosa, in the province of Bataan. The WESC is for a period of twenty-five (25) years, inclusive of a three (3) year pre-development stage, and renewable for another twenty-five (25) years. The government share under the WESC shall be 1% of the gross income from the sale of electricity generated from wind energy operations.

On August 17, 2020, JSI decided to surrender its WESC which was acknowledged by the DOE on September 17, 2020. As a result, JSI written-off project development costs pertaining to the pre-development and pre-operating activities for the Bataan Wind Power Project which amounted to ₱1.7 million (see Note 29).

Geothermal Renewable Energy Service Contract No. 2016-02-060
GRESC No. 2010-02-013, which covers an approximate area of 3,914 hectares in the three (3) barangays of Montelago, Montemayor and Melgar-B in Oriental Mindoro, involves the development of geothermal well clusters and a power plant. The steam extracted from the geothermal wells will power a geothermal power station with an output capacity of at least 20MW. Once completed, the addition of geothermal power into the present mix of Mindoro's electricity sources will have a stabilizing effect on the grid where the entire island is located.

On November 24, 2014, EPI and MGPC entered into a Deed of Assignment for the assignment of EPI's rights and obligations under the GRESC to MGPC. On December 5, 2014, EPI applied with the DOE to transfer the GRESC to MGPC. The DOE approved EPI's application on February 16, 2016 under Certificate of Registration No. 2016-02-060.

The Project is currently at the exploration phase and is expected to have an operating capacity of 40MW. The geothermal plant will supply electricity to Oriental Mindoro and Occidental Mindoro at 20MW capacity each.

i. Sub-transmission Service Agreement (SSA) with PALECO

In 2015, EPI entered into a SSA with PALECO for the installation of 69kV sub-transmission facilities and associated components (substations), and the connection of said facilities to PALECO's distribution system for the delivery of reliable power supply to the municipalities of El Nido, Taytay, San Vicente and Roxas (the "Municipalities") in the province of Palawan. Under the SSA, EPI shall develop, design, construct, install, test and commission, and finance the sub-transmission lines and substations in the Municipalities. Commencing on the completion date and continuing up to the 20th year from effective date, as defined in the SSA, PALECO shall pay monthly fees as defined in the SSA, plus VAT and any other applicable taxes, fees, and charges. PALECO shall also pay EPI a payment security equivalent to one month fee, which shall be in the form of a thirty (30)-day revolving letter of credit from a financial institution and with a maturity of three hundred sixty-five (365) days. As at December 31, 2022, ERC's approval of the sub-transmission facility has not yet been acquired.

j. Investment Agreement

On August 24, 2015, an Investment Agreement was executed by and among BGI, OGIPL, BGHI, EPI, and BHI. The said agreement sets out the principal terms and fundamental transactions pursuant to which BHI shall invest in BGI and the Biliran Geothermal Project, the respective rights and obligations of parties to the project, and the strategic arrangements for the management and operation of BGI and the project. The Investment Agreement provides that:

- BGI shall increase its authorized capital stock by 1,845,000 common shares, with par value of ₱1 per share within sixty (60) days from the signing of the agreement.
- BHI shall subscribe to the said increase in the authorized capital stock of BGI.
- BGI shall undertake to procure that all its stockholders of record at the time of the subscription shall waive any pre-emptive right, right of first refusal or preferential light of subscription to the first subscription shares in favor of BHI.
- BGHI shall then purchase from Filtech Energy Drilling Corp. (FEDCO) its shares in BGI.
- BGI shall apply for quasi-reorganization in respect of its authorized capital stock prior to the subscription of BHI in order to apply all of its additional paid-in capital to its deficit and to increase its authorized capital stock and convert all the issued and outstanding existing preferred shares of BGI into common shares.

- BHI shall further subscribe to 88,155,000 common shares of BGI as part of the second subscription. Thereupon, BGI shall convert ₱58.8 million BGHI receivables into common shares in favor of BGHI.
- BGHI shall sell and BHI shall purchase 60% of BGHI's receivables from BGI and the parties shall cause the conversion of the said receivables into redeemable preferred non-voting shares.
- BHI shall pledge all the redeemable preferred non-voting shares it received from BGI to BGHI as security for the payment of the amount equal to the face value of the BGHI's receivables and new BGHI receivables purchased by BHI.

The Investment Agreement also states that BGHI and BHI shall each maintain their respective shareholding percentage in BGI's equity capital at 40% and 60%, respectively, unless otherwise agreed in writing. Either BGHI or BHI may freely transfer its shares, except that no transfer shall be made by a party to any person if such transfer would reduce the stock ownership of Filipino citizens in BGI to less than the required percentage of the capital stock as provided by existing applicable law.

BGI has implemented the following:
- BGI increased its authorized capital stock by 1,845,000 common shares with par value of ₱1 per share;
- BHI subscribed to 1,845,000 shares of BGI at par value;
- BGHI purchased FEDCO's shares in BGI;
- Amendment of the Articles of Incorporation of BGI to reclassify 492,000 preferred shares with par value of ₱1 into common shares with par value of ₱1 per share;
- Amendments of BGI's by-laws to incorporate all the provisions of the October 22, 2015 Shareholder's Agreement; and
- BHI and BGHI's 60% and 40% ownership of the outstanding capital stocks of BGI, in accordance with the Investment Agreement.

On December 20, 2022, BHI sold its 15% investment in BGI for ₱0.5 million.

k. <u>Participation and Shareholder's Agreement</u>

In May 2011, the Parent Company and SMM signed a Participation and Shareholder's Agreement containing terms of SMM's expected equity participation in CExCI. Under the terms of the Agreement, SMM will invest US$1.5 million in CExCI for 25% equity. Once such funds have been exhausted, SMM has the option to invest US$2.8 million for an additional 15% equity which would bring its total equity in CExCI to 40%. SMM did not exercise its option to make the additional investment and the said agreement was terminated.

CExCI has identified a new property for exploration and development in the province of Zambales under Newminco, which is prospective for gold and copper. In relation to this, SMM put up an additional US$2.8 million to increase its ownership from 25% to 40%. On November 24, 2015, the shareholders of CExCI agreed to enter into a new Participation and Shareholder's Agreement to set out the rights and obligations of the shareholders in relation to the conduct of the business of CExCI. The new agreement also causes CExCI to convert the existing advances from shareholders amounting to ₱37.2 million into equity, based on the initial equity proportion of shareholders, by issuing shares out of the unissued authorized capital stock of CExCI at a premium. CExCI has filed the application for the conversion of advances into equity with the SEC. As at December 31, 2022, CExCI is still waiting for the SEC's approval of the conversion of advances into equity.

On December 18, 2015, the BOD of CExCI approved the increase in authorized capital stock of the latter. Upon approval of the SEC of the application for increase in authorized capital stock of CExCI, the additional investment of SMM amounting to US$2.8 million, which is equivalent to ₱131.9 million, will be converted into equity. After the conversion, the Parent Company and SMM's equity in CExCI shall be 57% and 40%, respectively. As at December 31, 2022 and 2021, the additional advances made by SMM to CExCI amounted to a total of ₱167.7 million and ₱131.7 million, respectively, following the equity cash call made by the latter.

l. Marketing Agreement with Mitsubishi Corporation and/or Mitsubishi Corporation RTM China Limited (MCRCL)

TMC entered into a Marketing Agreement with Mitsubishi Corporation and/or MCRCL, wherein the latter will provide the services set forth below:

a) To use its reasonable endeavors in collecting, studying and analyzing the market information related to nickel ore, iron ore, nickel pig iron, and stainless steel;
b) To periodically report market information defined in the marketing agreement;
c) To make efforts to introduce customers to TMC and provide support to the Group in negotiating the price and terms and conditions of sales contracts of the products by and between the Group and customers; and
d) To monitor and assess trends of customers and support TMC to create an effective pricing strategy and marketing plan.

Marketing fees of 3.5% shall be charged to TMC based on the total amount of revenue on FOB price stated in the invoices issued by TMC to each customer.

Marketing fees charged by Mitsubishi Corporation and/or MCRCL amounted to ₱38.3 million, ₱30.7 million and ₱32.6 million in 2022, 2021 and 2020, respectively, are reported under "Marketing" in the consolidated statements of income.

m. Lease Agreements

Lease Agreement with THNC

On October 31, 2013, TMC and THNC executed a lease agreement wherein TMC will lease the land within the TSEZ to the lessee. The TSEZ leased area of approximately 675 hectares is located at Barangays Taganito and Hayanggabon, Claver, Surigao del Norte. The duration of the lease agreement shall be for a period of twenty (20) years starting January 1, 2013, however, rental rate shall be annually agreed by both parties. TMC's rental income from the said lease amounted to ₱7.1 million in 2022 and 2021 and ₱6.9 million in 2020 and part of rent income under "Other income (charges) - net" (see Notes 29 and 32). In the above lease agreement, it was agreed by TMC and THNC that the option fee of ₱83.8 million received in 2010 shall be treated as advance rental and shall be deducted from the annual rental fee. The same shall be equally applied to each year of the lease term or ₱4.2 million each year of the twenty (20) year lease term.

As at December 31, 2022 and 2021, the carrying value of deferred income - net of current portion amounted to ₱37.7 million and ₱41.9 million, respectively.

Lease Contract with the DENR

TMC is a party to a lease contract dated April 10, 2003 with the DENR over a tract of foreshore land located at the Taganito mine comprising an area of approximately 12,000 sq. m. The foreshore lease has a term of twenty-five (25) years from the date of issue, unless terminated earlier. The DENR may renew the foreshore lease for another twenty-five (25) years, at its option. In accordance with the foreshore lease, TMC constructed permanent improvements appropriate for the wharf to facilitate the barging of mine ore to customers' vessels. Under the terms of the lease, if TMC uses or attempts to use the premises for other purposes, all rights, and interests, including the improvements, will be forfeited in favor of the Government. Upon the termination of the lease or any extension, all improvements made by TMC will become the property of the Government.

Aircraft Lease Agreement with WAISC
On December 10, 2019, CPDL and WAISC entered into an agreement for the lease of an aircraft, the Cessna Citation CJ4 Model 525C (or Citation CJ4), for a monthly rental fee of US$1,000, inclusive of all applicable taxes, for a period of five (5) years and shall continue in increments of one (1) month, unless terminated earlier. On December 9, 2020, CPDL and WAISC agreed to amend the rental fees to US$76,690 per month effective from January 1 to December 31, 2020. The above lease agreement was extended until December 31, 2022.

n. PEZA and Board of Investments (BOI) Registration

Registration with PEZA - TMC
On December 21, 2009, Presidential Proclamation No. 1966 was issued creating and establishing the 680-hectare area situated in Taganito, Municipality of Claver, Province of Surigao Del Norte and known as TSEZ. TMC is a PEZA-registered operator/developer of the economic zone as per Certificate of Registration No. EZ 10-01. The certificate of registration was signed on January 7, 2010.

Pursuant to TMC's registration with PEZA as an economic zone developer/operator, TMC is entitled to certain incentives in accordance with the provisions of RA No. 7916, otherwise known as "the Special Economic Zone Act of 1995", as amended.

On December 27, 2016, PEZA issued a certification entitling TMC qualification for the purpose of VAT zero-rating of its transactions with local suppliers of goods, properties and services and exemption from all national and local taxes and licenses except real property taxes on land owned by TMC and those required to be paid under the MPSA dated July 28, 2008. In lieu thereof, TMC shall pay 5% final tax on gross income. TMC's certification from PEZA is valid from January 1 to December 31, 2022 and renewable annually, unless otherwise revoked or suspended by PEZA prior to expiration of said period.

Registration with PEZA - RTN
On December 27, 2002, RTN registered with the PEZA as the developer/operator of Rio Tuba Processing Zone, located in Barangay Rio Tuba, Municipality of Bataraza, Palawan. The PEZA-registered activities are entitled to certain tax and non-tax incentives. Starting 2003, such activities are already subject to 5% final tax on gross income in lieu of national and local taxes and licenses except those required to be paid under the MPSA dated June 4, 1998 executed by and between the DENR and RTN. RTN's certification from PEZA is valid from January 1 to December 31, 2022 and renewable annually, unless otherwise revoked or suspended by PEZA prior to expiration of said period.

Registration with SBMA - JSI
On January 20, 2011, JSI was registered with the SBMA as a Subic Bay Freeport Enterprise, primarily to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and system at Mt. Sta. Rita, SBFZ. The SBMA-registered activities are entitled to certain tax and non-tax incentives. In lieu of paying the regular taxes, JSI pays 5% final tax on gross income, subject to the condition that JSI's income from sources within

the Custom Territory should not exceed 30% of its total income from all sources. Otherwise, JSI shall be subject to the income tax laws of the Custom Territory. JSI's Certificate of Registration and Tax Exemption is valid until July 2025.

BOI Certifications
CMC, HMC, RTN and TMC received BOI certifications pursuant to Revenue Memorandum Order No. 9-2000 entitled "Tax Treatment of Sales of Goods, Properties and Services made by VAT-registered Suppliers to BOI registered Manufacturers-Exporters with 100% Export Sales". The certifications are valid from January 1 to December 31, 2022 and renewable annually, unless revoked by the BOI Governing Board.

In 2023, CMC, HMC, RTN and TMC have not renewed their BOI certification since they are no longer entitled to tax incentives.

On August 27, 2014, MGPC was registered with the BOI as a RE developer of geothermal energy resources. BOI has issued the certificate of registration of MGPC on October 7, 2016.

o. Share Purchase Agreements (SPA)

SMM
On September 15, 2016, the Parent Company and SMM executed a SPA wherein the latter agreed to purchase the Parent Company's 511,875,000 shares in THNC, representing 12.5% of the outstanding capital stock of THNC, at a purchase price of US$42.0 million, which is equivalent to ₱2,037.2 million. The sale and purchase of the shares was consummated upon the written consent of Japan Bank for International Cooperation.

The SPA also provides that for a period of eighteen (18) years but no earlier than three (3) years from the execution of the SPA, the Parent Company shall have the right to repurchase from SMM such number of shares of THNC equivalent to 12.5% equity ownership therein at the time when the right is exercised. The repurchase right can only be exercised once.

MOA with SMM
Pursuant to the SPA with SMM, the Parent Company and SMM also agreed that effective July 1, 2016 their responsibility to provide loans and guarantee obligations of THNC shall be 10% and 75%, respectively.

p. Suretyship Agreement with SBC

On August 4, 2015, the Parent Company entered into a Suretyship Agreement with SBC to guarantee and warrant the prompt and full payment and performance of the guaranteed obligations, including increases, renewals, roll-overs, extensions, restructuring, conversions, amendments or novations, of EPI to SBC amounting to ₱3,000.0 million. The agreement shall remain in full force and effect until full payment of the guaranteed obligations is made.

In September 2017, EPI partially repaid its loan to SBC reducing the principal from ₱3,000.0 million to ₱1,500.0 million.

As at December 31, 2022 and 2021, the outstanding loans of EPI from SBC amounted to ₱1,500.0 million (see Note 14).

q. Other Agreements

Joint Undertaking with National Commission for Indigenous Peoples (NCIP)
On December 8, 2009, TMC and NCIP entered into a Joint Undertaking, which confirmed that 1% royalty on annual gross revenues of TMC is payable to the Mamanwa Tribe pursuant to a MOA dated July 18, 2006 between TMC, the NCIP and the Tribe and a Certificate of Ancestral Domain Title issued to the Tribe, within which area TMC's mining operation is located.

Agreement with Local Government Units
RTN together with RTN Foundation, Inc. and CBNC entered into Agreements with the barangay councils and community residents covered in the SDMP as required by law and as one of the conditions of ECC. The Agreement stipulated that RTN and CBNC should meet the changing needs and demands of the communities and shall submit the SDMP every five (5) years to the MGB Region IV for approval. In addition, as part of the process of securing the consent of affected communities, the program must be prepared in consultation and in partnership with the project proponent and neighboring communities.

RTN incurred royalty payments to indigenous people amounting to ₱67.6 million in 2022, ₱63.4 million in 2021 and ₱46.8 million in 2020, in accordance with the SDMP.

Other Matters

- Updates in the Philippine Mining Industry
  On February 14, 2017, the Secretary of the DENR announced the cancellation of a total of seventy-five (75) MPSAs considered to be situated in watersheds. Show cause orders were issued to the concerned mining companies, which were given seven (7) days to respond.

  On February 13, 2017, HMC received a letter from DENR stating that MPSA in Taganaan Island, Surigao is being cancelled due to alleged violations of RA No. 7942 or the "Philippine Mining Act of 1995" as a result of the audit conducted in July 2016. On February 17, 2017, HMC filed a Notice of Appeal with the Office of the President. It is the Parent Company's position that there are no legal and technical grounds to support the cancellation of HMC's MPSA.

  The Parent Company will pursue all legal remedies to overturn the said order because of due process violations and the absence of any basis that would warrant a suspension of HMC's operations, much less the cancellation of its MPSA.

  RTN, TMC and CMC were not included in the list of mining operations recommended for suspension or closure by the DENR.

39. Events after the End of the Financial Reporting Period

Additional Investment in EPI
On January 16, 2023, the Parent Company's BOD approved to invest an additional ₱2,920.0 million to EPI by subscribing to additional common shares of EPI. The additional investment will be utilized by EPI for its operations, for the operating expenses of BGI and MGPC, and for investment in GRHI and other projects of its subsidiaries. With this additional investment, the Parent Company's equity ownership in EPI will increase from 86.29% to 95.80%.

Dividend Declaration
On March 14, 2023, the Parent Company's BOD declared regular cash dividends of ₱0.17 per common share payable on April 12, 2023, to stockholders of record as at March 29, 2023.

Suretyship Agreement with SBC
On the same date, the Parent Company's BOD approved the execution of a Suretyship Agreement with SBC to secure an additional ₱2,000.0 million loan facility for EPI. The proceeds of the loan will be used to finance the Phase 4A (68MW) Subic solar power plant expansion of JSI.

40. Supplemental Disclosure to Consolidated Statements of Cash Flows

	2022	2021
Noncash investing activities		
Mining properties and development cost of DMC (Note 9)	**₱852,840**	₱–
Application of commission and royalties payable, net of withholding taxes and interest, against loan receivable from East Coast (Notes 5 and 12)	**260,476**	295,035
Adjustment for capitalized cost of mine rehabilitation and decommissioning (Notes 9 and 15)	**54,098**	144,509
Recognition of ROU asset (see Note 9)	**2,222**	–

<u>*Changes in Liabilities Arising from Financing Activities*</u>

	2022					
	January 1	**Cash flows**	**Foreign exchange movement**	**Reclassification**	**Others**	**December 31**
Current						
Dividends payable, gross of final withholding tax (see Note 13)	**₱1,975,000**	**(₱10,189,387)**	**₱–**	**₱–**	**₱8,214,387**	**₱–**
Interest payable (see Note 13)	**15,477**	**(157,689)**	**(284)**	**–**	**158,006**	**15,510**
Short-term debts (see Note 14)	**1,492,916**	**(5,993)**	**–**	**–**	**11,343**	**1,498,266**
Other current liability	**300,731**	**36,000**	**–**	**–**	**–**	**336,731**
Current portion of:						
Long-term debts (see Note 14)	**89,248**	**(168,117)**	**6,711**	**169,729**	**–**	**97,571**
Lease liabilities (see Note 33)	**35,754**	**(59,739)**	**–**	**(25,358)**	**56,964**	**7,621**
Long-term payable	**6,693**	**(7,000)**	**–**	**–**	**307**	**–**
Noncurrent						
Long-term debts (see Note 14)	**867,111**	**1,367,733**	**50,332**	**(169,729)**	**3,833**	**2,119,280**
Lease liabilities (see Note 33)	**578,190**	**–**	**–**	**25,358**	**–**	**603,548**
Total liabilities used in financing activities	**₱5,361,120**	**(₱9,184,192)**	**₱56,759**	**₱–**	**₱8,444,840**	**₱4,678,527**

	2021					
	January 1	Cash flows	Foreign exchange movement	Reclassification	Others	December 31
Current						
Dividends payable, gross of final withholding tax (see Note 13)	₱700,000	(₱7,854,387)	₱–	₱–	₱9,129,387	₱1,975,000
Interest payable (see Note 13)	9,950	(96,168)	(2,865)	–	104,560	15,477
Short-term debts (see Note 14)	1,492,654	(11,010)	–	–	11,272	1,492,916
Other current liability	261,691	39,040	–	–	–	300,731
Current portion of:						
Long-term debts (see Note 14)	84,040	(75,546)	4,314	76,440	–	89,248
Lease liabilities (see Note 33)	30,982	(56,514)	–	6,732	54,554	35,754
Long-term payable	7,000	(7,000)	–	6,693	–	6,693
Noncurrent						
Long-term debts (see Note 14)	893,409	13,321	36,668	(76,440)	153	867,111
Lease liabilities (see Note 33)	584,922	–	–	(6,732)	–	578,190
Long-term payable	6,093	–	–	(6,693)	600	–
Total liabilities used in financing activities	₱4,070,741	(₱8,048,264)	₱38,117	₱–	₱9,300,526	₱5,361,120

Others include the effect of accrual of dividends, including those that were not yet paid at year-end, effect of interest accrued but not yet paid on interest-bearing loans, accretion of interest on long-term payable and lease liabilities and amortization of debt issue cost.

41. Business Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The mining segment is engaged in the mining and exploration of nickel saprolite and limonite ore, limestone, and quarry materials.

The services segment is engaged in the chartering out of LCT, construction and rendering of services to CBNC, THNC and other parties and leasing of aircraft to WAISC.

The power segment is engaged in power generation and exploration for geothermal resources.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group is also using net income (loss) in evaluating total performance. Net 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.

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, financial assets at FVTPL, at FVOCI and at amortized cost, property and equipment, investments in associates and other noncurrent assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables, short-term and long-term debts, and other liabilities. Segment assets and liabilities do not include deferred income taxes.

The amounts of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring assets and liabilities and profit or loss in the consolidated financial statements, which are in accordance with PFRSs.

There were no changes from prior periods in the measurement methods used to determine the reported segment profit or loss and the effect, if any, of those changes on the measure of segment profit or loss.

The Group's identified reportable segments below are consistent with the segments reported to the BOD, which is the Chief Operating Decision Maker of the Group.

Financial information on the operation of the various business segments are as follows:

	2022											
	Mining					Power		Services				
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC/ CDTN	HMC	Others	Eliminations	Total
External customers	**₱2,167,768**	**₱3,823,653**	**₱12,461,000**	**₱6,756,563**	**₱530,027**	**₱609,518**	**₱163,930**	**₱1,490,691**	**₱–**	**₱–**	**₱–**	**₱28,003,150**
Inter-segment revenues	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,212**	**–**	**994,971**	**(1,001,183)**	**–**
Total revenues (see Notes 32 and 38)	**2,167,768**	**3,823,653**	**12,461,000**	**6,756,563**	**530,027**	**609,518**	**163,930**	**1,496,903**	**–**	**994,971**	**(1,001,183)**	**28,003,150**
Cost of sales	**830,506**	**1,285,246**	**3,248,695**	**2,299,509**	**267,033**	**–**	**–**	**–**	**–**	**–**	**–**	**7,930,989**
Cost of services	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**902,235**	**–**	**–**	**–**	**902,235**
Cost of power generation	**–**	**–**	**–**	**–**	**–**	**305,853**	**98,040**	**–**	**–**	**–**	**–**	**403,893**
Excise taxes and royalties	**195,099**	**678,698**	**1,246,100**	**337,828**	**26,501**	**2,086**	**–**	**–**	**–**	**–**	**–**	**2,486,312**
Shipping and loading costs	**284,128**	**514,338**	**963,448**	**249,917**	**147,062**	**–**	**–**	**–**	**2,965**	**–**	**–**	**2,161,858**
Marketing	**–**	**133,828**	**38,296**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**172,124**
Segment operating earnings (loss)	**₱858,035**	**₱1,211,543**	**₱6,964,461**	**₱3,869,309**	**₱89,431**	**₱301,579**	**₱65,890**	**₱594,668**	**(₱2,965)**	**₱994,971**	**(₱1,001,183)**	**₱13,945,739**
General and administrative	**₱64,490**	**₱61,985**	**₱108,141**	**₱101,327**	**₱21,248**	**₱154,615**	**₱–**	**₱23,949**	**₱–**	**₱770,523**	**₱–**	**₱1,306,278**
Finance income	**₱7,265**	**₱22,081**	**₱42,841**	**₱38,174**	**₱102**	**₱5,098**	**₱1,231**	**₱747**	**₱–**	**₱71,083**	**₱–**	**₱188,622**
Finance expenses	**₱1,125**	**₱4,162**	**₱24,052**	**₱21,509**	**₱1,458**	**₱183,106**	**₱–**	**₱32,894**	**₱–**	**₱38,477**	**₱–**	**₱306,783**
Provision for (benefit from) income tax	**₱186,319**	**₱255,487**	**₱1,689,323**	**₱940,366**	**₱25,560**	**(₱5,419)**	**₱–**	**₱–**	**(₱741)**	**₱338,241**	**₱–**	**₱3,429,136**
Net income attributable to equity holders of the parent	**₱647,356**	**₱941,050**	**₱3,576,990**	**₱1,956,327**	**₱13,356**	**₱98,381**	**₱67,025**	**₱413,564**	**₱–**	**₱217,101**	**₱–**	**₱7,931,150**
Segment assets	**₱1,641,073**	**₱2,840,958**	**₱8,231,516**	**₱5,008,736**	**₱2,480,858**	**₱11,970,379**	**₱732,992**	**₱591,381**	**₱18,968**	**₱15,841,576**	**₱–**	**₱49,358,437**
Deferred income tax assets - net	**35,028**	**39,244**	**33,859**	**113,766**	**82,142**	**–**	**–**	**–**	**–**	**96,566**	**–**	**400,605**
Total assets	**₱1,676,101**	**₱2,880,202**	**₱8,265,375**	**₱5,122,502**	**₱2,563,000**	**₱11,970,379**	**₱732,992**	**₱591,381**	**₱18,968**	**₱15,938,142**	**₱–**	**₱49,759,042**
Segment liabilities	**₱324,966**	**₱360,275**	**₱1,961,537**	**₱1,384,340**	**₱225,781**	**₱3,636,442**	**₱13,618**	**₱220,907**	**₱–**	**₱632,094**	**₱–**	**₱8,759,960**
Deferred income tax liabilities - net	**–**	**–**	**–**	**65,841**	**135,819**	**13,964**	**–**	**–**	**4,742**	**247,897**	**–**	**468,263**
Total liabilities	**₱324,966**	**₱360,275**	**₱1,961,537**	**₱1,450,181**	**₱361,600**	**₱3,650,406**	**₱13,618**	**₱220,907**	**₱4,742**	**₱879,991**	**₱–**	**₱9,228,223**
Other segment information:												
Capital expenditures	**₱105,495**	**₱80,508**	**₱499,748**	**₱119,922**	**₱119,188**	**₱1,380,226**	**₱4,699**	**₱167,273**	**₱–**	**₱10,203**	**₱–**	**₱2,487,262**
Depreciation, amortization and depletion	**₱119,312**	**₱174,328**	**₱677,675**	**₱253,359**	**₱52,891**	**₱241,309**	**₱55,443**	**₱5,601**	**₱2,965**	**₱80,126**	**₱–**	**₱1,663,009**

	2021											
	Mining					Power		Services				
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others	Eliminations	Total
External customers	₱2,679,029	₱5,099,158	₱12,122,366	₱6,337,013	₱12,548	₱341,437	₱166,494	₱646,070	₱–	₱–	₱–	₱27,404,115
Inter-segment revenues	–	–	–	–	–	–	–	45,298	–	952,449	(997,747)	–
Total revenues (see Notes 32 and 38)	2,679,029	5,099,158	12,122,366	6,337,013	12,548	341,437	166,494	691,368	–	952,449	(997,747)	27,404,115
Cost of sales	1,256,158	1,542,726	2,871,798	1,924,959	16,200	–	–	–	–	–	–	7,611,841
Cost of services	–	–	–	–	–	–	–	321,622	–	–	–	321,622
Cost of power generation	–	–	–	–	–	257,306	103,815	–	–	–	–	361,121
Excise taxes and royalties	241,113	935,101	1,212,237	316,851	627	–	–	–	–	–	–	2,705,929
Shipping and loading costs	251,402	556,109	1,082,783	353,539	2,224	–	–	–	9,513	–	–	2,255,570
Marketing	–	178,470	30,651	–	–	–	–	–	–	–	–	209,121
Segment operating earnings (loss)	₱930,356	₱1,886,752	₱6,924,897	₱3,741,664	(₱6,503)	₱84,131	₱62,679	₱369,746	(₱9,513)	₱952,449	(₱997,747)	₱13,938,911
General and administrative	₱75,799	₱68,021	₱109,775	₱96,044	₱130,630	₱65,452	₱–	₱9,052	₱–	₱591,134	₱–	₱1,145,907
Finance income	₱2,450	₱19,312	₱7,341	₱8,470	₱24	₱141	₱308	₱74	₱–	₱123,955	₱–	₱162,075
Finance expenses	₱1,495	₱4,727	₱20,133	₱14,813	₱1,461	₱141,416	₱–	₱19,363	₱–	₱40,673	₱–	₱244,081
Provision for (benefit from) income tax	₱190,880	₱377,871	₱1,613,485	₱871,191	(₱44,869)	₱2,184	₱–	₱–	(₱6,370)	₱327,908	₱–	₱3,332,280
Net income (loss) attributable to equity holders of the parent	₱672,978	₱1,469,124	₱3,565,558	₱1,910,206	(₱93,571)	(₱148,086)	₱62,994	₱303,522	₱–	₱69,850	₱–	₱7,812,575
Segment assets	₱1,355,658	₱2,446,854	₱11,955,993	₱6,291,416	₱1,406,533	₱13,560,773	₱742,447	₱122,634	₱21,380	₱13,487,448	₱–	₱51,391,136
Deferred income tax assets - net	38,905	31,550	–	108,884	105,836	1,047	–	–	–	23,524	–	309,746
Total assets	₱1,394,563	₱2,478,404	₱11,955,993	₱6,400,300	₱1,512,369	₱13,561,820	₱742,447	₱122,634	₱21,380	₱13,510,972	₱–	₱51,700,882
Segment liabilities	₱301,164	₱521,322	₱3,829,473	₱1,807,701	₱150,480	₱7,776,165	₱8,556	₱27,130	₱–	₱438,263	₱–	₱14,860,254
Deferred income tax liabilities - net	–	–	13,645	68,669	136,754	98,429	–	–	5,483	188,448	–	511,428
Total liabilities	₱301,164	₱521,322	₱3,843,118	₱1,876,370	₱287,234	₱7,874,594	₱8,556	₱27,130	₱5,483	₱626,711	₱–	₱15,371,682
Other segment information:												
Capital expenditures	₱38,172	₱111,766	₱338,863	₱159,962	₱26,670	₱1,088,859	₱–	₱2,191	₱–	₱7,950	₱–	₱1,774,433
Depreciation, amortization and depletion	₱127,661	₱189,356	₱651,852	₱268,065	₱45,597	₱196,062	₱55,876	₱220	₱9,513	₱75,937	₱–	₱1,620,139

	2020											
	Mining					Power		Services				
	HMC	CMC	TMC	RTN	DMC	EPI	NAC	RTN/TMC	HMC	Others	Eliminations	Total
External customers	₱1,991,195	₱5,078,125	₱9,106,145	₱4,678,504	₱–	₱124,144	₱164,014	₱629,454	₱–	₱–	₱–	₱21,771,581
Inter-segment revenues	–	–	–	–	–	–	–	–	–	789,423	(789,423)	–
Total revenues (see Notes 32 and 38)	1,991,195	5,078,125	9,106,145	4,678,504	–	124,144	164,014	629,454	–	789,423	(789,423)	21,771,581
Cost of sales	1,048,457	1,544,636	2,872,321	2,054,567	–	–	–	–	–	–	–	7,519,981
Cost of services	–	–	–	–	–	–	–	328,562	–	–	–	328,562
Cost of power generation	–	–	–	–	–	211,818	101,432	–	–	–	–	313,250
Excise taxes and royalties	179,208	920,655	910,614	233,925	–	–	–	–	–	–	–	2,244,402
Shipping and loading costs	232,748	581,788	1,022,254	276,476	–	–	–	–	9,513	–	–	2,122,779
Marketing	–	175,429	32,649	–	–	–	–	–	–	–	–	208,078
Segment operating earnings (loss)	₱530,782	₱1,855,617	₱4,268,307	₱2,113,536	₱–	(₱87,674)	₱62,582	₱300,892	(₱9,513)	₱789,423	(₱789,423)	₱9,034,529
General and administrative	₱84,575	₱57,352	₱106,950	₱96,756	₱129,101	₱60,116	₱–	₱–	₱–	₱582,816	₱–	₱1,117,666
Finance income	₱1,333	₱28,062	₱22,601	₱16,775	₱32	₱146	₱2,302	₱–	₱–	₱167,042	₱–	₱238,293
Finance expenses	₱1,748	₱4,668	₱15,894	₱13,191	₱1,973	₱153,027	₱–	₱31,509	₱–	₱52,492	₱–	₱274,502
Provision for (benefit from) income tax	₱101,026	₱473,458	₱1,137,649	₱592,949	(₱39,059)	(₱949)	₱–	₱–	(₱2,854)	₱56,630	₱–	₱2,318,850
Net income (loss) attributable to equity holders of the parent	₱345,649	₱1,298,806	₱1,844,887	₱938,086	(₱91,980)	(₱256,237)	₱64,888	₱300,891	₱–	(₱376,258)	₱–	₱4,068,732
Segment assets	₱1,582,753	₱2,870,615	₱10,241,256	₱4,988,713	₱1,353,208	₱12,643,376	₱852,992	₱–	₱38,958	₱13,734,155	₱–	₱48,306,026
Deferred income tax assets - net	52,232	47,420	64,436	188,983	88,256	364	–	–	–	165,573	–	607,264
Total assets	₱1,634,985	₱2,918,035	₱10,305,692	₱5,177,696	₱1,441,464	₱12,643,740	₱852,992	₱–	₱38,958	₱13,899,728	₱–	₱48,913,290
Segment liabilities	₱280,715	₱547,605	₱3,027,714	₱1,693,564	₱167,733	₱7,600,393	₱7,547	₱–	₱–	₱490,031	₱–	₱13,815,302
Deferred income tax liabilities	–	–	–	132,938	164,105	98,732	–	–	11,853	93,571	–	501,199
Total liabilities	₱280,715	₱547,605	₱3,027,714	₱1,826,502	₱331,838	₱7,699,125	₱7,547	₱–	₱11,853	₱583,602	₱–	₱14,316,501
Other segment information:												
Capital expenditures	₱87,688	₱110,263	₱498,191	₱445,251	₱9,841	₱967,453	₱3,330	₱–	₱–	₱10,831	₱–	₱2,132,848
Depreciation, amortization and depletion	₱145,621	₱176,627	₱593,715	₱184,958	₱45,390	₱161,443	₱57,178	₱–	₱9,513	₱70,815	₱–	₱1,445,260

Inter-segment revenues are eliminated upon consolidation.

The Group has revenues from external customers as follows:

Country of Domicile	**2022**	2021	2020
China	**₱16,971,601**	₱19,445,867	₱15,832,093
Local	**10,290,009**	5,828,005	5,045,212
Japan	**741,540**	2,130,243	894,276
	₱28,003,150	₱27,404,115	₱21,771,581

The revenue information above is based on the location of the customer. The local customers include CBNC and THNC, which are PEZA-registered entities.

The revenue from key customers are as follows:

Key Customers	**2022**	2021	2020
Ningbo Lygend Wisdom Co. Ltd.	**₱5,859,266**	₱8,269,823	₱6,222,141
Union Wave Holding Pte. Ltd.	**5,082,846**	–	–
THNC	**4,973,387**	3,035,123	2,939,584
CBNC	**4,493,091**	–	–
Big Wave	**3,576,952**	7,783,488	8,677,117
	₱23,985,542	₱19,088,434	₱17,838,842

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Nickel Asia Corporation and Subsidiaries
28th Floor NAC Tower, 32nd Street
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Nickel Asia Corporation and its subsidiaries as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, included in this Form 17-A and have issued our report thereon dated March 14, 2023. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules[i] are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
Tax Identification No. 163-069-453
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 100794-SEC (Group A)
Valid to cover audit of 2021 to 2025 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. 08-001998-097-2020, November 27, 2020, valid until November 26, 2023
PTR No. 9564637, January 3, 2023, Makati City

March 14, 2023

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[i] This includes:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Map showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, associates, wherever located or registered
- Supplementary schedules required by Annex 68-J:
  - Financial assets
  - Amounts receivable from directors, officers, employees, related parties, and principal stockholder (other than related parties)
  - Amounts of receivable from related parties which are eliminated during the consolidation of financial statements
  - Long-term debt
  - Indebtedness to related parties
  - Guarantees of securities of other issuers
  - Capital stock

NICKEL ASIA CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2022

SCHEDULE I

NICKEL ASIA CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2022

Unappropriated retained earnings as at December 31, 2021, *as adjusted to available for dividend distribution*		₱16,690,667
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	5,074,656	
Less: Non-actual/unrealized income net of tax		
Unrealized foreign exchange gains - net, except those attributable to cash and cash equivalents	(102,922)	
Fair value adjustments	281,059	5,252,793
Less: Dividend declarations during the year		(6,134,387)
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION AS AT DECEMBER 31, 2022		**₱15,809,073**

SCHEDULE II

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule A. Financial Assets
December 31, 2022

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
	In Thousands			
Cash on hand and with banks	N/A	₱2,056,702	₱2,056,702	
Cash equivalents	N/A	8,663,632	8,663,632	₱128,499
Cash under managed funds	N/A	88,692	88,692	
Cash and cash equivalents		₱10,809,026	₱10,809,026	₱128,499
Trade	N/A	₱2,263,654	₱2,263,654	₱–
Amounts owed by related parties	N/A	175,239	175,239	–
Interest receivable	N/A	23,511	23,511	–
Current portion of loan receivable	N/A	5,425	5,425	5,322
Dividend receivable	N/A	287	287	–
Others	N/A	171,250	171,250	–
Trade and other receivables		₱2,639,366	₱2,639,366	₱5,322
Short-term cash investments	N/A	₱265,186	₱265,186	₱11,448
Negotiable instruments	N/A	40,000	40,000	1,390
Prepayments and other current assets		₱305,186	₱305,186	₱12,838
Keyland Ayala Properties Inc.	3,056,198 shares	₱510,921	₱510,921	₱15,281
Manila Golf and Country Club	1 share	105,000	105,000	–
NiHao Mineral Resources International, Inc.	101,000,000 shares	79,790	79,790	–
Wack-Wack Golf and Country Club	1 share	58,000	58,000	–
PLDT Inc.	25,000 shares	32,925	32,925	2,925
Security Bank Corporation	58,027 shares	5,049	5,049	100
Eurasian Consolidated Minerals Pty. Ltd.	15,949,298 shares	3,385	3,385	–

(Forward)

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2022

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
		In Thousands		
UBS Group AG - debt securities	various	₱1,624,459	₱1,624,459	₱2,467
JP Morgan Chase & Co. - debt and equity securities	various	1,190,749	1,190,749	6,591
Maybank ATR Kim Eng Capital Partners, Inc. - equity securities	various	442,616	442,616	6,349
BPI Asset Management - debt securities	various	46,788	46,788	–
BDO Unibank, Inc. - debt and equity securities	various	14,136	14,136	125
Security Bank Corporation - debt securities	various	5,957	5,957	–
Morgan Stanley & Co International Plc.	various	–	–	5,489
Financial assets at FVTPL		₱4,119,775	₱4,119,775	₱39,327
BPI Asset Management - debt securities	various	₱306,779	₱306,779	₱14,544
Security Bank Corporation - debt securities	various	94,801	94,801	2,741
BDO Unibank, Inc. - debt securities	various	46,395	46,395	1,608
Maybank ATR Kim Eng Capital Partners, Inc. - debt securities	various	–	–	735
Financial assets at FVOCI		₱447,975	₱447,975	₱19,628
San Miguel Corporation	₱200,000	₱200,000	₱200,000	₱5,413
Aboitiz Equity Ventures, Inc.	₱100,000	100,000	100,000	2,638
Retail Treasury Bond	₱100,000	100,000	100,000	3,150
Ayala Land, Inc.	₱25,000	25,000	25,000	1,052
SM Prime Holdings, Inc.	₱25,000	25,000	25,000	1,034
DoubleDragon Properties Corporation	₱10,000	10,000	10,000	488
Financial assets at amortized cost		₱460,000	₱460,000	₱13,775

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2022

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
		In Thousands		
MRF	N/A	₱766,351	₱766,351	₱5,990
Restricted cash	N/A	164,193	164,193	–
SDMP funds	N/A	88,937	88,937	79
Other noncurrent assets		₱1,019,481	₱1,019,481	₱6,069
Total		₱19,800,809	₱19,800,809	₱225,458

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
December 31, 2022

Name and Designation of Debtor	Beginning Balance	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Noncurrent	Ending Balance

There are no receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders other than subject to usual terms, for ordinary travel and expense advances, and for other such items arising in the ordinary course of business and eliminated in consolidation.

NICKEL ASIA CORPORATION

Schedule C. Amounts Receivable from Related Parties which are Eliminated in the Consolidated Financial Statements
December 31, 2022

Name of Subsidiary	Balance At January 1, 2022	Additions	Amounts collected	Reclassification	Amounts Written Off	Current	Noncurrent	Amount Eliminated
				In Thousands				
Dinapigue Mining Corporation	₱1,081,004	₱981,033	(₱2,195)	₱–	₱–	₱–	₱2,059,842	₱2,059,842
Coral Pearl Developments Limited	25,641	378	(2,539)	–	–	23,480	–	23,480
Cordillera Exploration Co., Inc.	7,246	313	–	–	–	–	7,559	7,559
Hinatuan Mining Corporation	1,106	13,252	(10,218)	–	–	4,140	–	4,140
Taganito Mining Corporation	362	11,517	(11,124)	–	–	755	–	755
CDTN Services Company Inc.	27	1,359	(782)	–	–	604	–	604
Rio Tuba Nickel Mining Corporation	1,024	10,243	(10,682)	–	–	585	–	585
Cagdianao Mining Corporation	816	8,979	(9,399)	–	–	396	–	396
Jobin-SQM, Inc.	–	188	(164)	–	–	24	–	24
Emerging Power Inc.	10	208	(200)	–	–	18	–	18
Manta Equities Inc.	2	73	(75)	–	–	–	–	–
	₱1,117,238	₱1,027,543	(₱47,378)	₱–	₱–	₱30,002	₱2,067,401	₱2,097,403

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule D. Intangible Assets - Other Assets
December 31, 2022

Description	January 1, 2022	Additions At Cost	Deductions: Charged to Costs and Expenses	Deductions: Charged to Other Accounts	Other Changes - Additions (Deductions)	December 31, 2022
	In Thousands					
Geothermal exploration and evaluation assets [(a)]	₱1,849,936	₱32,382	₱–	₱–	₱–	₱1,882,318
Other Noncurrent Assets [(b)]						
Deferred mine exploration costs	1,397,710	105,548	–	(892,186)	–	611,072
Project development costs	26,756	–	–	(5,050)	–	21,706
Computer software - net	62,393	11,358	(59,978)	–	–	13,773
	₱3,336,795	₱149,288	(₱59,978)	(₱897,236)	₱–	₱2,528,869

(a) Disclosed in Note 11 to the Consolidated Financial Statements
(b) Disclosed in Note 12 to the Consolidated Financial Statements

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule E. Long-term Debts
December 31, 2022

Name of Issuer and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-term	Remarks
	In Thousands			
Long-term Debts				
Taganito HPAL Nickel Corporation	–	₱97,571	₱731,784	A
TBEA International Engineering Co., Ltd.	₱–	–	175,840	B
Deferred Income				
Taganito HPAL Nickel Corporation	–	4,190	37,709	C
Total	₱–	₱101,761	₱945,333	

Remarks:

A. Interest rate is based on prevailing 180-day LIBOR plus 2% spread; principal is payable in semi-annual installments of US$875,000, payable in April and October until April 10, 2031.

B. Interest rate is at 5% p.a.; principal is payable at maturity or on June 17, 2025.

C. The obligation is covered by a Lease Agreement with THNC.

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule F. Indebtedness to Affiliates and Related Parties (Short-term and Long-term Debts with Related Companies)
December 31, 2022

Name of Affiliate	January 1, 2022	December 31, 2022
	In Thousands	
Long-term Debts		
Taganito HPAL Nickel Corporation	₱847,858	₱829,355
TBEA International Engineering Co., Ltd.	108,501	175,840
Deferred Income		
Taganito HPAL Nickel Corporation	46,213	41,899
	₱1,002,572	₱1,047,094

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2022

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee

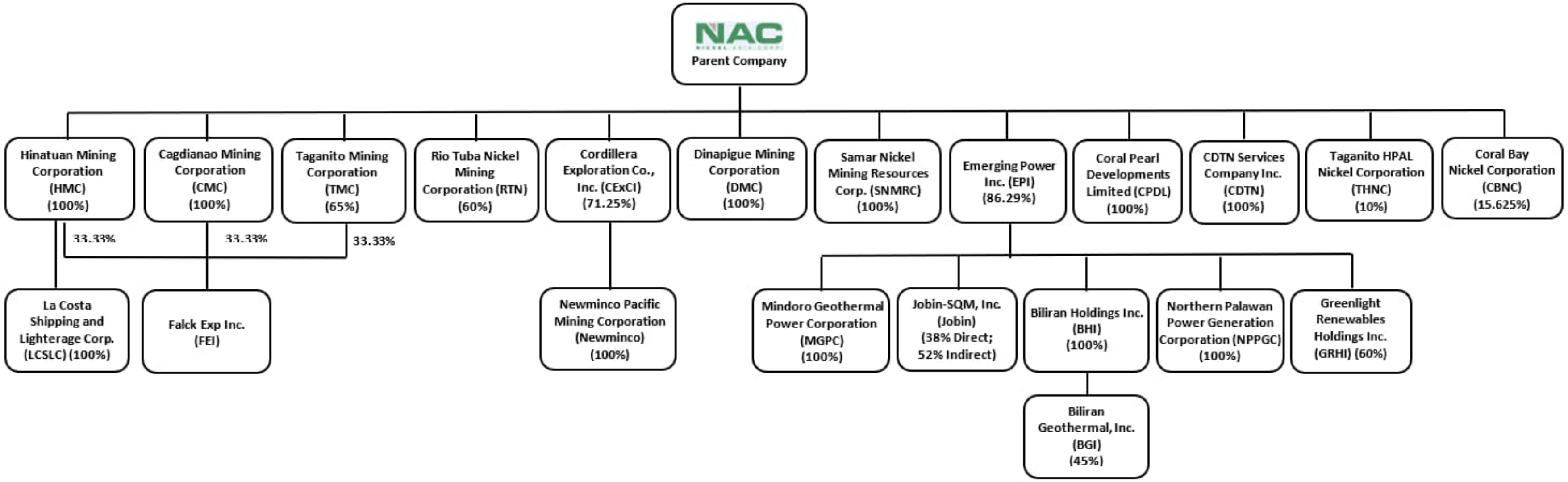
- Not applicable-

NICKEL ASIA CORPORATION AND SUBSIDIARIES
Schedule H. Capital Stock
December 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common Stock	19,265,000,000	13,630,850,117	375,000,000	10,129,219,720	48,983,307	3,452,647,090
Preferred Stock	720,000,000	720,000,000	–	720,000,000	–	–

SCHEDULE III

NICKEL ASIA CORPORATION AND SUBSIDIARIES
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES, CO-SUBSIDIARIES AND ASSOCIATES
DECEMBER 31, 2022



Note: There is no pyramid ownership structure and/or cross holding structure.

SGV
Building a better working world

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1226 Makati City
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**INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
Nickel Asia Corporation and Subsidiaries
28th Floor NAC Tower, 32nd Street
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Nickel Asia Corporation and its subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 14, 2023 Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company'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 consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
Tax Identification No. 163-069-453
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 100794-SEC (Group A)
Valid to cover audit of 2021 to 2025 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. 08-001998-097-2020, November 27, 2020, valid until November 26, 2023
PTR No. 9564637, January 3, 2023, Makati City

March 14, 2023

SCHEDULE IV

NICKEL ASIA CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2022

Ratios	Formula	**2022**	2021
A. *Liquidity ratios*			
Current ratio	Current assets / Current liabilities	**4.39**	2.01
Quick ratio	Current assets - Inventories - Prepayments and other current assets / Current liabilities	**3.64**	1.61
Solvency ratio	Total assets / Total liabilities	**5.39**	3.36
B. *Financial leverage ratios*			
Debt ratio	Total liabilities / Total assets	**0.19**	0.30
Debt-to-equity ratio	Total liabilities / Total equity	**0.23**	0.42
Interest coverage	Earnings before interest and taxes / Interest expense	**53.93**	68.27
Asset-to-equity ratios	Total assets / Total equity	**1.23**	1.42
C. *Profitability ratios*			
Gross profit margin	Sales - Costs / Revenue	**0.67**	0.70
Net profit margin	Net income / Revenue	**0.39**	0.39
Return on assets	Net income / Total assets	**0.22**	0.21
Return on equity	Net income / Total equity	**0.27**	0.29
Price/earnings ratio	Price per share / EPS	**10.07**	9.39

Nickel Asia Corporation
Annex A: Reporting Template

Contextual Information

Company Details	
Name of Organization	Nickel Asia Corporation and Subsidiaries
Location of Headquarters	28th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City
Location of Operations	Bataraza, Palawan Claver, Surigao del Norte Tagana-an, Surigao del Norte Dinagat Islands Dinapigue, Isabela Bonifacio Global City, Taguig Mt. Sta. Rita, Subic Bay Free Port Zone
Report Boundary: Legal Entities Included in this Report	Rio Tuba Nickel Mining Corporation (RTN) Taganito Mining Corporation (TMC) Hinatuan Mining Corporation (HMC) Cagdianao Mining Corporation (CMC) Dinapigue Mining Corporation (DMC) Emerging Power Inc. (EPI) Jobin-SQM Inc. (JSI)
Business Model, including Primary Activities, Brands, Products, and Services	Production of lateritic nickel ore Renewable power
Reporting Period	January 1, 2022 to December 31, 2022
Highest Ranking Person Responsible for this Report	Mr. Martin Antonio G. Zamora Chief Executive Officer, Nickel Asia Corporation

Report Boundaries

Nickel Asia Corporation (NAC) reports on the current situation of its operating mines' sustainability programs, namely Rio Tuba Nickel Mining Corporation (RTN), Taganito Mining Corporation (TMC), Hinatuan Mining Corporation (HMC), Cagdianao Mining Corporation (CMC), and Dinapigue Mining Corporation (DMC) along with Emerging Power Inc. (EPI) and Jobin-SQM Inc. (JSI).

This report was prepared in accordance to the GRI Standards and covers activities in the calendar year 2022. In order to track performance results transparently and consistently, NAC uses a comprehensive framework of indicators. This gives our stakeholders a clear picture of the company's accomplishments in terms of the triple bottom line of economic, environmental, and social development.

Performance Highlights

ECONOMIC	RTN	TMC	HMC	CMC	DMC	EPI	JSI
1. Shareholding Percentage (%)	60%	65%	100%	100%	100%	86.29%	82.87%
2. Financial Highlights (Million PhP)							
Direct revenue generated	6,757	12,924	2,168	3,824	530	-	610
Direct revenue distributed	6,075	15,721	1,961	3,839	448	253	315
Operating costs	1,844	7,265	963	2,032	350	62	246
Employee compensation & benefits	633	656	156	221	46	67	19
Dividends to stockholder	1,700	4,000	300	800	0	0	0
Taxes to government	1,636	3,568	501	722	47	124	48
National Taxes	1,517	3,430	476	650	44	124	48
Local taxes	119	138	25	72	3	0	0
Community Investment value retained	262	232	41	64	8	0	2
Direct economic value retained	682	(2,797)	207	(15)	82	(253)	295
Total Assets	6,371	8,262	1,678	2,886	2,020	6,152	8,674
3. Amount of ore sold (Thousand WMT)	4,158	7,937	1,412	2,095	336	N/A	N/A

ENVIRONMENTAL	RTN	TMC	HMC	CMC	DMC	EPI	JSI
1. Total spending on environmental protection and enhancement program (EPEP) (PhP)	66,699,956	173,493,052	84,761,767	68,327,585	8,737,696	N/A	N/A
2. Rehabilitation efforts (has.)							
Number of hectares rehabilitated	4	40	23	5	0	N/A	N/A
3. Reforestation efforts							
Number of hectares reforested within Mineral Production Sharing Agreement (MPSA) area (has.)	0	20	151	3	0	N/A	N/A

ENVIRONMENTAL	RTN	TMC	HMC	CMC	DMC	EPI	JSI
Number of hectares reforested outside MPSA area (has.)	47	4	15	20	10	N/A	N/A
4. Pollution control							
Total renewable energy generated (kWh)	N/A	N/A	N/A	N/A	N/A	N/A	114,823,960
Avoided emission (tCO_2e)	N/A	N/A	N/A	N/A	N/A	N/A	(47,324)
Consumption of energy (MWh)	2,057.54	3,057.2	39.72	1,049.19	288.25	15.49	1,024.89
Total fuel consumption – generator sets (L)	95,762	232,765	257,899	487,978	154,198	N/A	470
Total fuel consumption – vehicles (L)	7,801,448	17,033,187	2,406,241	5,025,297	1,258,870	2,655	14,130
Total Greenhouse Gas (GHG) emissions (tCO_2e)	69,282	221,521	15,201	131,296	3,192	16.58	245,338
5. Waste management							
Amount of hazardous waste (kg)	111,361	232,855.04	81,840	72,808	10,890	152	1,228
6. Watershed management							
Volume of silt collected (WMT)	10,906	281,080	90,020	40,003	3,156	N/A	N/A
Volume of water consumption (cubic meters)	8,932,427	131,488	133,333	86,754	5,455	0	21.45
Volume of water discharge cubic meters)	15,726,816	35,069	62,484	0	21,819.14	N/A	1,518
7. Land use							
Disturbed (has.)	1,115	1,734	471	266	93	N/A	105
Rehabilitated (has.)	4	40.21	23.46	5	0	N/A	N/A
Other use (has.)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SOCIAL	RTN	TMC	HMC	CMC	DMC	JSI
1. Employees						
Percentage of employees under collective bargaining agreement (CBA)	81%	69%	49%	28%	N/A	N/A
Average training hours/employee	30.00	36.53	46.01	25.22	54.41	11.82
2. Health and Safety						
Number of employees in health and safety committee	45	40	23	42	57	7
Total manhours	5,019,213	7,992,448	3,076,403.6	3,865,829	1,151,644	755,344
Incidence rate	0.04	2.02	0.24	4.4	1.56	0
Total lost days	0	0	0	0	0	0
3. Communities						

SOCIAL	RTN	TMC	HMC	CMC	DMC	JSI
Total spend on Social Development and Management Program (SDMP) (PhP)	45,826,189.12	86,375,290.29	25,605,936.20	35,531,058.98	7,049,440.40	N/A
Population of neighboring communities	56,754	40,731	3,385	5,154	6,241	15,704
Number of Indigenous People communities residing near the mine site	21,075	N/A	N/A	N/A	2,451	1,920
4. Social Development Focus Area (SDMP + Corporate Social Responsibility)						
I. Education						
Scholars supported	589	582	1,141	55	37	N/A
II. Health						
Number of patients/cases treated in hospital	4,696	0	N/A	N/A	0	2
Families assisted during and after calamities	200	0	5	1,578	0	N/A
Admitted/confined patients	654	0	N/A	N/A	0	2
III. COVID-19 Response						
Amount spent on medical supplies and equipment for COVID-19 response (Million PhP)	0.31	0	N/A	1.013	N/A	N/A
Number of hospitals assisted	0	0	N/A	N/A	N/A	N/A
Amount spent on relief goods (Million PhP)	0.070	0	N/A	N/A	N/A	N/A
Number of families helped	134	0	N/A	1,578	N/A	N/A
IV. Infrastructure						
Length of roads constructed/improved (km)	0.20	0.08	N/A	N/A	0.12	N/A
Amount spent on road construction (Million PhP)	0.083	1.560	N/A	N/A	0.383	N/A
Amount spent on other infrastructure projects (Million PhP)	8.25	14.75	N/A	3.51	1.67	N/A
V. Livelihood						
Peoples' Organizations that were provided financial assistance	8	12	4	18	7	N/A
Members	281	271	253	954	176	N/A

Our Journey to Sustainability

Nickel Asia Corporation (NAC), as a listed natural resources development company, builds its business actions and choices on the values that our stakeholders share. Always conscious of the communities where we operate, the environment we protect and develop, and the consumers and employees in our stead. We have committed ourselves and our operations to foster integrity, accountability, and transparency.

Our shared purpose to contribute to national development allowed us to successfully implement guidelines and procedures toward responsible mining practices, but we continue to strive to improve ourselves and our processes. Our journey to sustainability is borne not out of compliance, but because we believe that this is the right thing to do.

ESG Roadmap

ESG is ingrained in NAC's DNA, affirmed by the lasting impact we leave in the communities we touch and environmental programs that balance resource utilization and ecological stability. NAC is recognized both locally and internationally for its exemplary efforts in promoting environmentally and socially responsible mining operations.

Not to rest on its gains, NAC embraced the Sustainability challenge by approving the NAC ESG Roadmap in November 2021. For this year's steadfast commitment in the program, NAC seeks for continuous growth towards our vision to become the premier ESG investment in the country and to be counted among the top 25 Philippine Stock Exchange-listed companies in terms of market capitalization by 2025 leading us to push even further in this sustainability journey.

NAC's Initiatives Timeline

December 2021- January 2022
Creation of ESG TWGs per BUs

- Each Business Unit formed a Technical Working Group (TWG) according to each ESG pillar. The team is composed of concerned departments per Business Unit. The TWGs are responsible for baselining, objective setting, gap analysis and action planning.
- There are 31 TWG members from Environment, 41 TWG members from Social, and 16 TWG members from Governance coming from the 10 Business Units.

December 2021 – April 2022
Conduct of Materiality Assessment

- A Materiality Assessment was conducted to identify and validate the Environmental, Social, and Governance (ESG) issues and opportunities that are relevant and most impactful to the company –a critical input to NAC's sustainability journey.
- The validation survey covered internal stakeholders of regular and probationary employees, and external stakeholders of government agencies, media, academe, downstream market, community, and Civil Society Organizations.

January 2022 – August 2022
Conduct of Current State Assessment

- The assessment examines existing programs, policies, and systems of NAC including a 5-year historical baselining (2017-2021) of all relevant indicators related to ESG.

March 2022 – August 2022
Conduct of Gap Analysis and Objective Setting
- This step aimed to maintain the objectives that NAC is already achieving well and improve in areas to align better with the ESG commitment, while maximizing current efforts to move toward industry ESG leadership.
- NAC set the goals with each theme and priority area identified.

August 2022 (Main Highlight)

Creation of Sustainability Committee
- By forming a sustainability committee comprised of two (2) board members and one (1) independent director in charge of overseeing, identifying, and assessing the economic, environmental, ethical, and social impact of operations, NAC solidifies its sustainability agenda by pushing leadership and stakeholders to constantly raise standards in terms of accountability and transparency.
- The committee is in charge of steering the company in becoming a better business operator and contributor to national development.
- NAC is the first mining company in the country to establish a board-level sustainability committee and a Chief Sustainability Officer.

Appointment of Chief Sustainability Officer
- The Chief Sustainability Officer spearheads the development, establishment, and review of the Group's ESG Roadmap and sustainability framework, policies, and initiatives.

Creation of Office of the Chief Sustainability Officer (OCSO) sector
- The Sector is responsible in the planning and execution of the NAC ESG Roadmap. Also known as the Sustainability Team, shall ensure the alignment of NAC with global Sustainability standards.

September 2022
Creation of Sustainability Council
- The Council is composed of representatives from Compliance and Corporate Services Group, Sustainability, Public Affairs and Communications Group, Risk and Assurance Group, Finance and Revenue Management Group, Revenue Generation Group, and Renewables Group

Completed NAC ESG Roadmap (Phase 1)
- The road map outlines the future direction of the company and ensures accountability on key performance metrics.

2022 ESG Initiatives and Activities

As NAC embarks on this journey, the activities for this year are aligned, strategized and driven by NAC's targets and ambitions.

An Anti-bribery Online Training was completed last March 2022. This self-paced training, attended by four (4) participants from the Sustainability Team, is an introduction to the UN Global Compact's 10th principle against corruption applied to the private sector. Other trainings were also conducted in April such as the GHG Training by the University of the Philippines Los Baños (UPLB). Forty-two (42) Environment Team Members attended the training and learned about updated tools and methods for reporting and avoidance of GHG emissions.

In the same month, two (2) Sustainability Team members attended this deep dive discussion on methodology and approach of a science-based target setting and management of GHG emissions in helping the company reach the net-zero emissions goal in the UNGC Climate Ambition Accelerator.

By October, NAC conducted Monitoring and Evaluation through presentations and assessments related to ESG targets. Participated by TMC's ESG TWG members, field visits were conducted on ESG key areas. For Environment were the conveyor belt system, siltation pond, and sanitary landfill. For Social was the people's organization, namely, "Claver Red Mountain Agriculture Cooperative" (CREMACO), "Urbiztondo Crops Producers Cooperative" (UCPC), and TMC Health Clinic.

Sustainability Framework

Aligning with the UN SDGs and UNGC Principles

NAC's Sustainability Framework integrates and conforms its **Environment, Social, and Governance** (ESG) initiatives with its commitment to the UN Sustainable Development Goals (UN SDGs). NAC focused on these three (3) main pillars that is ESG and ensures that the Company's programs and policies have a significant effect on stakeholders and bring about beneficial changes.

Pillar	Rank	Material Topics	UNGC Principle	Performance
Environment	1	Water Management	**Environment** ***Principles 7*** Businesses should support a precautionary approach to environmental challenges; ***Principles 8*** Undertake initiatives to promote greater environmental responsibility; and ***Principle 9*** Encourage the development and diffusion of environmentally friendly technologies.	**SDG 6** Water extracted (cu.m) – 25,135,644.67 Silt Collected (WMT) – 425,165 Water discharged (cu.m) - 15,847,706 Expenditure on water projects (PhP) - 4,062,304
	2	Waste Management		**SDG 12** Hazardous waste diverted from disposal (kg) - 441,869 Percentage of total waste diverted from disposal (kg) - 80.59%
	3	Biodiversity Protection		**SDG 14** Budget for water protection programs (PhP) - 101,354,870.26 **SDG 15** Number of seedlings planted – 1,052,866 Land area rehabilitated (has.) – 73 Land area reforested (has.) - 269.27
	4	Energy Efficiency		**SDG 7** Total renewable energy generated (kWh) – 114,823,960 **SDG 12** Fuel consumed (lL) – 34,816,199 Electricity consumed (MWh) - 7,532,282
	5	Climate Resilience		**SDG 13**

Pillar	Rank	Material Topics	UNGC Principle	Performance
				Total amount spent for climate resiliency projects (PhP) 9,859,387 Assistance to calamity victims (PhP) - 13,727,881 Investment on EPEP (PhP) - 402,020,056
	6	Greenhouse Gas		**SDG 13** Total emissions avoided (tCO_2e) – (47,324)
Social	1	Health and Safety	**Human Rights** ***Principle 1*** Businesses should support and respect the protection of internationally proclaimed human rights; and ***Principle 2*** Make sure that they are not complicit in human rights abuses	**SDG 3** Expenditure on health and safety programs (PhP) – 18,696,271 Expenditure on COVID-19 responses (Million PhP) – 1,323,180 Expenditure on medical supplies and equipment Million (PhP) – 1,013,900 Expenditure on relief goods (Million PhP) – 65,000 Household assisted – 1,712
	2	Sustainable Communities		**SDG 11** Total amount spent on road construction/improvement - 2,017,068
	3	Nation Building through Economic Growth	**Labour** ***Principle 3*** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	**SDG 8** WMT ores sold (thousand WMT) - 15,938 Total taxes paid (millions PhP) - 6,646 Percentage of spending on local suppliers – 78% Expenditure on livelihood programs (PhP) - 13,633,297
	4	Indigenous Peoples Partnership	***Principle 4*** The elimination of all forms of forced and compulsory labour;	**SDG 10** Indigenous population supported by SDMP – 23,526 Indigenous Peoples hired in the workforce – 206 Number of People's Organizations benefited – 49 Number of IP members - 1,935
	5	Work Conditions (Decent Work)	***Principles 5*** The effective aboition of child labour; and ***Principles 6*** The elimination of discrimination in respect of employment and occupation.	**SDG 3** Total safe man hours - 88,715,956 **SDG 4** Total training hours for employees - 62,799 **SDG 8** Total number of employees – 3,075[1] Employees under CBA – 604 Employees hired from local communities – 2,274
	6	Diversity and Inclusion		**SDG 5** Percentage of women in the workforce – 21% Percentage of women returned to work after parental leave – 100% Percentage of women in supervisory, managerial positions - 33%
Governance	1	Incident/Risk Management Systems	**Anti-Corruption** *Principle 10*	**SDG 9** Expenditure on infrastructure projects (PhP) - 40,645,494
	2	Corporate		**SDG 5**

[1] Includes seasonal and project-based employees

Pillar	Rank	Material Topics	UNGC Principle	Performance
		Governance	Businesses should work against corruption in all its forms, including extortion and bribery.	Number of women in the board – 2 **SDG 10** Entry level wage exceeds the local minimum wage requirement by 12%[2]
	3	Corporate Behavior		**SDG 16** Incidents of corruption - 0 Incidents of labor code violations - 0 Human rights violation - 0

Engaging with our Stakeholders

Despite the challenges that came with 2022, NAC managed to keep its different channels of communication accessible and guarantee that its stakeholders were kept up to date and advised of the Company's projects and actions.

To maintain accountability and integrity, NAC maximizes the use of official report documents, its corporate website, and staging of events for interaction and discussion.

ENGAGEMENT METHOD	AREA OF CONCERNS	ACTIONS WE TOOK
Government	Diversity and Inclusion	Ensured responsive, inclusive and representative decision-making
	Transparency	Continual reputation and relationship building
	Zero Bribery	Mitigated bribery risks
		Employees and business partners trained
		Reduced confirmed cases of bribery
	Risk Management	Evaded potential threats and minimized impacts
	Data Protection	Managed properly company data and personnel information
Community	Occupational Health and Safety	Ensured healthy and safe workplace
	Mental Health Awareness	Approached employee health holistically
	Preventive Healthcare	Promoted preventative care
	Opportunity for Local and Marginalized Populations	Championed inclusivity
	Access to Basic Services	Provided safe and clean water to communities
		Improved access to communities
		Provided affordable, reliable, and clean supply of electricity
	Good Health	Improved health condition
	Sustainable Livelihoods	Increased and provided stable source of income

[2] Average of local minimum wage across all sites vs. average of standard entry level wage across all sites

	Community Climate Resilience and Disaster Risk Reduction and Management	Increased community resilience to climate change and disasters
	Emission Reduction	Reduced GHG emission in Scopes 1, 2 & 3
	Carbon Sequestration	Increased carbon sequestration capacity
	Natural Habitats Protection	Increased habitats protected or restored
		Avoided operating in or near protected areas
	Biodiversity Impact Mitigation	Reduced pressures on threatened species
		Reduced impact of introduced species
	Preservation of Biodiversity	Protected threatened species
	Water Quantity	Reduced the amount of water required for business activities, increasing reuse, recycling and efficiency
	Water Quality	Improved water treatment to restore water quality, reduce siltation and prevent pollution
Academe	Quality Education	Strengthened education support and increased literacy rate
Market		
Civil Society Organizations	Gender Equality	Established gender balance at all levels of organization
	People's Organizations and Good Governance	Strengthened local institutions

Details of the engagement plan will be further implemented and reported in 2023. This will cover the company's internal and external stakeholders and targets to increase knowledge, attitude, and practice of sustainability among NAC Group's employees while promoting awareness and garnering the support of external stakeholders.

Material Aspects of Sustainability

From November 2021 to June 2022, a materiality assessment of the Company and its subsidiaries was conducted. The assessment's goal is to identify and validate the Environmental, Social, and Governance (ESG) issues and opportunities that are most relevant to the Company and to the communities in which it operates. The assessment's results will be crucial in the company's journey toward sustainability.

The materiality assessment aims to align the identified issues with the Company's ESG strategies, strengthen the Company's approach to engaging stakeholders, better implement commitments and policies toward a sustainable business and community, and set a standard for ESG reporting. T. NAC is serious with its commitment to its stakeholders and to the general public of contributing to the creation of a sustainable world for everyone and for generations to come.

Methodology

The Board of Directors and Management Committee of NAC identified material topics pertaining to Environment, Social, and Governance. The issues are as follows:

- Climate Resilience
- Corporate Behavior
- Corporate Governance
- Diversity and Inclusion
- Energy Efficiency
- Greenhouse Gas
- Health and Safety
- Incident/Risk Management Systems
- Indigenous Peoples Partnership
- Nation Building through Economic Growth
- Sustainable Communities
- Waste Management
- Water Management
- Work Conditions

The issues identified by the Board and Senior Management of NAC were validated through a survey. The validation survey covered both internal stakeholders —(regular and probationary employees) and external stakeholders —(government agencies, media, academe, downstream market, community, and Civil Society Organizations).

Random sampling was done for the total population of internal and external stakeholders with 9%-10% Margin of Error.

OPCO	Internal Stakeholders		External Stakeholders	
	Population	Sample Size (10% MoE)	Population	Sample Size (9% MoE)
NAC	121	6	17	7
RTN	568	28	234	28
TMC	677	36	80	14
CMC	253	13	22	7
HMC	296	3	62	12
DMC	42	2	116	16
JSI	45	2	41	10
CEXCI/NEWMINCO	12	1	152	3
TOTAL	**1,914**	**91**	**724**	**97**

Table 1 *. Population and Sample size of Internal and External Stakeholders*

Table 1 above shows a total of 1,914 internal stakeholders from NAC Group. RTN and TMC have the highest employee population, thus, the largest sample size. For external stakeholders, NAC Group identified 724 stakeholders. RTN and DMC have the largest sample size.

The composition of external stakeholders' respondents is presented in Figure 2 below. Government, both National Regulatory Agencies and Local Government Units, composed 36% of the respondents. This is followed by community members (25%) and Civil Society Organizations (18%).

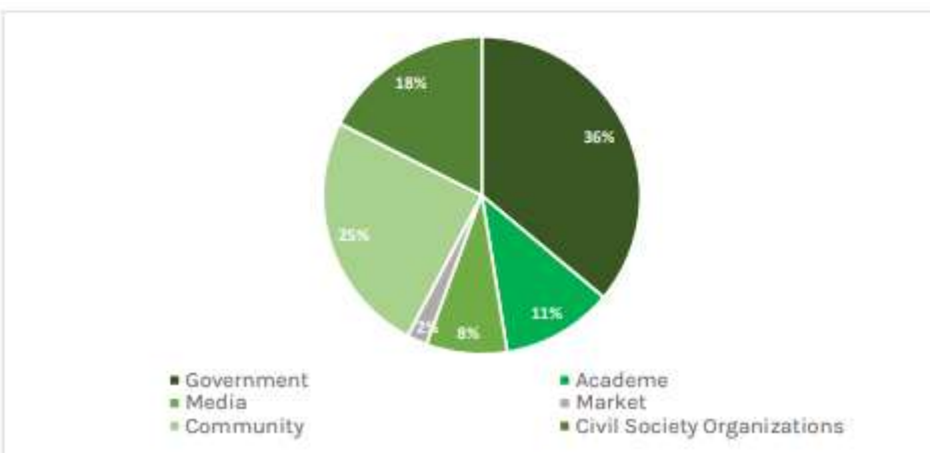
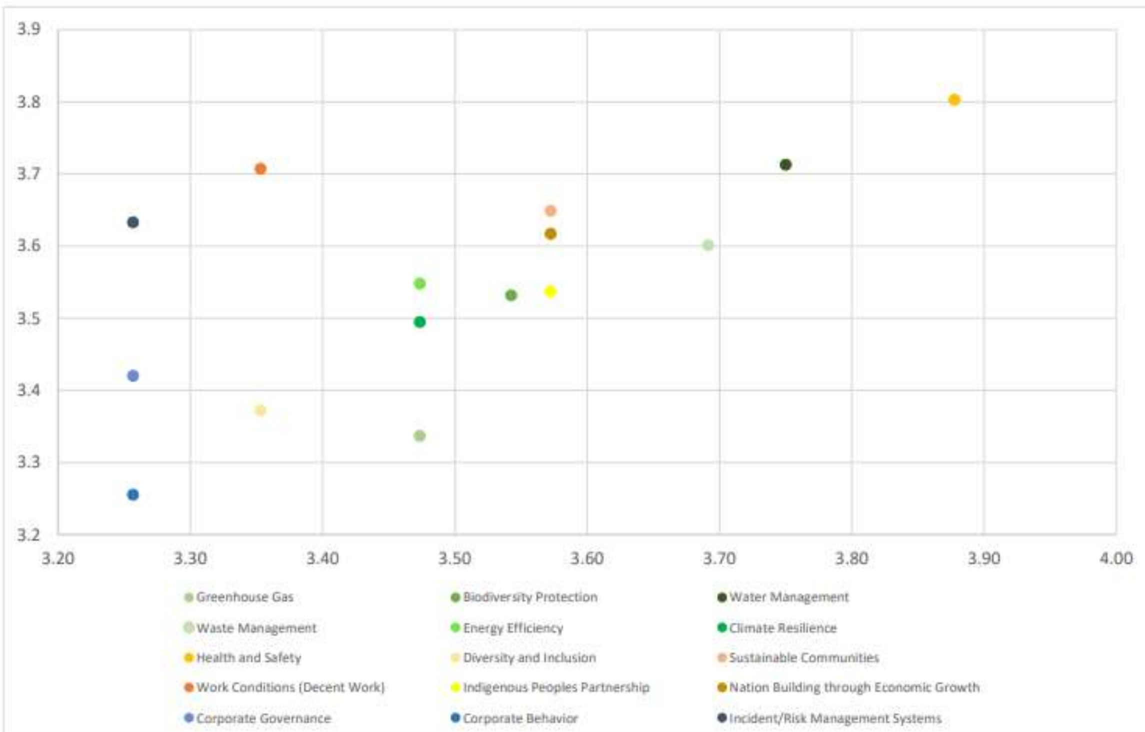


Figure 1*. Composition of External Respondents*

A questionnaire was created to assess the significance, impact, and relevance of ESG issues to stakeholders and business. Respondents were sent an online survey via email, and those who did not have access to the internet or a computer were interviewed in person. The interviews were made possible by the company's Community Development and Relations Office (ComRel) and Human Resources (HR).

As part of the evaluation, the following rating system was used:

Impact on Stakeholder	Impact on Business
1- Least important to stakeholder	1- Least relevant to business
2- Somewhat important	2- Somewhat relevant
3- Important	3- Relevant
4- Very Important	4- Very Relevant



The Materiality Matrix above summarizes the materiality assessment results. The horizontal axis shows the importance of ESG Material topics to stakeholders, while the vertical axis shows the importance of ESG Material topics to business. According to the matrix, the most important and relevant topics to both NAC and its stakeholders are Health and Safety, Water Management, and Waste Management.

Our Sustainability Performance

ENVIRONMENT

NAC reinforced its dedication to environmental protection by embedding globally accepted Sustainability standards into its NAC ESG Roadmap. The metrics aligned with the performance objectives of its subsidiaries.

Environmental Protection and Enhancement Programs (EPEPs), for one, are comprehensive and strategic environmental management plans that include management requirements and objectives, procedures, and responsibilities that aim to protect and rehabilitate the environment. These are financially supported by all of the Company's active mines. The annual EPEP-funded programs and initiatives for each mine also identifies possible environmental risks related to Land Protection, Air Protection, Water Protection, and Environmental Monitoring, among others.

Activities carried out by the Company through the EPEP include reforestation, rehabilitation of disturbed areas, construction and maintenance of environmental facilities, solid waste management, hazardous waste management, air quality monitoring, and downstream water quality preservation, among others.

EPEP Spending (Million PhP)	RTN	TMC [3]	HMC	CMC	DMC	TOTAL
2022						
Land Protection	30,841,321.00	83,663,050.00	48,608,931.17	30,264,825.38	3,624,294.12	197,002,421.67
Air Protection	8,588,558.00	20,506,828.00	6,342,109.35	5,209,795.81	1,764,226.34	42,411,517.50
Water Protection	12,451,094.00	49,047,361.00	17,057,636.67	20,314,669.24	2,484,109.35	101,354,870.26
Environmental Monitoring	9,322,606.00	5,961,665.00	2,629,269.06	122,852.73	0	18,036,392.79
Other Initiatives	5,496,377.00	14,314,148.00	10,123,820.83	12,415,441.54	865,066	43,214,853.37
TOTAL EPEP	66,699,956.00	173,493,052.00	84,761,767.08	68,327,584.70	8,737,695.81	402,020,055.59

At Taganito Mining Corporation, the Environment Team help increase the coral population near Malingin Islet in Surigao del Norte as part of its EPEP. To conserve and protect the area's coastal and marine resources, Coral of Opportunity (COPs) or damaged coral pieces are gathered, transferred to areas with few to no corals, and are attached to concrete blocks for additional substrate stabilization.

The team also consistently clears and collects trash in the Barangay Taganito Beach area, ensuring that no waste could harm the marine ecosystem. The team organizes the clean-up in the hopes of encouraging community members to participate and raising awareness about proper waste disposal.

As part of the Company's celebration of this year's Earth Day, Cagdianao Mining Corporation organized several environmental-conservation-focused events and facilitated a neighborhood clean-up and Information, Education, and Communication (IEC) initiatives on waste management. Last April 19, 2022, CMC held a culmination activity attended by community residents.

Land Protection

NAC works tirelessly to safeguard biodiversity within its operational areas, acknowledging the value of natural habitats to various flora and fauna species, some of which are on the IUCN Red List and national conservation lists. As a result, the Company employs consistent practices as mitigating measures, such as:

- Proper handling of cleared vegetation, including topsoil management
- Progressive rehabilitation of mined-out areas and reforestation with indigenous species to preserve the natural floral biodiversity of the affected sites
- Regular Biodiversity monitoring to measure changes in the quality and quantity of biodiversity

[3] This is not the final AEPEP spending for 2022 yet. This is the latest validated figures by the TSHES audit.

NAC and its subsidiaries are extending support for the government's National Greening Program (NGP) by producing fruit-bearing tree seedlings and donating them to the Department of Environment and Natural Resources (DENR).

This year, NAC has donated 185,466 seedlings worth approximately P8.5 million and planted 234,873 trees within mining camps. Regulations require tree replacement of 1:100 in private and forest lands including those affected by development projects in support of the National Greening Program (NGP) and climate change initiatives of the Government. This is part of the mining industry's rehabilitation programs, which are enshrined in the Philippine Mining Act of 1995, as well as mining companies' commitment to greening the communities in the operation.

Hinatuan Mining Corporation's (HMC) Biodiversity Management is a major component of its annual EPEP that supports the following programs: buffer zone establishment, reforestation inside its MPSA, accreditation of DENROs, conducting flora and fauna assessment, and the establishment of a mangrove plantation, a coral nursery, and artificial coral reefs, among others.

HMC has numerous environmental programs, several that are worth mentioning such as "National Greening Program" as a part of a land protection initiative, "Adopt-a-River Program", regular company-wide tree planting activities, coastal cleanups or "*Scubasurero*", Aquaponics, Soft-shell crab farming and Community Output-based Program (COBP) among the others.

The collaborative project (Adopt a River Program), which HMC along with the local government of Tagana-an, Surigao del Norte and DENR-PENRO-SDN plans to extend its program in adopting the Tagana-an River and Kinabutan River in Surigao City, respectively. The "Adopt-a-River Program" aims to restore rehabilitate and/or enhance the present condition of the said water bodies.

Meanwhile, the "Scubasurero" Program attempts to broaden minds and educate communities about appropriate ocean care, rehabilitation, and conservation. The initiative began in 2012 and is still in operation today. Communities have benefited from the advantages of all the evident improvements to the water since then. On some cases, the program becomes an avenue to teach scuba diving lessons to interested individuals.

For this year's Hearts' Day, HMC celebrated the event with its Mine Environmental Protection and Enhancement Department at the center. During the event, 100 participants planted a total of 700 seedlings of various forest tree species, including mangkono, bagras, narra, agoho, and bani. Organizers also encouraged people to hug trees in the hopes of improving their physical and mental health.

Meanwhile, Taganito Mining Corporation's (TMC) Mine Environmental Protection and Enhancement Office (MEPEO) participated in the Simultaneous Bamboo Planting exercise as part of its Mineral Production Sharing Agreement (MPSA).

The bamboo planting exercise intends to reduce the effects of flooding, aid in the arrest and reduction of siltation, strengthen biodiversity, and offer additional sources of income for communities.

Another TMC project that began in 2017 and is still operating to date is its livestock program under the Environmental Department. Animals such as rabbits, chickens, ducks, and pigs are cared for at Umahan sa Minahan or Pit 29. Chickens are sold as meat and while layers are raised to produce brown organic eggs. Ducks or itik are utilized to produce "balut" and rabbits are to be sold by pair to those who want to raise them as pets.

The main goal of raising these livestock is not only to provide a livelihood for indigenous people and local farmers, but also to prove how responsible mining works. The production of these livestock shows that mining and agriculture can coexist, and when the mine life ends, the indigenous tribes and farmers in the locality will continue to benefit from fully developed and sustainable projects like this.

As a contribution, CMC also launched the ECommunity 2022 this year. It is a Mine and Environment Protection and Enhancement Office (MEPEO)-initiated livelihood program funded by the Annual Environmental Protection and Enhancement Program (AEPEP). CMC Foresters provided free orientation on nursery establishment, knowledge, and strategies on the proper handling of seedlings to job contractors from the company's host and neighboring communities. CMC takes pride in its collaboration with community residents aimed at environmental transformation and stewardship.

Land Protection[4]	RTN	TMC	HMC	CMC	DMC	EPI	JSI	TOTAL
Total Area Disturbed (ha)	1,115	1,734	471	266	93	N/A	104.60	**3,783.60**
Total Area Used for Other Purposes (ha)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
Total Area Rehabilitated (ha)	4	40.21	23.46	5	0	N/A	N/A	73
Total Area Reforested (ha)	47.00	23.53	165.63	22.78	10.33	N/A	0	269.27
Area of land used for extractive use (ha)	55	135	23	51	5	N/A	N/A	269
Area of land used for construction and development	N/A	N/A	N/A	N/A	N/A	N/A	125.7	**125.7**
Percentage of land requiring biodiversity management plans	100%	100%	100%	100%	100%	N/A	N/A	**100%**
Operational sites owned, leased, managed in, or adjacent to, protected area and areas of high biodiversity value outside protected areas	N/A	N/A	773.7	80	62.89	N/A	815.25	1,731.84
Habitats protected or restored (ha)	650	N/A	N/A	80	N/A	N/A	N/A	730

IUCN Red List species and national conservation list species with habitats in areas affected by operations

Biodiversity Programs			
RTN		CMC	
Least Concern	Great Egret, Eurasian coot, Wandering Whistling Duck, Olive-backed Sunbird, Osprey, Common Iora, Common Emerald Dove, White-vented Shama, Monitor-Lizard, Palawan Flowerpecker, Brahminy Kite, White-bellied Sea Eagle, Blue Pradise Flycatcher, Blue-rock thrush, Crested Serpent Eagle, Yellow-throated Leafbird, Yellow-vented Bulbul, Scaly-breasted Munia, Pygmy Flowerpecker, Paddyfield	Critically Endangered	Buhon-buhon, Yakal, Mayapis

[4] Data in Total Area Disturbed, Areas of land used for extractive use and Area of land used for construction and development are cumulative data based on the Annual Land Use Report

	Pipit, Gwey wagtail, Palawan bulbul, Hooded Pita, Tufted Duck, Garganey, Crested Goshawk, Changeable Hawk-Eagle, Oriental Dwaft Kingfisher, Pink-necked Green Pigeon, Gunther's Whip Snake, Green Crested Lizard, Palawan Flying Lizard		
		Endangered	Philippine Forest Turle, Pitcher Plant (Nepenthes belli), Pitcher Plant (Nepenthes surigaonensis), Teakwood, Tugas, Magkono, Tree ferm
		Vulnerable	Philippine Sailfin Lizard, Lapnisan, Antipolo, Kamagong Dagat, Kamagong, Ituman, Red Nato, Wakatan, Narra, White Lauan, Red Lauan, Tanguile, Tiga Pula, Tiga Puti, Dao
		Near Threatened	Mindanao Fanged Frog, Philippine Tarsier, Island Flying Fox, Katmon, Kalingag, Anislag, Duguan, Balakat, Lokinay
HMC		**DMC**	
Critically Endangered	Paphiopedilum ciliolare, Xanthostemon bracteatus,	Critically Endangered	Philippine Eagle
Endangered	Nepenthes Surigaoensis, Xanthostemon verdugonianus	Endangered	Dalingdingan, Yakal, Igem-dagat, Narra, Kamagong
Vulnerable	Alocasia Zebrina, Artocarpus Blancoi, Intsia Bijuga, Pterocarpus Indicus F. Echinatus, Shorea Polysperma	Vulnerable	Philippine (Dwarf) Kingfisher, Philippines Duck, Philippine Eagle-Owl, Ashy Thrush, Southeast Asian Box Turtle, Manggachapui, Palosapis, Guijo/Red Balau, Red Nato, Malaikmo
Near Threatened	Limnonectes Magnus, Pteropus Hypomenus, Flueggea flexousa, Parashorea malaanonan	Near Threatened	Almon, Batikuling, Manaring, Ipil/Merbau,
Least Concern	Haliastur Indus, Haliaeetus Leucogaster, Todiramphus Chloris, Collocalia Troglodytes, Collocalia Esculante, Corvus Macrorhynchos, Chalcophaps Indica, Dicaeum Trigonostigma, Dicaeum Trigonstigma, Dicaeum Australe, Cinnyris Jugularis, Pycnonotus Goiavier, Rhipidura Javanica, Aplonis Panayensis, Passer Montanus, Cyrtodactylus Agusanensis, Cynopterus Brachyotis, Ptenochirus Minor, Rousettus Amplexicaudatus	Least Concern	Veranus Salvator, Red Lauan, Tanguile, Mayapis, Agoho, Daguan, Gatasan, Malabayabas, Malak-malak, Palomaria/Tamanu, Kulipapa, Maladuhat/Bikuas, Malasantol/Sentul
TMC		**JSI**	
Critically Endangered	Yakal, Pandanus Patelliformis	Vulnerable	Alalangad, Kupang, Lauan, Akle
Endangered	Saguisi-mina, Pasnit-kitid, Pandanus Ramosii, Lady's Slipper Orchid, Dayopod, Dalinsoi	Near threatened	Puso-puso, Lanete
Vulnerable	Palosapis, Dalindingan, Kalingag, Mancono, Pitcher Plant, Philippine Duck,	Least concern	Balete, Bilua, Gmelina, Lamio, Antipolo, Putat

	Philippine Warty Pig, Philippine Sailfin Lizard
Near Threatened	Malapandan

Biodiversity Programs			
RTN		HMC	
Mangrove Rehabilitation Projects	208 has	Mining Forest Program	24 has
Protection of Ursula Island Game Refuge and Bird Sanctuary	650 has	National Greening Program	100 has
Rehabilitation of Mined-out Areas	4 has	Community Output Based Program (COBP)	N/A
National Greening Program	69.1 has	Deputized Environment and Natural Resources	N/A
Bamboo Plantation Project	58.3 has.		
Community Partnership Program	N/A		
CMC		TMC	
Conservation Values	80 has	Flora and Fauna Monitoring	347 has
		Restoration Development Program	314 has

Energy Consumption and Management

NAC adopted efficient use of resources associated with practical resource management strategies which have been cautiously implemented to minimize total energy consumption across the company.

Energy Consumption	RTN	TMC	HMC	CMC	DMC	EPI	JSI	TOTAL
2022								
Genset (L)	95,762	232,765	257,899	487,978	154,198	N/A	470	1,229,072
Energy Generated by Genset (MwH)	134	409	586	1,049	285	N/A	6	2,469
Vehicles - Diesel (L)	7,801,448	17,033,187	2,406,241	5,025,297	1,258,870	2,657	14,130	33,541,830
Vehicles - Gasoline (L)	30,66	9,028	0	5,603	0	0	0	14,631
Total fuel consumption (vehicles)	7,832,114	17,042,214	2,406,241	5,030,900	1,258,870	2,657	14,130	33,587,126
Total number of vehicle/s used	550	595	121	36	85	2	7	1,396
Energy Intensity	14,240	28,642	19,886	139,747	14,810	1,328	2,109	220,764
Electricity from Local Supply (MwH)	1,923.54	2,648.47	39.72	N/A	3.13	15.49	1,018.78	5,649
LPG (KG)[5]	583	161	1,584	2,957	924	N/A	12	6,221
Total fuel consumption	7,927,877	17,274,979	2,664,140	5,518,878	1,413,068	2,657	14,600	34,816,199
Total electricity consumption	2,057,544	3,057,202	39,716	1,049,189	288,245	15,492	1,024,894	7,532,282
Total area in sqm	441,595	413,079	126,700	82,700	18,700	130	1,220,000	2,302,904
Energy Intensity	4.665	7.40	4.94	12.69	15.41	119.17	1	165.27

[5] Amended figures. Incorrect units in 2021 report.

HMC continuously uses LED-type equipment for all lighting needs of its facilities and uses solar technology as an alternative source of power for streetlights. The adoption of these types of equipment and technology help reduce long-term costs and maintenance.

For this year, TMC continued the use of the more fuel-efficient Articulated Dump Trucks (ADT) and conveyor belt system that reduce the need for trucking system in ore hauling. Additionally, employees continue to practice the switching of lights and electrical appliances when not in use, as well as the usage of solar window film to control the sun's heat, the continuous usage of LED lights and inverter appliances, and the implementation of work from home set-up. All these are meant to reduce or control energy consumption across operations.

Additionally, one of TMC's initiatives to reduce or control fuel consumption is the use of Euro 4 engines instead of using Euro 3. Efficiency in mining operations of TMC are consistently targeted which eventually reduce actual fuel consumption on a per-tons-of-ore basis.

Water Use and Discharge

The EMS allows NAC to identify facilities and activities that endanger groundwater. As Water Management has been quite of a challenge to NAC's goals, several of NAC's mine sites concocted a Water Management Plan that is supplemented by several water conservation policies and practices. The following measures are in place:

- Monthly and quarterly physical and chemical monitoring of Total Suspended Solids (TSS)
- Establishment of activated carbon gabions
- Regular dredging of sumps and ponds
- Planting of slopes to reduce exposed areas
- Vetiver grass planting in ponds for phytoremediation
- Using oil-water separator to prevent contamination
- Covering of ore stockpiles to minimize silted water
- Generation from stockpile areas
- In-house water sampling
- Emergency response procedures for accidental releases of contaminated water
- Construction of a drainage system that directs water/leakages to designated areas of treatment

Water use and discharge are regularly monitored, and appropriate risk mitigation measures are implemented for possible risks. The landfill, for example, is layered with high-definition polyethylene to provide impermeability and water containment. In addition, wastewater is filtered through silt curtains and silt containment ponds before being reused for dust suppression and product washing.

In JSI, regular recording of water withdrawal for daily operations is ensured. There are plans to establish a rainwater collection system and install measuring devices, tools, and equipment to improve water use monitoring and efficiency and reduce water consumption.
On one hand, JSI's short-term strategy for mitigating water management risks is to include regular water quality monitoring implement appropriate mitigating measures once negative changes are detected in the water.

On the other hand, the Company's long-term strategy involves regular water system monitoring, preventive maintenance, implementation of water use efficiency, and water quality enhancement projects.

Water Use and Protection					
2022	Extraction		Discharge		
	Water Body	Volume (cu.m)	Water Body	Volume (cu.m)	Silt Collected (WMT)
RTN	Ground Water	973,074	Surface Water	15,726,816	10,906
	Rain Water	23,593,530			
	Recycled Wastewater	92,639			
TMC	Surface Water	166,557	Surface Water	22,642	281,080
			Rain Water	12,427	
HMC	Surface Water	195,816.83	Surface Water	62,484	90,020
CMC	Surface Water	23,899.82	N/A	N/A	40,003
	Ground Water	36,604.40			
	Recycled Wastewater	26,250.00			
DMC	Surface Water	27,273.92	Surface Water	21,819.14	3,156
Total		**25,135,644.67**		**15,846,188.14**	**425,165**

Air Protection

To guarantee compliance with all air quality policies, NAC's operating mines ensures routine emission testing and dust emission measurement. The Company also obtained the necessary permits for pollutant-emitting devices and provided monitoring reports to DENR agencies showing that emissions from its operations are well within regulatory limits.

The NAC ESG Technical Working Group (TWG) required each subsidiary to record and monitor its GHG emission. The Company capacitated key personnel in GHG accounting and standardized methods in computing for emissions.

For this year, JSI intends to boost carbon sequestration through reforestation projects while also strengthening internal fuel control and usage policies. The Company also aims to improve its internal solid waste and wastewater management system in order to reduce associated emissions. By 2025, the Company hopes to have reduced Scope 1 emissions by at least 60%.

JSI is also monitoring the refrigerants used in equipment like ACUs and is actively looking for other potential sources of ODS in its operations. The Company is also exploring alternatives to comply with the phase-out schedule, ban, and control of ODS importation mandated by the DENR.

Likewise, three major mining companies in Palawan have joined forces to establish the second Continuous Ambient Air Quality Monitoring Station (CAAQMS). The RTN, Coral Bay Nickel Corporation (CBNC), and Graymont Philippines, Inc. (GPI) have agreed to subsidize the purchase of a P6.4 million CAAQMS in the mining community of Bataraza.

Monitoring air quality, particularly in a mining community, is critical for an adequate air quality management system as it allows corrective actions to be taken to reduce air pollution and maintain the health of the air that people breathe. The initiative will also include a data acquisition system and real-time air quality results that will be available to the public.

These mining companies believe that the new system will modernize the assessment of the current state of ambient air quality, allowing them to develop appropriate programs to achieve complete clean and healthy air to breathe for communities now and in the future.

Air Quality	RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	EPI	JSI	TOTAL
2022									
Avoided emission	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(47,324)	**(47,324)**
GHG (Scope 1) TCO_2	68,107	219,902	15,177	131,296	3,190	4	7	244,715	**682,398**
GHG (Scope 2) TCO_2	1,175	1,619	24	N/A	2	60	9	624	**3,514**
Ozone-depleting substances (ODS) (kg)	235	N/A	N/A	76	N/A	N/A	N/A	0	**311**
Nitrous Oxides (NOx) (mg/Ncm)	N/A	N/A	N/A	714	1,594	N/A	N/A	3	2,310
Sulfur Oxides (SOx) (mg/Ncm)	N/A	N/A	N/A	1	1	N/A	N/A	24	**26**
Persistent organic pollutants (POP)	20	N/A	N/A	Untested	N/A	N/A	N/A	0	**20**
Volatile organic compounds (VOC)	0	N/A	N/A	14,486	N/A	N/A	N/A	0	**14,486**
Hazardous air pollutants (HAP)	0	N/A	N/A	Untested	N/A	N/A	N/A	0	**0**
Particulate matter (PM) (ug/Ncm)	N/A	30	11	16	57	N/A	N/A	4	**118**
Mercury (Hg)	N/A	N/A	N/A	Untested	N/A	N/A	N/A	0	**0**
Lead (Pb)	N/A	N/A	<0.01	Untested	N/A	N/A	N/A	0	**0**

Waste Management

NAC fully supports the global waste reduction campaign as a responsible corporation concerned not only with the environment but also with the health and safety of its employees. The Company diligently implements an effective solid waste management plan.

Additionally, NAC continually practice upcycling and places a high value on technologies that help the company manage wastes effectively, such as DOST's bioreactor, vermicomposting, and mulching for biodegradable wastes; the use of Materials Recovery Facilities (MRF) for recyclable and reusable wastes; and using sanitary landfill for residual wastes.

HMC continues to produce bio-organic fertilizers from biodegradable kitchen wastes and practices vermicomposting. Biogas technology in accommodating all kitchen wastes, especially food wastes continue in use as well as Jobo pots in the nursery operations.

HMC also has additional waste management initiatives implemented during the period including the segregation of biodegradable, residual, and recyclable wastes; composting of biodegradable waste for vermi-culture; upcycling and recycling.

Waste Management in kg	RTN	TMC	HMC[6]	CMC[4]	DMC[4]	HEAD OFFICE	EPI	JSI	TOTAL
2022									
Non-Hazardous	192,278	33,384	27,975	9,916	4,856	303	23	1,331	**270,066**
Hazardous	111,361	232,855.04	81,840	72,808	10,890	0	152	1,228	**511,134.04**
Total Waste Generated	**336,371**	**266,239.04**	**109,815**	**82,724**	**15,746**	**303**	**175**	**2,558**	**813,931.04**
Non-Hazardous	136,578	23,208	131,460	2,372[7]	0	0	23	333	**293,974**
Hazardous	144,093	0	0	0	3,802	0	0	0	**147,895**
Total Waste Diverted from Disposal	**280,671**	**23,208**	**131,460**	**2,372[2]**	**3,802**	**0**	**23**	**333**	**441,869**
Non-Hazardous	55,700	232,855.04	0	4,748[8]	0	303	0	998	**71,924**
Hazardous Waste	0	115	127,130	92,340[9]	1,757	0	152	1,228	**222,722**
Total Waste Directed to Disposal	**55,700**	**232,970.04**	**127,130**	**97,088**	**1,757**	**303**	**152**	**2,226**	**517,326.04**

Climate-related Risks and Opportunities

NAC promotes and practices responsible mining recognizing the interconnection between our synergetic relationship with communities and the environment in both the short and long term. While our climate-related risk assessment is still underway, NAC has begun to include TCFD reporting with an eye toward improved disclosures.

NAC supports the TCFD recommendations as it provide an excellent framework for greater transparency on climate-related risks and opportunities in financial markets. In fact, some of the TCFD's suggestions are already being implemented. As part of its climate action goal, NAC's ESG Roadmap contains emission reduction targets. It also includes goals for climate-resilient company operations and building sustainable communities where the company operates.

Disclosures of GHG emissions, including Scope 1 and Scope 2 emissions, are also included in the TCFD guidelines. In this instance, NAC is actively collaborating with the University of the Philippines Los Banos to include emissions from Land Use Change. This will enable more precise and thorough assessment of GHG emissions from the company's operations, particularly mining. NAC is also working to complete its Scope 3 emission inventory.

[6] Not able to obtain an exact tally due to the presence of waste materials from 2021 that were only recently disposed of in 2022.

[7] For Reusing

[8] Landfilling

[9] Treated and disposed by third-party service provider

NAC has ongoing efforts to assess climate-related risks, with an emphasis on transition risks and physical risks, to align its GHG emission reduction plans with science-based targets.

SOCIAL

NAC showed its dedication to the welfare and well-being of its employees by providing a steady and predictable source of decent employment during the period while concentrating on inclusive and sustainable growth, despite the uncertainties.

An industry-typical 1:3 ratio of male to female employees, totaling 1,923, was effectively employed.

In line with this, NAC encourages diversity and inclusion in all subsidiaries by filling positions not for any other reason but only because they are the most qualified.

Assessment criteria are used to distinguish a candidate's knowledge, technical skills, professional talents, leadership potential, attitude, and character, and whether the candidate connects with the Company's culture, its shared values, and potential for progress.

Employee Breakdown

Employment by Contract Type and Gender		RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	EPI	JSI	TOTAL
2022										
Male	Regular/Probationary	484	555	144	194	47	45	13	32	**1,514**
	Seasonal	188	322	149	90	14	0	0	0	**763**
	Project-based	283	37	0	0	0	0	0	0	**320**
	Total	**955**	**914**	**293**	**284**	**61**	**45**	**13**	**32**	**2,597**
Female	Regular/Probationary	75	121	52	59	21	61	13	7	**409**
	Seasonal	0	8	14	12	1	0	0	0	**35**
	Project-based	24	8	0	0	2	0	0	0	**34**
	Total	**99**	**137**	**66**	**71**	**24**	**61**	**13**	**7**	**478**
Total Regular/Probationary		**559**	**676**	**196**	**253**	**68**	**106**	**26**	**39**	**1,923**

Employment by Position and Gender (Regular/Probation)		RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	EPI	JSI	TOTAL
2022										
Male	Managers	20	46	13	9	8	9	7	3	**115**
	Supervisors	66	103	11	72	24	14	3	6	**299**
	Non-supervisory/ technical	36	43	36	0	0	1	2	8	**126**
	Rank and File	362	363	84	114	15	21	1	15	**975**
Female	Managers	8	19	3	6	4	14	5	1	**60**
	Supervisors	16	38	3	43	14	19	7	3	**143**

	Non-supervisory/ technical	38	47	32	0	0	3	0	3	123
	Rank and File	13	17	14	9	3	25	1	0	82
	Total	**559**	**676**	**196**	**253**	**68**	**106**	**26**	**39**	**1,923**

Employment by Position and Age Group (Regular/Probation)	RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	EPI	JSI	TOTAL
2022									
Below 30 yrs old									
Managers	0	10	0	3	0	2	0	0	15
Supervisors	6	45	0	50	23	12	4	1	141
Non-supervisory/ technical	16	17	32	0	0	2	1	4	72
Rank and File	8	11	10	7	4	18	0	4	62
TOTAL	**30**	**83**	**42**	**60**	**27**	**34**	**5**	**9**	**290**
30 to 50 yrs old									
Managers	20	46	16	11	12	19	9	4	137
Supervisors	57	72	14	55	15	19	6	8	246
Non-supervisory/ technical	53	62	36	0	0	2	1	6	160
Rank and File	284	252	88	80	14	26	2	9	755
TOTAL	**414**	**432**	**154**	**146**	**41**	**66**	**18**	**27**	**1,298**
Over 50 yrs old									
Managers	7	9	0	1	0	2	3	0	22
Supervisors	19	24	0	10	0	2	0	0	55
Non-supervisory/ technical	6	11	0	0	0	0	0	1	18
Rank and File	83	117	0	36	0	2	0	2	240
TOTAL	**115**	**161**	**0**	**47**	**0**	**6**	**3**	**3**	**335**
TOTAL	**559**	**676**	**196**	**253**	**68**	**106**	**26**	**39**	**1,923**

In 2022, 2,274 locals, 9% of whom are indigenous people, were hired, providing work opportunities for the host community and nearby communities.

Employment from Local Communities and IPs		RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	EPI	JSI	TOTAL
2022										
Male	Local communities	671	864	258	147	25	0	0	25	1,990
	Employees from the local community (%)	70%	95%	88%	52%	41%	0%	0%	78%	77%
	Indigenous People	147	39	0	0	0	0	0	3	189

Female	Local Communities	81	115	49	26	10	0	0	3	284
	Employees from the local community (%)	82%	84%	74%	37%	42%	0%	0%	43%	59%
	Indigenous People	12	5	0	0	0	0	0	0	17

Employee Training and Benefits

In 2022, NAC gave its employees a total of 62,799 hours of training to enable them to fulfill their duties successfully through adversities.

The Company believes that investing in its employees has a positive knock-on effect on its operations. The abilities they get from workshops and training help them improve and perform better on the job. Well-trained and competent employees are able to achieve not only their personal aspirations but the Company's as well.

As employee training and development is a continuing endeavor, the Company has set goals and targets to widen the approach and scope of such activities.

In August 30, 2022, TMC was recognized by TESDA with a National Kabalikat Award. This award is given annually by TESDA to their most active and outstanding partners who have assisted the agency in developing, enhancing and implementing training programs that have resulted in better employability of Filipino skilled workers.

Both TMC and EPI also aim to have all its skilled workers to be NC2-certified. As for CMC, it conducted a 7-day training on Maritime Security Awareness for All Port Facility Personnel with and without Security Duties from May 16-22, 2022.

These trainings, among many others, have always been a testament of how NAC nurtures and invests in its employees by building their capabilities and skills for professional development and career progression.

32.66 average training hours per employee.

Training Hours		RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	EPI	JSI	TOTAL
2022										
Total Training Hours		16,770	24,692	9,018	6,381	3,700	1,528	249	461	62,799
Average Training Hours		30.00	36.53	46.01	25.22	54.41	14.42	9.58	11.82	32.66
Average training hours by gender	Male	27.22	33.39	42.46	20.81	50.55	8.84	5.23	13.69	
	Female	47.95	50.89	55.85	39.71	63.05	18.52	13.92	3.29	
Average training hours by position	Manager	67.84	86.60	77.49	51.53	63.67	16.09	9.25	2.00	
	Supervisors	43.68	60.21	47.43	31.26	62.11	28.30	9.80	26.94	
	Non-supervisory/ technical	39.99	15.26	66.31	0.00	0.00	23.00	20.00	18.23	
	Rank and File	22.21	24.21	26.59	16.37	32.00	2.87	0.00	0.67	

Programs for upgrading employee skills	Head Office	RTN	TMC	HMC	CMC	DMC	EPI	JSI
Internal trainings	5	12	17	7	4	12	0	1
External trainings	24	66	88	65	45	25	11	8

Key Trainings	Head Office	RTN	TMC	HMC	CMC	DMC	EPI	JSI
Technical Trainings	11	47	50	37	31	21	5	7
Leadership Skills Training	10	22	7	11	6	4	2	3
Soft Skills Training	8	9	6	24	6	0	4	0

The provision of training is only the first step in an employee's growth. Performance reviews are a crucial component for employee retention strategies.

A developed Performance Evaluation and Development Sheet (PEDS) contains performance indicators that help monitor employee performance on a yearly basis. During the Service Awards program, employees who provided exceptional service during the year are honored and awarded promotions, incentives, and/or pay increases.

NAC provides benefits that go above the minimum requirements, including medical allowances, life insurance, HMOs, extended vacation, and sick leave. COVID-related support is also given such as food and financial aid, free hospitalization, and work-from-home arrangements remain available for employees to utilize.

Parental Leaves		RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	EPI	JSI	TOTAL
Paternal Leave	Total employees who took parental leave [A]	27	13	1	8	0	2	0	1	52
	Number of employees who returned to work after parental leave [B]	27	13	1	8	0	2	0	1	52
	Return to work rate (%)	**100%**	**100%**	**100%**	**100%**	**0%**	**100%**	**0%**	**100%**	**100%**
	Number of employees who are still employed one year after their return from parental leave [C]	26	8	1	5	0	0	0	0	43
	Retention rate (%)	**100%**	**73%**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**	**91%**
Maternal Leave	Total employees who took maternal leave [A]	9	10	2	5	0	1	0	0	27
	Number of employees who returned to work after maternal leave [B]	9	10	2	5	0	1	0	0	27
	Return to work rate (%)	**100%**	**100%**	**100%**	**100%**	**0%**	**100%**	**0**	**0%**	**100%**

Number of employees who are still employed one year after their return from maternal leave [C]	5	20	1	5	0	3	3	0	**38**
Retention rate (%)	**100%**	**100%**	**100%**	**71%**	**0%**	**100%**	**100%**	**0%**	**87%**

New Hires and Employee Turnover		RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	EPI	JSI	TOTAL
2022										
Male	New Hires	64	639	14	17	7	10	5	12	**768**
	Turnover (Voluntary)	24	9	10	27	14	4	0	3	**91**
	Turnover (Involuntary)	24	0	0	3	1	1	0	0	**29**
	Turnover	48	9	10	30	15	5	0	3	**120**
Female	New Hires	7	36	7	9	4	17	7	0	**87**
	Turnover (Voluntary)	6	0	8	3	4	6	0	0	**27**
	Turnover (Involuntary)	0	0	0	0	0	0	0	0	**0**
	Turnover	6	0	8	3	4	6	0	0	**27**
	TOTAL TURNOVER	**54**	**9**	**18**	**33**	**19**	**11**	**0**	**3**	**147**

Standard entry level wage by gender compared to local minimum wage	Gender	Head Office	RTN	TMC	HMC	CMC	DMC	EPI	JSI
Standard entry level wage	Male	636	355	350	385	420	438	652	450
	Female	636	355	350	385	420	461	658	749
Local minimum wage	Male	590	355	350	350	350	401	570	450
	Female	590	355	350	350	350	401	570	450
Average hourly wage	Male	80	44	44	48	48	55	82	56
	Female	80	44	44	48	48	58	82	56
	Ratio	1.1:1	1:1	1:1	1:1	1.2:1	1.1:1	1.2:1	1.3:1

	% of Male Employees who Availed for 2022								% of Female Employees who Availed for 2022							
Benefits	HEAD OFFICE	RTN	TMC	HMC	CMC	DMC	EPI	JSI	HEAD OFFICE	RTN	TMC	HMC	CMC	DMC	EPI	JSI
SSS	16%	31%	49%	32%	11%	4%	27%	34%	13%	3%	37%	13%	15%	1%	23%	29%
PhilHealth	0%	0%	69%	8%	3%	0%	0%	16%	0%	0%	45%	5%	14%	0%	0%	29%
Pag-Ibig	7%	25%	18%	20%	49%	0%	18%	9%	11%	1%	12%	7%	29%	0%	15%	29%
Vacation Leaves	96%	100%	99%	78%	100%	72%	100%	75%	90%	100%	100%	19%	100%	28%	100%	57%
Sick Leaves	96%	0%	99%	49%	100%	72%	100%	66%	90%	0%	100%	15%	100%	28%	100%	57%
Medical benefits	100%	62%	100%	0%	3%	0%	100%	56%	100%	57%	100%	0%	14%	0%	100%	57%
Housing assistance	0%	9%	0%	0%	0%	0%	N/A	N/A	0%	7%	0%	0%	0%	0%	N/A	N/A
Retirement benefit	96%	100%	2%	100%	3%	0%	N/A	N/A	90%	100%	0%	0%	2%	0%	N/A	N/A
Further education support	0%	5%	1%	0%	6%	0%	N/A	N/A	0%	3%	1%	0%	2%	0%	N/A	N/A
Company stock options	72%	N/A	0%	0%	0%	0%	N/A	N/A	89%	N/A	0%	0%	0%	0%	N/A	N/A
Telecommuting	80%	N/A	0%	0%	21%	0%	N/A	N/A	80%	N/A	0%	0%	56%	0%	N/A	N/A
Flexible-working hours	72%	0%	0%	0%	21%	0%	N/A	N/A	89%	0%	0%	0%	56%	0%	N/A	N/A
Free accommodation	0%	67%	15%	45%	47%	0%	N/A	22%	0%	74%	27%	16%	62%	0%	N/A	57%
Birthday Leave (BL)	0%	58%	99%	75%	16%	0%	N/A	31%	0%	54%	100%	25%	17%	0%	N/A	14%
Medicine Allowance	96%	N/A	100%	75%	65%	61%	N/A	0%	90%	N/A	100%	25%	80%	24%	N/A	0%
Annual Physical Exam	100%	99%	100%	75%	97%	72%	100%	81%	100%	100%	100%	25%	98%	28%	100%	100%
Rice Subsidy	96%	N/A	100%	75%	97%	0%	100%	81%	90%	N/A	100%	25%	98%	0%	100%	100%
Toiletries	0%	N/A	15%	31%	28%	72%	N/A	0%	0%	N/A	27%	19%	74%	28%	N/A	0%
Free Laundry	0%	1%	15%	34%	28%	52%	N/A	0%	0%	4%	27%	20%	74%	22%	N/A	0%
Others	96%	100%	100%	0%	0%	0%	N/A	0%	90%	100%	100%	0%	0%	0%	N/A	0%

Freedom of Association and Collective Bargaining

NAC guarantees employees the unconstrained availability of their Freedom of Association and Collective Bargaining. As standard practice, unions are included in working committees for programs and activities and are involved in formulating strategies to handle company issues. As a result, there are total of 604 employees covered by CBA as of 2022.

Structure and process are both important in institutionalizing the assistance we extend to our employees and in strengthening our connections with them. For instance, TMC's Labor Management Committee (LMC) works to strengthen ties between labor and management; the LR cost center provides annual funds to support union operations.

HMC has an Integrated Management System (IMS) that includes explicit guidelines for worker consultation, participation, and representation. The management and the union agree to the principle that the disputes between labor and management shall be resolved through friendly negotiation; that the parties have an interest in the continuation of work until all issues in the have been discussed and settled; and that an open conflict in any form involves losses to both parties, so to avoid such open conflict.

Since DMC is a non-union organization, it has an open-door policy and engages in open dialogue with its employees to foster positive working relationships. The Company has plans to formalize its freedom of association policy in 2023.

As key business partners, unions require an environment of cooperation, proactive policies, and openness to information exchange, discussions, consultations, and negotiations. Unions frequently participate in working groups for programs and activities and actively devise strategies to address corporate issues.

Collective Bargaining Agreement	RTN	TMC	HMC	CMC	TOTAL
Number of employees under CBA	440	376	92	96	**604**
Percent of employees under CBA	81%	69%	49%	28%	**44%**
No. of consultations conducted with employees concerning employee-related policies	4	2	3	10	**19**

Creating a Safe and Healthy Workplace

NAC puts in place a thorough occupational health and safety program that will prevent any occurrences of downgrading in its operations as provided in its written health and safety policy.

A health and safety management system covers the employees of NAC, guests, and stakeholders. Its health and safety policies are communicated to employees through MS Teams, Email, and posting on bulletin boards.

NAC's subsidiaries also have an existing formal joint management-worker health and safety committee called the Central Safety and Health Committee (CSHC) — consisting of workers and union representatives. The CSHC is responsible for planning, implementing, and evaluating the safety and health programs within the Company. The CSHC meets on a monthly basis to discuss matters related to safety and health. Departmental meetings are also conducted to gather concerns and suggestions from employees related to Safety and Health.

RTN and TMC established the group Hazard Identification, Risk Assessment, Risk Control, and Risk Opportunities (HIRARC-RO) to identify relevant activities, possible hazards, and consequences.

HMC was awarded through the Department of Labor and Employment (DOLE) the 12th Gawad Kaligtasan Best Practice Award for Occupational Health Program last Dec. 16 (Region XIII).

Across all subsidiaries, Risk assessments are conducted regularly with the participation of labor workers and committees to account for all possible hazards/risks in each operational activity.

Results from these assessments are documented and communicated to all concerned and involved individuals for their information and education. In addition, the identification and evaluation of hazards give the Company an idea of what activities are highly hazardous and can then formulate or identify procedures and actions to address those hazards, as well as training and programs.

- RTN 10 million safe man hours contributed by about 1,800 RTN employees, contractors, and service provider personnel.
- DMC received Safety Seal Certification by the Department of Labor and Employment (DOLE).

Zero lost days, lost-time accidents, and work-related fatalities.

Injuries and Accidents[10]	RTN	TMC	HMC	CMC	DMC	JSI	TOTAL
No. of employees in health & safety committee	45	40	23	42	57	7	**214**
Total manhours	5,019,213	7,992,448	3,076,403.6	3,865,829	1,151,644	755,344	**21,860,881.6**
Safe manhours	18,283,887	21,517,134	36,721,244	6,906,553	1,877,006	3,410,133	**88,715,956**
Number of occupational injuries/illnesses	2	2	7	7	27	0	**45**
Incidence rate[11]	0.40	2.02	0.24	4.4	1.56	0	**8.62**
No. of safety drills	10	14	12	11	5	2	**49**

[10] Not applicable for EPI
[11] IR = (No. of NLTA X 1,000,000)/Manhours NLTA - No Lost Time Accidents

Training Programs on Health and Safety	RTN	TMC	HMC	CMC	DMC	HEAD OFFICE	JSI
2022							
Medical Trainings	11	2	0	4	1	2	1
Road Safety Trainings	79	10	2	1	1	0	0
Fire Safety Trainings	2	1	2	1	1	1	1
Occupational Health and Safety Trainings	18	26	7	2	36	4	3
COVID-19 Response Trainings	1	0	0	2	40	0	5

Moving Communities towards Growth and Progress

NAC's partnership with its host and nearby communities have been forged through years of collaboration. The Social Development Management Program (SDMP) and Corporate Social Responsibility (CSR) efforts of the Company have been influential, significant, and relevant in achieving the shared goals of the Company and the communities. NAC implemented its SDMP and CSR programs to meet actual community needs, which became especially critical as families struggled throughout the uncertainties brought about by 2022.

SDMP & CSR Spending (Million PhP)								
	ELEMENT	RTN	TMC	HMC	CMC	DMC	JSI	TOTAL
2022								
SDMP	Required Spending	50.6	93.6	25.8	53.8	8.1	N/A	**231.9**
	Actual Spending	45.8	86.4	25.6	35.5	7.0	N/A	**200.4**
CSR	Non-IP Communities	44.7	19.2	16.4	9.8	0.3	0.1	**90.5**
	IP Communities	12.2	1.7	N/A	N/A	1.0	2.6	**17.5**

Educational Support

This 2022, support for students and the education sector was even more critical. Most schools started slowly resuming face-to-face classes just as the country's inflation continued to rise. This made essential requirements such as food and shelter become the main priority for most households, placing the budget for education behind.

NAC has always had in its best interest to assist its neighboring communities when it comes to educational programs and projects, firmly believing that education is one of the most effective ways toward sustainable growth anywhere.

HMC, through the Brigada Eskwela Program, provides aid in keeping clean classrooms, well-maintained learning tools, and attractive landscaping. Doing so makes schools a productive and hospitable place for students to acquire the values and competencies needed to have a better opportunity and in the long run, contribute to nation-building.

Likewise, RTN supports the Department of Education's (DepEd) "adopt-a-school" initiative. RTN provides financial help to produce modules and donate school supplies, as well as help fix significant schools repairs. Five public schools impacted by Typhoon Odette got P300,000 in assistance from RTN. Through the Company's efforts, DepEd Palawan acknowledged RTN as one of its active partners and stakeholders in providing high-quality education in the province.

INDICATOR	RTN	TMC	HMC	CMC	DMC
Project/ Program name	Scholarship Program	Access to Education and Educational Support Program	Education Support Program for Volunteer Teachers and Students	Community Education and Development Program: Supporting Education and Livelihood in Host and Neighboring Communities	Support for Child Development Workers, College Scholars, and Technical Skills Program
Description of program	SDMP flagship program provides scholarships to elementary, high school, senior high school and college students.	College financial assistance, full academic scholarships, and support to school activities under DHNC and DMTG	Provision of printing materials, basic school fees/matriculation, monthly subsidiary, support for Alternative Learning System, and fund to purchase storage box for module keeping.	The project provides assistance to schools and college scholars, subsidies to assistant teachers and child development workers, and skills training for selected barangays. It also includes provision of materials and construction of facilities for selected schools.	This project involves providing subsidies to Child Development Workers, tuition fee reimbursement for college students, TESDA NC II training for Masonry, and covering full tuition and miscellaneous expenses.
Expenditures	6,841,457.29	17,548,945.99	3,709,504.98	5,181,187.12	733,066.50
Number of beneficiaries	589[12]	582	1,243[13]	1464	202[14]
Impact/ Expected impact	Increased literacy and participatory rate and increased social mobility and job opportunities.	To produce graduates that will be part of the country's workforce.	The project aims to support a total of 1,420 students from 7 schools in 3 host communities, including 17 volunteer teachers and child development workers, 3 facilitators, and 75 learners from different levels of education.	Access to Education and Educational Support Programs which are geared towards providing educational opportunities to members of the community which can help their chances for future economic progress.	The project aims to improve the quality of life of CDWs and students by providing educational support and developing household heads' skills to enhance their employment opportunities and economic situation

As an advocate for community health and wellness, NAC gives properly equipped medical facilities in all its operating mines. While pandemic restrictions previously halted the usual medical missions to other nearby communities, it has now been slowly permitted, and activities improved for 2022.

After a two-year hiatus, the Medical-Surgical Mission in Surigao sponsored by NAC is back this year with 253 successful surgeries made possible by NAC's subsidiaries — TMC, CMC, and HMC, in partnership with Taganito HPAL Nickel Corporation, the team operated 148 minor cases and 105 major cases. Among the surgical operations performed were cases of cleft palate, goiter, hernia, gall bladder, myoma, breast mass, and other ailments.

[12] Scholars

[13] Pupils, students, teachers, facilitators, college scholars and schools benefited

[14] Child development workers, college students, Pupils, and constituents/household heads benefited

TMC had the opportunity to speak with the patients and the medical team during the mission, where they underscored the impact the mission has on their lives, as they gained access to surgical procedures and medical treatments without worrying about the costs.

In addition, the Company has always sought ways to contribute to and promote healthy habits for the benefit of its employees. Recently, DMC employees and contractors participated in a bloodletting program organized by the Rural Health Unit (RHU). Dinapigue RHU launched the campaign in 2017 with the goal of supporting the National Voluntary Blood Services Program, which ensures that communities' blood reserves are adequate for the population's needs.

In Cagdianao, Dinagat Islands, CMC's Community Relations Department distributed health essentials and other supplies to 400 senior citizens and PWDs. As senior citizens are also members of the vulnerable sectors in the community, CMC's quarterly provision of supplies such as food, rice, milk and other supplies are a big help for their daily sustenance. Regular distribution of medicines, plus the services offered from the CMC clinic are part of the company's initiative.

In all, the health component of CMC's Social Development and Management Plan stands at PHP 5,529,000.00.

CMC also supported mental health initiatives by sponsoring a school-based mental health and psychosocial support for learners' activity at Valencia National High School in Barangay Valencia. This is to aid in the mental well-being and coping mechanisms of young people within the host and neighboring communities that were affected by the onslaught of Typhoon Odette.

To help the youth process and cope with the psychological trauma caused by the destructive typhoon, the school has responded to the needs of young learners by holding a series of discussions on mental health and stress management. CMC committed to funding similar activities through its Social Development and Management Program to assist community residents in fully recovering from the difficult and challenging effects of natural disasters.

INDICATOR	RTN	TMC	HMC	CMC	DMC
Project/ Program name	Hospital Subsidy	Access to Health and Services, Health Facilities, and Professionals	Provision of medicines, support to seniors and PWDs, health workers and health/emergency and bereavement assistance for indigent families.	Provision of essential medicines, "Buntis Kits" and "Filter Cards", assistance to Blood Letting Activity, health related concerns and emergencies, health food supplies for senior citizens and PWDs, Host and Neighboring Communities. Repair and improvement of Health Center and sanitary toilet.	Preventive healthcare programs, and provision of sanitary toilet bowl, medical apparatuses.
Description of program	RTNFI Hospital provides free hospitalization to Bartaraza IPs and indigent residents. 10% of SDMP budget was donated by Impact and Non-impact Barangays	Subsidy to Barangay Health Centers manpower; and, Clean & Green Program-Food Always in the Home (FAITH) Gardening	Semestral provision of medicines to Community Health Centers, quarterly health food supplies to Senior Citizens & PWDs, financial support and bereavement assistance for	Access to Health Services, Health Facilities and Health Professionals programs were geared towards achieving overall improvement in the living conditions and health of the	Health Caravan provided free medical consultations and medicines to the 5 barangays of Dinapigue, with sanitary toilet bowls and medical apparatuses provided to Brgys.

			indigent families and service fee for health workers.	host and neighboring communities	Dimaluade, Ayod and DIbulo
Expenditure	4,779,592.58	6,108,077.18	1,390,228.41	2,437,577.29	193,049.50
Number of beneficiaries	4696[15]	40731	731[16]	1566	683[17]
Impact/ Expected impact	Increased access to health care services	Improved health services; and Zero-waste management	450 patients, 210 seniors, 45 PWDs, 21 BHWs, 25 indigent families, expected to be supported.	Increased access to primary health care services. Support for a healthier and cleaner community.	Providing individual toilet bowls per household to improve health care services in barangays.

Strengthening Livelihood Programs

Providing and strengthening livelihood programs are essential to NAC. Contributing to the social welfare of the communities in which we live and work form part of our identity as a Company.

As such, NAC initiated the following projects and activities:

TMC established a dragonfruit farm that shows the vast potential of rehabilitated mined-out lands in providing livelihood for locals. To date, TMC has harvested 187 pieces of dragonfruit from its Biodiversity Nursery which is managed by the Environmental Team.

The farm proves that even after the mine has closed, locals may still be left with huge livelihood opportunities that may even exceed the economic benefits generated by mining. Small-holder farmers, one of the most vulnerable members of society, are among the primary beneficiaries of the livelihood programs of TMC.

The Social Development and Management Program (SDMP) of TMC also funded a pineapple plantation in Claver, Surigao del Norte. Aside from pineapple, Cagdianao Forest Seedlings and Pineapple Association (CAFSPIA) also grows forest seedlings such as ironwood (Magkono), pine tree (Agoho), red meranti (Red Lawaan), mangium, narra, ebor, marang, and antipoyo. These seedlings are also used in TMC's reforestation and rehabilitation efforts.

RTN also hopes to increase the market value of calamansi products from Barangay Tarusan in Bataraza town by collaborating with national government agencies on value-added initiatives. The calamansi project can assist 60 farmers in three barangay sitios in meeting the livelihood needs of their families. The mining company allotted P500,000 from its SDMP to fund the program.

With the help of RTN, the community is able to reach agencies such as the Department of Trade and Industry (DTI) and the Technical Education and Skills Development Authority (TESDA) to help improve their skills and products. Aside from providing additional income, the calamansi project can also increase the locals' health immunity given the benefits one can get from consuming calamansi.

[15] Admitted and OPD
[16] Individuals benefited
[17] Constituents and households

INDICATOR	RTN	TMC	HMC	CMC	DMC
Project/ Program name	Mud Crab Production	Enterprise Development and Networking	Integrated Support for Water Refilling Station Improvement, CAMFISA Repair, Bangus Production, Capacity Building, and Product Development	Rehabilitation and Improvement of Multi-purpose Building, Bangus Cage, Mini Iceplant, Capacity Enhancement Trainings, and Livelihood Equipment Restoration	Capital Outlay Provision for Ayod and Digumased Women's Associations, Bucal Norte and Ubbog Sur Farmers Associations, and Bucal Sur Women's Association
Description of program	The project was funded by the Nickel and Gotok projects' supplemental budget this year. It was led by the Chieftain of So. Bongkol-Bongkol with 15 IP members who took turns manning the project area. The group has started harvesting crabs and selling them to RTN employees and an external buyer.	Enterprise Development of Peoples' Organizations like: CAFSPIA, TACPECCO, TAFFA, UCPC, CAPSASCO, URWASS, HAT, GAMAWA, DAPJA, ALINDAJAW, SIFAS, CREMACO	The project provides support for various initiatives, including the building of a water refilling station, a production project, repair work, and training for organizational development, project management, values enhancement, and marketing support.	The project includes the rehabilitation and improvement of a multi-purpose building, bangus cage, and mini iceplant, as well as capacity and capability enhancement training. It also involves the restoration of livelihood equipment and facilities.	The project involves cage construction, procurement of 200 cobs, feeds, and fertilizers, as well as renting a space for sales. It also includes supporting tinapa processing, vermiculture, sardine production, and providing piglets to 3 association members.
Expenditure	59,361.17	3,612,180.39	9,740.677.97	270,890.75	417,569.52
Number of beneficiaries	16[18]	271	201[19]	1106	176
Impact/ Expected impact	Sustainable livelihood. Additional income specially for the indigenous people.	Create an avenue for the communities to enhance and develop their skills and livelihood opportunities that will impact their lives when the mines cease to operate.	200 members, at least 4 existing livelihood projects and their products developed with marketing contacts, and 4 partner Pos - TUWA/TMPC/UFAOBS/CAMFISA capacitated are expected to be supported in the project a	Sustainable livelihood opportunities which can provide alternative sources of income coming from viable local enterprises.	To provide sustainable livelihood and additional income to the women and farmers association of Brgy. Ayod, Brgy. Bucal Norte, Brgy. Bucal Sur, Brgy. Digumased, and Brgy. Dibulo.

Disaster Resilience in Vulnerable Communities

In assisting the host and surrounding communities, it is essential for NAC to protect its stakeholders and empower them to bounce back better from disasters.

The NAC Operating Companies (OpCos) contributed P40 million last year in relief and recovery aid to victims of Typhoon Odette. RTN, CMC, TMC, and HMC also mobilized emergency response teams (ERTSs) and medical teams to assist with the search and rescue operation. The mining companies also distributed nearly 14,000 sacks of rice and 10,000 food packs to victims in the host and neighboring communities.

During the typhoon's devastation, CMC evacuated residents to its own evacuation centers and provided them with food, basic necessities, and tent materials for temporary shelter. About P15.7 million was also provided by HMC's Corporate Social Responsibility (CSR) Program to assist families affected by Super Typhoon Odette in Tagana-an and neighboring communities in Surigao del Norte.

In the same year, RTN actively participated in the wide relief operation drive in northwestern Palawan with employee contributions, in coordination with the local government units of Roxas, Taytay, and

[18] IPs
[19] Members benefitted

organization Couples for Christ (CFC), they distributed 927 sacks of rice, 80 sets of laminated sheets for temporary shelter, distilled water, and 880 food packs with assorted relief goods.

TMC, which has been active in disaster response, also successfully celebrated Fire Prevention Month 2022 with a variety of activities. The TMC Fire Brigade took part in the opening program of the Claver Central Fire Station's Fire Prevention Month. One of the highlights of the kick-off program was a demonstration of various fire-fighting techniques.

During the same month, DMC joined forces with the Bureau of Fire Protection (BFP) Regional Office 2 to commemorate Fire Prevention Month. DMC and BFP kicked off the celebration with a motorcade, followed by a series of emergency preparedness drills.

BFP also held a 5-day Basic Life Support and Firefighting training program at the DMC Main Camp from March 21 to 25, which was attended by members of the DMC Emergency Response Team (ERT) and interested employees. The program aims to equip the DMC ERT with the skills needed to effectively save lives in the event of an emergency by teaching them first aid and rescue techniques.

INDICATOR	RTN	TMC	HMC	DMC
Project/ Program name	SDMP Research Center: The effects of soil-inoculant rich soil compost to solanum lycopersicum on lateritic and agricultural soils	Community Coastal Protection	Support to communities severely affected by super typhoon Odette	Flood Control Structure - Riprap - Phase 1 and Drainage Canal
Description of program	Supports the production of seedlings for the purpose of planting 5 million trees. RTN partnered with several schools to implement school-based tree planting programs.	Site Bouldering (Phase 2)	Provision of relief goods to affected families/household in the host and neighboring communities	Objective is to build a riprap around Ayod Integrated School to protect against slope erosion and construct an extra drainage canal to alleviate flooding within the barangay during the rainy season.
Expenditure	655,867.07	3,128,377.28	4,765,942.00	252, 459.00
Number of beneficiaries	1[20]	996	808[21]	371[22]
Impact/ Expected impact	Trees improve student performance, well-being, and discipline while fostering love for nature. They also help prevent erosion and related disasters.	The safeguarding of households within the barangay from potential storm surges and other meteorological upheavals.	Support a total of 808 households across the three host communities by providing them with one sack of rice, canned goods, and noodles for a duration of two months.	To enhance the infrastructure facilities within the barangay, thereby enabling improved community assistance to families and reducing their vulnerability to floods.

GOVERNANCE

Adherence to good corporate governance and ethics is essential for NAC to achieve its goals. NAC announced that it has made its Annual Corporate Governance Seminar (ACGS) sessions more inclusive, and has established a session for directors, officers, managers, and supervisors to be extended soon to regular employees within the organization.

[20] School

[21] Household provided with various relief assistance in the 3 host communities

[22] Constituents

Over the years, NAC has proven that it has transitioned its strategy from mere compliance to establishing a strong focus on ethics within the corporate culture. To support this initiative, the Company has contacted Good Governance Advocates and Practitioners of the Philippines (GGAPP) for guidance on how to involve everyone in the Company in monitoring organizational performance, championing transparency, and ensuring the business is going in the right direction.

NAC believes that everyone inside its organization creates an impact. The role of senior management down to the employees is crucial in implementing, monitoring, and providing feedback to the management and the Board. This way, corporate plans are periodically revisited and can be refined to best fit the organization and maximize effectiveness.

Economic Performance

NAC's operations in 2022 continued to benefit the local economies of each province and municipality where its mines are located, employing approximately 3,075[23] people directly and indirectly.

Furthermore, NAC works in accordance with the mandated SDMP, and operating companies make additional efforts for host and neighboring communities through its corporate social responsibility (CSR) programs.

In 2022, NAC reported a total attributable net income of P7.9 billion - a 2% increase year-on-year. The Group recorded a sales total of 15.94 million wet metric tons (mWMT) of nickel ore at the same time, down 11% year-on-year due to unfavorable weather that adversely affected the Group's mining operations.

By November 24, 2022, NAC declared a special cash dividend of P0.23 per share to stockholders of record, payable on Dec. 9, 2022, and effective last October 3, 2022, the Company increased its stake in Coral Bay Nickel Corporation (CBNC) from 10% to 15.625%

The Company's operations show that it is well-positioned to achieve its twin goals of being included in Philippine Stock Exchange's Top 25 companies in terms of market capitalization and becoming a premier ESG investment in the country by 2025.

- NAC achieves to be the leading, growing, profitable, and multi-awarded mining business supported by a structurally supportive industry outlook on the green mega-trends
- NAC's revenue streams and its growing renewable energy business diversity can accelerate its next leg of growth
- ESG is ingrained in NAC's DNA, affirmed by the lasting impact in the communities it touches. Its sustainable business operations and practices are also recognized and awarded locally and internationally

[23] Including seasonal and project-based

Supply Chain Management

Spending on Local Suppliers (in million PhP)	RTN	TMC	HMC	CMC	DMC	EPI	JSI	TOTAL
2022								
Total spending	1,756	4,252	1,181	1,983	178	254	2,765	**12,369**
Spending on local suppliers[24]	1,756	4,137	1,177	1,883	178	242	252	**9,624**
Percentage of spending on local suppliers	**100%**	**97%**	**99%**	**95%**	**100%**	**95%**	**9%**	**78%**

NAC ensures that all domestic and international suppliers are subject to rigorous quality and service monitoring.

The supply chain management of NAC employs an accreditation method that incorporates environmental performance in its criteria. An Accreditation Committee reviews and analyzes vendor applications based on track record, quality, price, delivery lead times, and safety, environmental, and regulatory compliance.

Local suppliers are still preferred whenever possible, not only because of the advantages of paying in Philippine Peso and following customary payment terms but also because the Company recognizes the importance of prioritizing local labor.

Anti-Corruption

Integrity is one of the seven core values of NAC. It is a guide for the employees on how the Company must be operated, and how we as a group should behave and interact with stakeholders. To further realize this, NAC has approved and established its Anti-Bribery and Anti-Corruption Policy this 2022.

The objective is to demonstrate the Company's dedication to upholding the highest standards of ethical behavior —not only through words but also through actions.

This further demonstrates NAC's commitment to operating its Company in an honest, equitable, and fair manner. Following all laws and regulations relevant to its business operations and the communities are essential to NAC.

Please visit *https://nickelasia.com/corporate-governance/policies-processes-and-practices* for more information on the said policy.

[24] Local suppliers within the Philippines or suppliers where no overseas transmittal payments are made.

Ensuring Good Labor Practices

NAC diligently follows and promotes the Philippine Labor Code as well as regulations governing child labor, forced labor, and human rights. Furthermore, as an Equal Opportunity Employer, the Company enforces a non-discrimination policy from application until employment.

Discrimination accusations are processed in a private setting. The Chief Compliance Officer and HR Head guarantee that only those participating in the inquiry have access to the specifics of the complaint. Everyone involved must uphold secrecy regarding the complaint's subject and the parties involved.

NAC ensures that all employees have open lines of communication and promotes ongoing interaction between subordinates and employees. In accordance with the Whistle Blowing Policy, whistleblowers will not have to worry about reprisals. An assigned email address, phone, and fax number are available for use by staff members. The option to identify oneself or remain anonymous is available for the complainants depending on preference.

Compliance

NAC is committed to upholding and adhering to all applicable regulations and standards for ethical mining practices.

Environmental compliance is something that NAC actively upholds as a matter of principle. We adhere to the regulations and legislation of the following agencies:

- Department of Environment and Natural Resources' (DENR)
- Mines and Geosciences Bureau (MGB)
- Environmental Management Bureau (EMB)
- Biodiversity Management Bureau (BMB).
- Department of Labor and Employment (DOLE)
- Department of Health (DOH)
- National Commission on Indigenous Peoples (NCIP)
- Philippine Competition Commission (PCC)
- Local Government Units (LGUs)

To ensure compliance, NAC has a Risk and Assurance Group that regularly assesses company risks, including environmental compliance. The Management receives a monthly report on the status of environmental permits, while the Board's Risk Oversight Committee and the Board get quarterly reports.

The Company also has a Public and Community Relations Sector that collaborates with the Community Relations and Operations Team that oversee and ensure the Company’s compliance with relevant laws, rules, and regulations, and in relation to the impact of these rules to operations, to the Company’s host and neighboring communities, and to the indigenous peoples in its areas of operation.

NAC continues to transparently communicate its operations and compliance-related disclosures to the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) through its annual and sustainability reports.

Data Security

Respecting privacy and protecting data is more than mere legal obligation; it is also good business practice. To ensure and maintain zero cases of data breaches, including leaks, thefts, and losses of data in 2022, NAC adheres to the Philippines' Data Privacy Act of 2012 and its implementing rules and regulations by enforcing numerous policies that handle cybersecurity, workstation security, and email communications.

NAC does not allow the use of corporate email for social media or online shopping accounts. We have rigorous adherence, a cybersecurity information campaign, and data protection advisories to safeguard our corporate workforce to prevent them from becoming victims of behavioral advertising and customer privacy. E-mail communication and collaboration are cloud-based under Microsoft 365, while all other data processing are behind corporate firewalls, still it remains NAC operations vulnerable to data security risks.

In identifying and addressing these data security risks, NAC ensures daily close monitoring of Information communication technology (ICT) Infrastructure on Sophos Unified Threat Management and Sophos Email Gateway for inbound threats as well as Sophos Anti-Virus for Workstation protection, MS Active Directory to strengthen workstation security and user role access.

During the COVID-19, NAC had challenges with Work From Home setup. The use of VPN for Work from Home Users, DocuSIGN for E-Signatures, and Office 365 for Communications and Collaboration are implemented to strategically adapt to the situation.

CERTIFICATION

Nickel Asia Corporation (NAC) fully owns Cagdianao Mining Corporation (CMC). It is located at Brgy. Valencia, Cagdianao, Dinagat Islands.

As of December 31,2022, the Total Mineral Reserves of CMC are as follows:

Mineral Reserves	Classification	Tonnes (kWMT)	Tonnes (kDMT)	%Ni	%Fe	Contained Ni (kT)
Saprolite	Proved and Probable	4,779	3,107	1.44	17.25	45
Limonite	Proved and Probable	6,871	4,466	1.09	37.50	48

The undersigned is issuing this certification in his capacity as a Philippine Mineral Reporting Code (PMRC) Accredited Competent Person for mineral reserves recognized by the Philippine Society of Mining Engineers. The undersigned is fully aware that, being under the employment of Nickel Asia Corporation, the certification may be subjected to review or scrutiny by other independent Accredited Competent Persons whom the concerned government institution(s) of financing bodies might choose to employ.

CMC is currently working on its full compliance with the PMRC 2020 Edition.

Francisco J. Arañes Jr.
Mining Engineer, License No. 0002305
PMRC Accredited Competent Person for Nickel
ACP Registration No.: EM-ACP-030-0002305
PTR NO. 6702880
Issued: January 31,2023
Surigao City, Surigao Del Norte

CERTIFICATION

Nickel Asia Corporation (NAC) owns 65% of Taganito Mining Corporation (TMC). It is located at Brgy. Taganito, Claver, Surigao del Norte.

As of December 31,2022, the Total Mineral Reserves of TMC are as follows:

Mineral Reserves	Classification	Tonnes (kWMT)	Tonnes (kDMT)	%Ni	%Fe	Contained Ni (kT)
Saprolite	Proved and Probable	40,160	27,762	1.39	11.52	386
Limonite	Proved and Probable	80,089	53,659	0.99	45.79	533

The undersigned is issuing this certification in his capacity as a Philippine Mineral Reporting Code (PMRC) Accredited Competent Person for mineral reserves recognized by the Philippine Society of Mining Engineers. The undersigned is fully aware that, being under the employment of Nickel Asia Corporation, the certification may be subjected to review or scrutiny by other independent Accredited Competent Persons whom the concerned government institution(s) of financing bodies might choose to employ.

TMC is currently working on its full compliance with the PMRC 2020 Edition.

Artemio E. Valeroso
Mining Engineer, License No. 0002641
PMRC Accredited Competent Person for Nickel
ACP Registration No.: EM-ACP-166-0002641
PTR NO.: 6702855 Z
Issued: January 25,2023
Surigao City, Surigao del Norte

CERTIFICATION

Nickel Asia Corporation (NAC) owns 60% of Rio Tuba Nickel Mining Corporation (RTNMC). It is located at Brgy. Rio Tuba, Bataraza, Palawan.

As of December 31,2022, the Total Mineral Reserves of RTNMC are as follows:

Mineral Reserves	Classification	Tonnes (kWMT)	Tonnes (kDMT)	%Ni	%Fe	Contained Ni (kT)
Saprolite	Proved and Probable	37,232	25,190	1.46	14.10	368
Limonite	Proved and Probable	37,093	26,138	1.14	35.83	298

The undersigned is issuing this certification in his capacity as a Philippine Mineral Reporting Code (PMRC) Accredited Competent Person for mineral reserves recognized by the Philippine Society of Mining Engineers. The undersigned is fully aware that, being under the employment of Nickel Asia Corporation, the certification may be subjected to review or scrutiny by other independent Accredited Competent Persons whom the concerned government institution(s) of financing bodies might choose to employ.

RTNMC is currently working on its full compliance with the PMRC 2020 Edition.

Ronelbert A. Suguitan
Mining Engineer, License No. 0002534
PMRC Accredited Competent Person for Nickel
ACP Registration No.: EM-ACP-052-0002534
PTR NO. 1194929
Issued: January 31,2023,
Puerto Princesa, Palawan

CERTIFICATION

Nickel Asia Corporation (NAC) fully owns Hinatuan Mining Corporation (HMC). It is located at Hinatuan Island, Taganaan, Surigao del Norte.

As of December 31,2022, the Total Mineral Reserves of HMC are as follows:

Mineral Reserves	Classification	Tonnes (kWMT)	Tonnes (kDMT)	%Ni	%Fe	Contained Ni (kT)
Saprolite	Proved and Probable	4,455	3,029	1.37	18.41	41
Limonite	Proved and Probable	2,090	1,421	0.93	49.01	13

The undersigned is issuing this certification in his capacity as a Philippine Mineral Reporting Code (PMRC) Accredited Competent Person for mineral reserves recognized by the Philippine Society of Mining Engineers. The undersigned is fully aware that, being under the employment of Nickel Asia Corporation, the certification may be subjected to review or scrutiny by other independent Accredited Competent Persons whom the concerned government institution(s) of financing bodies might choose to employ.

HMC is currently working on its full compliance with the PMRC 2020 Edition.

Rolando R. Cruz
Mining Engineer, License No. 0001803
PMRC Accredited Competent Person for Nickel
ACP Registration No.: EM-ACP-017-0001803, valid until 22 November 2024
PTR NO. A-5880634
Issued: 29 March 2023, Taguig City

CERTIFICATION

Nickel Asia Corporation (NAC) fully owns Dinapigue Mining Corporation (DMC). It is located at Brgy. Dimaluade, Dinapigue, Isabela.

As of December 31,2022, the Total Mineral Reserves of DMC are as follows:

Mineral Reserves	Classification	Tonnes (kWMT)	Tonnes (kDMT)	%Ni	%Fe	Contained Ni (kT)
Saprolite	Proved and Probable	33,540	21,801	1.41	15.19	306
Limonite	Proved and Probable	27,020	17,563	1.02	46.41	179

The undersigned is issuing this certification in his capacity as a Philippine Mineral Reporting Code (PMRC) Accredited Competent Person for mineral reserves recognized by the Philippine Society of Mining Engineers. The undersigned is fully aware that, being under the employment of Nickel Asia Corporation, the certification may be subjected to review or scrutiny by other independent Accredited Competent Persons whom the concerned government institution(s) of financing bodies might choose to employ.

DMC is currently working on its full compliance with the PMRC 2020 Edition.

Rolando R. Cruz
Mining Engineer, License No. 0001803
PMRC Accredited Competent Person for Nickel
ACP Registration No.: EM-ACP-017-0001803, valid until 22 November 2024
PTR NO. A-5880634
Issued: 29 March 2023, Taguig City

CERTIFICATION

The Nickel Asia Corporation (NAC) Properties are: Rio Tuba Nickel Mining Corporation (RTNMC) located at Brgy. Rio Tuba, Bataraza, Palawan; Taganito Mining Corporation (TMC) located at Brgy. Taganito, Claver, Surigao del Norte; Cagdianao Mining Corporation (CMC) located at Brgy. Valencia, Cagdianao, Dinagat Islands; Hinatuan Mining Corporation (HMC) located at Hinatuan Island, Brgy. Talavera, Tagana-an, Surigao del Norte and Dinapigue Mining Corporation (DMC) located at Brgy. Dimaluade, Dinapigue, Isabela.

As of December 31,2022, the Company's Total Mineral Resources are as follows:

Mineral Resources	Classification	Tonnes (kWMT)	Tonnes (kDMT)	%Ni	%Fe	Contained Ni (kT)
Saprolite	Measured and Indicated	159,795	103,449	1.45	14.86	1,504
Limonite	Measured and Indicated	235,778	151,325	1.03	43.29	1,561
Saprolite	Inferred	32,583	20,710	1.38	15.45	285
Limonite	Inferred	7,581	4,846	1.03	39.35	50

Note:

1. The 'Contained Ni (kT)' is derived from the multiplication of the average Ni% and estimated tonnage (DMT) of the resource. It does not consider mining losses and dilution. Discrepancies may appear due to rounding off of figures in the table.
2. The Ni% and Fe% cut-off grades used in this estimation vary per property.

The undersigned is issuing this certification in her capacity as an Accredited Competent Person and as an active member of the Geological Society of the Philippines. She is fully aware that, being under the employment of Nickel Asia Corporation, her certification may be subjected to review or scrutiny by other independent Competent Persons whom the concerned government institution(s) of financing bodies might choose to employ.

NAC is currently working on its full compliance with the PMRC 2020 Edition.

KRISTINE GRACE CAPUZ VICTORIA
Geologist, PRC No. 1721
Accredited Competent Person for Nickel, ACP Reg. No. 19-08-02
PTR No. 1229564
Issued: March 06,2023
Plaridel, Bulacan